FarmWorks Investment Co-operative Limited
Financial Statements
For the Year Ended December 31, 2025

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Independent Auditor's Report

To the Shareholders of FarmWorks Investment Co-operative Limited

Opinion

We have audited the financial statements of FarmWorks Investment Co-operative Limited (the "Co-operative"), which comprise the statement of financial position as at December 31, 2025, and the statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and the notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Co-operative as at December 31, 2025 and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis of Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Co-operative in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Comparative Information

We draw attention to Note 3 in the financial statements which describes that the Co-operative adopted International Financial Reporting Standards on January 1, 2025 with a transition date of January 1, 2024. These standards were applied retrospectively by management to the comparative information in these financial statements, including the balance sheets as at December 31, 2024 and January 1, 2024, and the statement of income, retained earnings and cash flows for the year ended December 31, 2024, and related disclosures. Our opinion is not modified in respect of this matter.

We were not engaged to report on the comparative information, and as such, it is unaudited.

Other Matters

The financial statements of FarmWorks Investment Co-operative Limited for the year ended December 31, 2024 were not audited. These financial statements were reviewed by us, and we expressed a review conclusion on them in our report dated July 4, 2025. Accordingly, the comparative information presented for the year ended December 31, 2024 is unaudited.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Co-operative's Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtain the Co-operative's Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibility of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Co-operative's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Co-operative or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Co-operative's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Co-operative’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Co-operative’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Co-operative to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants
Halifax, Nova Scotia
April 30, 2026

FarmWorks Investment Co-operative Limited
Statement of Financial Position

December 31	2025	2024	January 1, 2024
Assets		*(unaudited)*	*(unaudited)*
Current			
Cash	**$ 532,601**	$ 290,245	$ 320,806
Term deposit	**52,407**	50,565	50,705
Loans receivable - current portion (Note 4)	**956,661**	1,112,133	1,013,874
Current taxes receivable	**18,329**	-	-
Deferred tax asset (Note 6)	**2,332**	-	-
	1,562,330	1,452,943	1,385,385
Loans receivable (Note 4)	**3,138,799**	3,220,400	3,048,655
	$ 4,701,129	$ 4,673,343	$ 4,434,040
Liabilities and Shareholders' Equity			
Current			
Accounts payable and accrued liabilities	**$ 25,146**	$ 3,852	$ 4,034
Current tax liabilities	**-**	14,567	9,267
Deferred tax liabilities (Note 6)	**-**	75,500	45,050
	25,146	93,919	58,351
Shareholders' Equity			
Share capital (Note 5)	**5,129,300**	5,069,600	4,797,400
Deficit	**(453,317)**	(490,176)	(421,711)
	4,675,983	4,579,424	4,375,689
	$ 4,701,129	$ 4,673,343	$ 4,434,040

Approved by the Board:

Director

Director

The accompanying notes are an integral part of these financial statements

FarmWorks Investment Co-operative Limited
Statement of Comprehensive Income

For the year ended December 31	2025	2024
		(unaudited)
Revenue		
Interest income	**$ 226,344**	$ 221,410
Loan losses recovered	**3,874**	2,664
Grants and subsidies	**11,250**	-
Miscellaneous	**2,175**	2,789
	243,643	226,863
Operating expenses		
Administrative fees	**10,363**	6,000
Advertising expense	**8,372**	12,648
Loan loss impairment	**154,750**	100,042
Board expense	**2,210**	5,403
Client related expense	**7,002**	7,878
Office expense	**26,793**	28,610
Professional fees	**46,112**	28,466
Share offering and promotion	**7,890**	4,488
Wage expense	**39,453**	53,014
	302,945	246,549
Loss before income taxes	**(59,302)**	(19,686)
Income tax provision (recovery) (Note 6)	**(96,161)**	48,779
Net and comprehensive income (loss)	**$ 36,859**	$ (68,465)

The accompanying notes are an integral part of these financial statements

FarmWorks Investment Co-operative Limited
Statement of Changes in Shareholders' Equity

	Share Capital	Retained Earnings (Deficit)	Total
Balance at January 1, 2024	$ 4,797,400	$ (421,711)	$ 4,375,689
Net loss	-	(68,465)	(68,465)
Net increase in shares	272,200	-	272,200
Balance on December 31, 2024	5,069,600	(490,176)	4,579,424
Net income	-	36,859	36,859
Net increase in shares	59,700	-	59,700
Balance on December 31, 2025	**$ 5,129,300**	**$ (453,317)**	**$ 4,675,983**

