

CANEX

Consolidated Financial Statements

March 31, 2025

Independent auditor's report

To the Non-Public Property Oversight and Advisory Board of
Canadian Forces Morale and Welfare Services

Opinion

We have audited the consolidated financial statements of **Canadian Forces Exchange System (CANEX)** and its subsidiaries [the "Organization"], which comprise the consolidated balance sheet as at March 31, 2025, and the consolidated statement of operations and deficit and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as at March 31, 2025 and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis for 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 consolidated financial statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

Other matter

The consolidated financial statements for the year ended March 31, 2024 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on September 24, 2024.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Organization'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 Organization'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 consolidated 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 Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Organization as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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.

Ernst & Young LLP

Ottawa, Canada
December 4, 2025

Chartered Professional Accountants
Licensed Public Accountants



CANEX

Consolidated Balance Sheet

As at March 31
(in thousands of Canadian dollars)

	2025	2024
	\$	\$
Assets		
Current		
Cash	178	165
Accounts receivable and accrued receivables [note 3]	3,520	128
Inventory	21,784	20,151
Prepaid expenses	1,027	996
Current portion of credit plans receivable [note 4]	33,349	-
	<u>59,858</u>	21,440
Property and equipment [note 5]	25,848	26,909
Credit plans receivable [note 4]	16,893	-
	<u>102,599</u>	48,349
Liabilities and equity		
Liabilities		
Current		
Due to Canadian Forces Central Fund [note 3]	67,259	18,063
Accounts payable and accrued liabilities [note 6]	11,064	7,086
Current portion of loans payable to Canadian Forces Central Fund [note 7]	1,592	1,735
	<u>79,915</u>	26,884
Asset retirement obligation [note 8]	560	549
Loans payable to Canadian Forces Central Fund [note 7]	7,674	9,076
	<u>88,149</u>	36,509
Equity		
Contributed capital	23,280	23,280
Cumulative translation adjustment	(1,130)	(1,547)
Deficit	(7,700)	(9,893)
	<u>14,450</u>	11,840
	<u>102,599</u>	48,349

Commitments [note 9]

Approved on Behalf of the Non-Public Property Oversight and Advisory Board:



Dave Patel
Chief Financial Officer

The accompanying notes are an integral part of these consolidated financial statements.

CANEX

Consolidated Statement of Operations and Deficit

Year ended March 31
(in thousands of Canadian dollars)

	2025	2024
	\$	\$
Sales	114,391	116,321
Cost of sales	88,206	92,323
Gross profit	26,185	23,998
Other revenue <i>[note 10]</i>	16,154	14,360
	42,339	38,358
Expenses		
Payroll and benefits <i>[note 3 and 11]</i>	23,933	22,648
Other operating expenses <i>[note 3 and 12]</i>	11,816	12,838
Amortization of property and equipment	3,514	4,710
Interest on loans payable to Canadian Forces Central Fund	402	1,014
	39,665	41,210
Income (loss) before royalties and contributions	2,674	(2,852)
Royalties and contributions <i>[note 13]</i>	(481)	(465)
Net income (loss)	2,193	(3,317)
Deficit, beginning of year	(9,893)	(6,576)
Deficit, end of year	(7,700)	(9,893)

The accompanying notes are an integral part of these consolidated financial statements.

CANEX

Consolidated Statement of Cash Flows

Year ended March 31
(in thousands of Canadian dollars)

	2025	2024
	\$	\$
Operating activities		
Net income (loss)	2,193	(3,317)
Add (deduct) items not affecting cash		
Amortization of property and equipment	3,514	4,710
Asset retirement obligation accretion	11	9
Gain on disposal of property and equipment	-	(10)
Changes in non-cash working capital		
Accounts receivable and accrued receivables	(3,392)	81
Inventory	(1,633)	1,188
Prepaid expenses	(31)	183
Credit plans receivable	(50,242)	-
Due to Canadian Forces Central Fund	49,196	23,401
Accounts payable and accrued liabilities	3,978	587
Cash provided by operating activities	3,594	26,832
Investing activities		
Purchase of property and equipment	(2,453)	(873)
Cash used in investing activities	(2,453)	(873)
Financing activities		
Proceeds from the issuance of loans payable to Canadian Forces Central Fund	202	1,253
Repayment of loans payable to Canadian Forces Central Fund	(1,747)	(27,159)
Cash used in financing activities	(1,545)	(25,906)
Net increase (decrease) in cash during the year	(404)	53
Cash, beginning of year	165	137
Effect of foreign exchange rate on cash	417	(25)
Cash, end of year	178	165

The accompanying notes are an integral part of these consolidated financial statements.

CANEX

Notes to the Consolidated Financial Statements

March 31, 2025

(in thousands of Canadian dollars)

1. Nature of operations

CANEX is a commercial activity of Canadian Forces Morale and Welfare Services ["CFMWS"] operating under the authority of the Chief of the Defence Staff ["CDS"] in their Non-Public Property ["NPP"] capacity.