The accompanying notes are an integral part of these financial statements

FarmWorks Investment Co-operative Limited
Statement of Cash Flows

For the year ended December 31	2025	2024
		(unaudited)
Operating activities		
Net and comprehensive income (loss)	**$ 36,859**	$ (68,465)
Adjustments for:		
Loan loss impairment	**154,750**	100,042
Income taxes payable	**(110,728)**	35,750
	80,881	67,327
Changes in operating assets and liabilities:		
Accounts payable and accrued liabilities	**21,293**	(182)
Total cash inflows (outflows) from operating activities	**102,174**	67,145
Financing activities		
Redemption of share capital	**(240,300)**	(202,800)
Issuance of share capital	**300,000**	475,000
Total cash inflows from financing activities	**59,700**	272,200
Investing activities		
Issuance of loans receivable	**(920,000)**	(1,296,000)
Collection of loans receivable	**1,060,304**	925,954
Specific loan receivable bad debts	**(57,980)**	-
Return of capital from investments	**(1,842)**	140
Total cash inflows (outflows) from investing activities	**80,482**	(369,906)
Net increase (decrease) in cash	**242,356**	(30,561)
Cash, beginning of year	**290,245**	320,806
Cash, end of year	**$ 532,601**	$ 290,245

Refer to Note 7 for supplementary cash flow information.

1. Nature of Operations

FarmWorks Investment Co-operative Limited (the "Co-operative") was incorporated on May 17, 2011 under the laws of Nova Scotia and commenced operations on May 17, 2011. The Co-operative is engaged in promoting and providing strategic and responsible community investment in food production, distribution and preparation in order to increase access to a sustainable local food supply for all Nova Scotians.

These financial statements were authorized for issue by the Board of Directors on April 28, 2026.

2. Basis of Presentation

(a) Statement of Compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

(b) Basis of Measurement

These financial statements were prepared under the historical cost convention, except for financial assets classified as fair value through profit and loss ("FVTPL"). The Co-operative’s functional and presentation currency is the Canadian dollar.

(c) Judgment and Estimates

The preparation of financial statements in compliance with IFRS Accounting Standards requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Co-operative’s accounting policies. The areas involving critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are:

- The determination of impairment of loans receivable; assessing whether credit risk on the loans has increased significantly since initial recognition; and the incorporation of forward-looking information into the measurement of the expected credit loss ("ECL") (Note 4);
- The classification of financial assets, which includes assessing the business model within which the assets are held and whether the contractual terms of the assets are solely payments of principal and interest on the principal amount outstanding, and how the business model's objective is achieved (Note 4); and
- The Co-operative determines the fair value of certain financial instruments using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows (Note 4).

In addition, in preparing the financial statements, the notes to the financial statements were ordered such that the most relevant information was presented earlier in the notes and the disclosures that management deemed to be immaterial were excluded from the notes to the financial statements. The determination of the relevance and materiality of disclosures involved significant judgement.

3. First-time Adoption of IFRS Accounting Standards

Effective January 1, 2025, the Co-operative adopted the requirements of the accounting framework, IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB). These are the Co-operative's first financial statements prepared in accordance with this framework and the transitional provisions of IFRS 1, First-time adoption of International Financial Reporting Standards, have been applied. IFRS 1 requires retrospective application of the accounting standards with certain elective exemptions and retrospective exceptions. The material accounting policy information has been applied in preparing the financial statements for the year ended December 31, 2025, the comparative information presented in these financial statements for the year ended December 31, 2024 and in the preparation of an opening IFRS Accounting Standards balance sheet at the date of transition of January 1, 2024.

The Co-operative issued financial statements for the year ended December 31, 2024 using Canadian accounting standards for private enterprises (APSE). The adoption of IFRS Accounting Standards resulted in adjustments to the previously reported assets, liabilities, equity, net income and cash flows of the Co-operative. All adjustments were charged to retained earnings. The charges to retained earnings at the date of transition of January 1, 2024 were as follows:

	January 1, 2024
Opening retained earnings (deficit), Pre-changeover Accounting Standards	$ 61,488
Increase in allowance for estimated credit losses	(438,149)
Increase in deferred income tax liability	(45,050)
Opening retained earnings (deficit), IFRS Accounting Standards	$ (421,711)

	December 31, 2024
Net loss, Pre-changeover Accounting Standards	$ (218,587)
Decrease in loan loss impairment expense	180,572
Increase in deferred income tax expense	(30,450)
Net loss, IFRS Accounting Standards	$ (68,465)

4. Loans Receivable

Loans receivable are broken down as follows:

	2025	2024
Farm loans	$ 1,372,290	$ 1,393,596
Retail/hospitality loans	3,478,128	3,597,125
Allowance for loan impairment	(754,958)	(658,188)
Total loans receivable	4,095,460	4,332,533
Current portion of loans receivable	(956,661)	(1,112,133)
Long-term portion of loans receivable	$ 3,138,799	$ 3,220,400

Total loans outstanding at year end:

	2025		2024	
	Total	$	Total	$
Loans less than $50,000	67	$ 1,476,873	75	$ 1,686,706
Loans from $50,000 - $100,000	19	1,337,796	22	1,428,003
Loans greater than $100,000	12	2,035,749	12	1,876,012
	98	$ 4,850,418	109	$ 4,990,721

Loans as a percentage of total number of clients:

	2025	2024
	As a % of total	As a % of total
Loans less than $50,000	68	69
Loans from $50,000 - $100,000	20	20
Loans greater than $100,000	12	11
	100	100

4. Loans Receivable (continued)

Terms and Conditions

Loans receivable are for a five year term except for loans in excess of $100,000 which may have five to ten year terms. The interest rate offered on loans receivable being advanced at December 31, 2025 is fixed to 6.00% (2024 - 6.00%).

Loans receivable are unsecured.

In some circumstances when a loan has suffered an impairment loss because of the discontinuance of the client's business, the interest portion of any future payment is forgiven. These amounts are included in the loan loss provision.

Recognition and Initial Measurement

The Co-operative initially recognizes loans receivable on the date on which they are originated. Loans receivable are initially measured at fair value.

Classification and Subsequent Measurement

Loans receivable are classified and subsequently measured at amortized cost, using the effective interest rate method, because they meet the solely payments of principal and interest criterion and are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. Loans receivable are subsequently reduced by any allowance for loan losses.

Derecognition and Contract Modifications

The Co-operative ceremonies loans receivable when the contractual rights to the cash flows from the loans receivable expire.

On derecognition, the difference between the carrying amount at the date of derecognition and the consideration received is recognized in profit or loss.

If the terms of a loans receivable are modified, then the Co-operative evaluates whether the cash flows of the modified loan receivable is substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original loan receivable is deemed to have expired and are unrecognised and a new loan receivable is recognized at fair value.

Credit Risk

Credit risk is the risk of financial loss to the Co-operative if a customer or counterpart to a financial instrument fails to meet its contractual obligations, and arises principally from the Co-operative's loans receivable.

4. Loans Receivable (continued)

Credit Risk Management

The Co-operative's credit risk management principles are guided by its overall risk management principles. The Board of Directors ensures that management has a framework, and policies, processes and procedures in place to assess and manage credit risk and that the overall credit risk policies are complied with at the business and transaction level.

The Co-operative's credit risk policies set out the minimum requirements for management of credit risk in a variety of transactional and portfolio management contexts. Its credit risk policies comprise the following:

- General loan policy statements including approval of lending policies, eligibility for loans, and loan administration, including:
    - Loan applications are reviewed in full by three directors, including meeting with the applicants; and
    - A full summary of eligible loans are provided to the full Board of Directors for approval before the disbursement of funds.
- Procedures outlining temporary suspension of payments and loan renegotiations as;
- Loan delinquency controls regarding procedures followed for loans in arrears.

Credit risk is then monitored by the Board of Directors who receive bi-monthly reports summarizing new loans and delinquent loans. The Board of Directors also receives an analysis of bad debts and allowance for loan loss impairment bi-monthly.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Amounts Arising from ECL

The Co-operative recognizes an allowance for loan losses for ECL in net income.

The Co-operative measures allowance for loan losses at each reporting date according to a three-stage ECL model as follows:

Stage	**1 - No Significant Increase in Credit Risk Since Initial Recognition**	**2 - Significant Increase in Credit Risk Since Initial Recognition**	**3 - Credit-Impaired**
Definition	From initial recognition of a financial asset to the date on which the asset has experienced a significant increase in credit risk relative to its initial recognition.	Following a significant increase in credit risk (SICR) relative to the initial recognition of the financial asset.	When a financial asset is considered to be credit-impaired (i.e. when credit default has occurred).