In Canada, the services consist of commercial retail operations at Canadian Forces Bases, Wings and Units operating under the name CANEX and affinity programs with insurance, banking and utility providers. In Germany, retail businesses are operated at the North Atlantic Treaty Organization Air Base at Geilenkirchen ["NATO Air Base"] under the name NATEX, in accordance with the concession contract ["NATEX contract"] between CANEX and the NATO Airborne Early Warning Force E-3A Component Headquarters. CANEX also operates AMSTO, a specialized administrative intermediary for military personel, facilitating both German insurance claims and VAT refund processing.

2. Significant accounting policies

Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian accounting standards for private enterprises.

Principles of consolidation

These consolidated financial statements include the accounts of the parent operation CANEX and 100% of the accounts of its subsidiaries, NATEX and AMSTO [hereafter together "CANEX"]. All significant transactions and balances between these entities have been eliminated.

Inventory

Inventory, which is composed of retail products, is recorded at the lower of cost and net realizable value. The cost method for inventory is determined using the weighted average cost. The net realizable value represents the estimated selling price in the normal course of operations less the estimated costs necessary to make the sale, which correspond to the direct cost of the inventory. See also *note 12*.

Property and equipment

Amortization

Property and equipment are initially recorded at cost and are then amortized using the straight-line method over their estimated useful lives at the following annual rates:

	<u>Rates</u>
Buildings	4%
Building improvements	9%
Computer equipment	25%
Fixtures and equipment	12%
Motor vehicles	25%
Point of sale system	17%

Notes to the Consolidated Financial Statements

March 31, 2025

(in thousands of Canadian dollars)

Work in progress is amortized when the asset is substantially completed.

Impairment

Property and equipment are tested for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposal. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value. No indicators of impairment were identified in either the current or prior fiscal year.

Asset retirement obligation

Asset retirement obligations relate to estimated future costs to remove underground motor fuel storage tanks and are based on CANEX's prior experience in removing these fuel tanks, the fuel tanks' estimated useful lives, external estimates and governmental regulatory requirements. A discounted liability is recorded for the asset retirement obligation with a corresponding increase in the carrying value of the related long-lived asset at the time an underground storage fuel tank is installed. To determine the initial recorded liability, the future estimated cash flows are discounted using an appropriate discount rate for maturity dates that coincide with the expected cash flows required to settle the obligation. The amount added to property and equipment is amortized in accordance with the accounting policy applicable to the related property and equipment.

Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased to reflect the passage of time and then adjusted for variations in the current market-based discount rate or the scheduled underlying cash flows required to settle the liability.

Employee future benefits

CANEX participates in the Canadian Forces Non-Public Funds (NPF) Employees Pension Plan ["the Pension Plan"], which is a multi-employer, contributory, defined benefit plan. The Pension Plan provides retirement benefits relating to contributions and years of service of staff of the Non-Public Funds. Substantially all CANEX employees are eligible to be members of the Pension Plan.

CANEX's portion of the Pension Plan is accounted for as a defined contribution plan as there is insufficient information available to use defined benefit plan accounting. As a result, CANEX's contributions to the Pension Plan are included as an expense in the consolidated statement of operations and deficit. A pension asset has not been recorded in the consolidated balance sheet.

Revenue recognition

Revenue is recognized when persuasive evidence of an arrangement exists, delivery of merchandise has occurred or services have been rendered, the selling price to the buyer is fixed or determinable, and collection of the selling price is reasonably assured. Revenue is measured at the amount of consideration received, net of returns and sales taxes. The specific recognition criteria set out below must be met before revenue is recognized.

Revenue from the sale of merchandise is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which is usually upon the delivery of the goods. CANEX records revenue from credit plan sales when the customer takes possession of the merchandise and collection is reasonably assured.

Notes to the Consolidated Financial Statements

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(in thousands of Canadian dollars)

Sales are presented net of any returns that occurred in the reporting period. In the normal course of operations, customers may return goods within 14 or 30 days, depending on the class of goods. Select goods are not eligible for return. Returns are not material in volume nor value.

The concession revenues are from concessions on the basis of agreements established between CANEX and each individual concessioner. Revenue is recorded in line with the terms of the respective agreements, which include straight-line or variable basis. Revenue is based on management's best estimate. CANEX records an accrual and, upon the receipt of the concessioner's results, records a subsequent true-up.

The Personal Insurance Company revenue corresponds to commission income, which is recognized on the effective date of the policies when the customer has accepted the policy or has not sent modification that the policy will not be renewed, and risks and rewards have been transferred.

All other revenue inclusive of rental, delivery, advertising and miscellaneous is recognized as service is rendered.

Warranties

CANEX sells merchandise that may include manufacturer warranties. Warranty-related services and costs are fulfilled by third parties making CANEX an agent in these transactions. Accordingly, CANEX reports the warranty revenue net of warranty expenses.

CANEX does not assume the risks and rewards associated with warranty obligations, which remain the responsibility of the product manufacturer or supplier. As CANEX does not bear any direct liability for warranty claims, no provision or revenue deferral is recognized in the consolidated financial statements.