4. Loans Receivable (continued)

Stage	1 - No Significant Increase in Credit Risk Since Initial Recognition	2 - Significant Increase in Credit Risk Since Initial Recognition	3 - Credit-Impaired
Criteria for movement	At origination, all loans receivable are categorized into stage 1. Migration back to stage 1 may occur upon approval of loan officers if all signs of previous credit deterioration are remedied.	The Co-operative determines a SICR has occurred in loans receivable when there are recurring missed payments, interest only payments or reduced payment plan, or adverse forecast of cash flows. Additionally, the Co-operative incorporates forward-looking information into its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition.	A loan receivable is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the loan have occurred: • a breach of contract such as a default or delinquency in interest or principal payments; • significant financial difficulty of the borrower; or • it is becoming probable that the borrower will enter bankruptcy or other financial reorganization. A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

4. Loans Receivable (continued)

<table>
<tr><th>Stage</th><th>1 - No Significant Increase in Credit Risk Since Initial Recognition</th><th>2 - Significant Increase in Credit Risk Since Initial Recognition</th><th>3 - Credit-Impaired</th></tr>
<tr><td>ECL methodology</td><td>Impairment is estimated based on the expected losses over the expected life of loans receivable arising from default events occurring in the next 12 months (12-month expected credit loss).</td><td colspan="2">Impairment is estimated based on the expected losses over the expected life of loans receivable arising from default events occurring in the lifetime of the instrument (lifetime expected credit loss).</td></tr>
<tr><td>Collective or individual assessment</td><td colspan="2">Collective assessment of loans receivable grouped on the basis of similar risk characteristics based on loan type, industry, and the historical loss experience. The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.</td><td>Each credit-impaired loan receivable is individually assessed.</td></tr>
<tr><td>Application of ECL methodology</td><td colspan="2">Expected credit loss on a group of loans receivable is measured on the basis of a loss rate approach. The Co-operative develops loss rates for loans receivable in stage 1 and loss rates for loans receivable stage 2, based on historical default and loss experiences for those types of loans receivable, adjusted for current economic conditions and forecasts of future economic conditions.</td><td>The probability of default on credit-impaired loans receivable is 100%, therefore, the key estimate relates to the amount of the default. Expected credit loss on a credit-impaired loan is measured based on the Co-operative's best estimate of the difference between the loan's carrying value and the present value of expected cash flows discounted at the loan's original effective interest rate.</td></tr>
<tr><td>Key forward-looking information</td><td colspan="3">Local unemployment rates, local economic outlook, credit environment, and other relevant economic variables impacting subsets of the Co-operative's clients. The ECL calculation is sensitive to forward-looking scenarios and their respective probability weightings as at the reporting date.</td></tr>
</table>

4. Loans Receivable (continued)

Credit Quality Analysis

The following tables set out information about the credit quality of loans receivable based on their level of delinquency. Unless specifically indicated, the amounts in the table represent gross carrying amounts and include accrued interest.

				2025	2024
	12-Month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	Total
Loans Receivable					
Farm	$ 1,188,450	$ 183,840	$ -	$ 1,372,290	$ 1,393,596
Retail/Hospitality	2,186,842	480,730	810,556	3,478,128	3,597,125
	3,375,292	664,570	810,556	4,850,418	4,990,721
Allowance for loan losses	(56,784)	(130,542)	(567,632)	(754,958)	(658,188)
Carrying amount	$ 3,318,508	$ 534,028	$ 242,924	$ 4,095,460	$ 4,332,533

Write-off

Loans receivable are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Co-operative determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Co-operative to reduce any differences between loss estimates and actual loss experience.

In some circumstances when a loan has been defaulted due to the discontinuance of the client's business the interest portion of any future payment is forgiven.

During the year there were $57,980 in loan receivables written off (2024 - Nil).

4. Loans Receivable (continued)

Allowance for Loan Losses

The following table reconciles the opening to the closing balance of the allowance for loan losses. The allowance for loan losses in these tables include ECL on all loans receivable.

	12-Month ECL (2025)	Lifetime ECL not credit-impaired (2025)	Lifetime ECL credit-impaired (2025)	Total (2025)	Total (2024)
Loans Receivable					
Balance at January 1	$ 61,167	$ 199,178	$ 397,843	$ 658,188	$ 576,921
Transfer to 12-month ECL	37,639	(18,524)	(19,115)		
Remeasurements	(42,022)	(50,112)	247,646	155,512	81,267
Loans written off	-	-	(58,742)	(58,742)	-
Total allowance for loan losses, December 31	**$ 56,784**	**$ 130,542**	**$ 567,632**	**$ 754,958**	$ 658,188

There were no loans receivable that were modified while they had an allowance for loan losses measured at an amount equal to lifetime ECL.

Concentration of Risk

The Co-operative monitors concentration of credit risk on the basis of similar risk characteristics, based on loan type, industry, the length of time the loans are past due and the historical loss experience. The Co-operative has credit risk concentration from its geographic distribution of loans receivable to clients in Nova Scotia.

Fair Value Measurement

The estimated fair value of loans receivable at December 31, 2025 was $5,156,268 (2024 - $5,187,591). The estimated fair value of the fixed loans is assumed to be equal to book value as the interest rates on these loans are fixed at 6%. The estimated fair value of fixed rate loans is determined by discounting the expected future cash flows at current market rates for products with similar terms and credit risks. The weighted average market interest rate used in estimating fair value was 7.50% (2024 - 7.00%) and the average term to maturity was 3.37 years (2024 - 3.21 years).

Interest Rate Sensitivity

An analysis of the Co-operative's risk due to changes in interest rates determined that an increase in interest rates of 1.00% could result in a increase to net income of $196,000 while a decrease in interest rates of 1.00% could result in an decrease to net income of $167,000.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

5. Share Capital

Clients' shares issued by the Co-operative are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

Issued and outstanding shares:

	2025	2024
51,239 common shares (2024 - 50,696)	**$ 5,129,300**	$ 5,069,600

During the year, 3,000 shares were issued for $300,000 (2024 - 4,750 shares for $475,000) and 2,403 shares were redeemed for $240,300 (2024 - 2,028 shares for $202,800). Subsequent to year end, 5,201 shares were issued for $520,100.

Terms and Conditions

Voting Common Shares

The Co-operative is authorized to issue an unlimited number of voting common shares with a par value of $100 each.

6. Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

The significant components of tax expense included in comprehensive income are composed of:

	2025	2024
Current income tax provision	**$ (18,329)**	$ 18,329
Deferred tax provision		
Temporary differences on allowance for loan impairment	**(55,413)**	30,450
Unused tax losses	**(22,420)**	-
	(77,833)	30,450
Total income tax expense (recovery)	**$ (96,162)**	$ 48,779

The provision for income taxes differs from the result which would be obtained by applying the combined Canadian Federal and Provincial Statutory income tax rates to income before income taxes. This difference results from the following items:

	2025	2024
Loss before income taxes	**$ (59,302)**	$ (19,686)
Statutory income tax rate	**29.00 %**	29.00 %
Expected income tax expense	**(17,198)**	(5,709)
Increase (decrease) in taxes resulting from:		
Impact of reserves on loan losses	**(61,852)**	23,567
Non-capital losses to be used in future periods	**60,537**	-
Non-deductible expenses and other reconciling items	**184**	471
Current income tax expense (recovery)	**$ (18,329)**	$ 18,329

The change in the components of the 2025 deferred tax liabilities are as follows:

	2024	Net Income Impact	2025
Allowance for loan impairment	$ (75,500)	$ 55,413	$ (20,087)
Non-capital losses to be used in future periods	-	22,420	22,420
	$ (75,500)	**$ 77,833**	**$ 2,333**

7. Statement of Cash Flows

The following amounts are included in the cash provided by operations:

	2025	2024
Interest received on loans receivable	**$ (226,344)**	$ (221,410)

8. Capital Management

The Co-operative's objective in managing capital is to ensure it can maintain sufficient capital to support its lending activities and ongoing operations, while sustaining confidence among its members and other stakeholders. Capital consists of members' share capital and accumulated surplus or deficit, as presented in shareholders' equity. The Co-operative primarily finances its activities through the issuance of member shares.

The Board of Directors oversees capital management and considers the level and composition of the loan portfolio, expected credit losses, liquidity requirements, operating results, and forecast cash flows. The Co-operative is not subject to externally imposed capital requirements and does not maintain formal quantitative capital targets. Share issuances and redemptions are managed in accordance with the Co-operative's bylaws, and there were no changes in the Co-operative's approach to capital management during the year.

9. New Accounting Standards, Amendments and Interpretations

There are no new standards, interpretations or amendments effective for annual reporting periods beginning on or after January 1, 2025 that have a material effect on the the Co-operative's financial statements.

In April 2024, the IASB issued IFRS - Presentation and disclosure in Financial Statements ("IFRS 18") to improve reporting of financial performance. IFRS 18 replaces IAS 1, however, it carries forward many requirements from IAS 1 unchanged. IFRS 18 will be effective for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. IFRS 18 introduces three sets of new requirements for presentation of financial statements and disclosures within financial statements:

- Introduction of five defined categories of income and expenses: operating, investing, financing, income taxes and discontinued operations, with defined subtotals and totals.
- Disclosure within a note to financial statements of Management-Defined Performance Measures (MPM) with a reconciliation between MPMs and IFRS performance measures.
- Enhanced guidance and additional requirements for aggregation and segregation of information.

The Co-operative is currently assessing the impact of this new standard on the presentation and disclosure of its financial statements.