Income taxes

In common with other Non-Public Funds, CANEX is exempt from paying income taxes under Part I of the *Income Tax Act* (Canada).

Foreign currency translation

Self-sustaining foreign operations

Items included in the consolidated financial statements are measured using the currencies of the primary economic environment in which CANEX operates [hereafter "the functional currencies"]. The functional currency of NATEX and AMSTO is the euro. NATEX and AMSTO are considered self-sustaining foreign operations.

CANEX uses the current rate method to translate the financial statements of self-sustaining foreign operations. Under this method, the assets and liabilities of NATEX and AMSTO are translated into Canadian dollars at the exchange rate in effect at the consolidated balance sheet date. The revenues and expenses of NATEX and AMSTO are translated at the average exchange rate for the period and are recognized in consolidated operations. Gains and losses resulting from the translation of the accounts of NATEX and AMSTO are recorded as translation adjustments in a separate component of equity.

CANEX

Notes to the Consolidated Financial Statements

March 31, 2025

(in thousands of Canadian dollars)

Foreign currency transactions and balances

CANEX uses the temporal method to translate transactions denominated in a foreign currency. Under this method, monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the exchange rate in effect at the consolidated balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates. An exchange gain or loss that arises on translation or settlement is included in the determination of net income (loss) for the year.

Financial assets and liabilities

Initial measurement

CANEX initially records a financial instrument that was originated, issued or assumed in an arm's length transaction at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs. Financial assets and liabilities from related party transactions are measured at cost, representing the undiscounted cash flows of that instrument, excluding interest and dividend payments.

Subsequent measurement

At each reporting date, CANEX measures its arm's length financial instruments at amortized cost including any impairment in the case of financial assets, whereas financial assets and liabilities from related party transactions are measured using the cost method including any impairment in the case of financial assets.

With respect to financial assets measured at amortized cost or using the cost method, CANEX assesses whether there are any indications of impairment. When there is an indication of impairment, and if it determines that, during the year, there was a significant adverse change in the expected timing or amount of future cash flows from a financial asset, CANEX will then recognize a reduction as an impairment loss in consolidated operations. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost or using the cost method is recognized in consolidated operations in the year the reversal occurs.

Credit plans

CANEX offers consumer financing through the CANEX Credit Plan, a revolving credit facility available to eligible customers. Under this program, customers may purchase goods and services on credit, subject to predefined limits and repayment terms. CANEX credit plans are non-interest bearing.

Amounts advanced under CANEX credit plans are initially recognized at fair value and subsequently measured at amortized cost, net of an allowance for doubtful accounts. Revenue from sales under the credit plan is recognized at the point of sale, provided that collectibility is reasonably assured.

An allowance for doubtful accounts is maintained to reflect estimated credit losses associated with CANEX credit plans. The allowance is calculated as 1% of the total outstanding credit plan balance at year-end, based on historical default rates and management's assessment of current credit risk. Receivables are monitored regularly, and any amounts deemed uncollectible are written off against the allowance. Changes in the allowance are recorded in the consolidated statement of operations and deficit as a bad debt expense.

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March 31, 2025

(in thousands of Canadian dollars)

Use of estimates and significant judgments

The preparation of consolidated financial statements in accordance with Canadian accounting standards for private enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The estimates are reviewed annually and, as adjustments become necessary, they are recognized in the consolidated financial statements in the year they become known.

Measurement uncertainty is uncertainty in the determination of the amount at which an item is recognized in financial statements. Such uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount. The estimated future costs to remove underground motor fuel storage tanks are subject to measurement uncertainty due to the inherent variability in assumptions used to determine the asset retirement obligation.

The actual costs incurred may differ materially from those estimated due to changes in market conditions, regulatory requirements, inflation rates, and the timing of tank removals. The liability is initially recognized at fair value using discounted future cash flows and is subsequently adjusted for the passage of time and changes in the discount rate or expected cash flows.

Management believes the assumptions used are reasonable and supportable, and that the disclosures made in the consolidated financial statements appropriately reflect the measurement uncertainty.

3. Related party transactions

The Canadian Forces Central Fund, which provides banking services and financial assistance to NPP activities at Bases, Wings and Units as well as to CANEX, also operates under the authority of the CDS in their NPP capacity. The due to CFCF of \$67,259 [2024 – \$18,063] is non-interest bearing and has no specific terms for repayment. In addition, CANEX has loans payable to CFCF that are disclosed separately.

Prior to April 1, 2024, CFCF purchased CANEX trade payables, credit plans and trade receivables. On April 1, 2024, CANEX repurchased \$3,054 in trade payables, \$51,519 in CANEX credit plans and \$2,388 in trade receivables at their exchange amount. Due to the CANEX repurchase of credit plans, fees charged by CFCF to CANEX for administration of these balances were nil in the current year [2024 – \$515].

Support service user fees

CFMWS provides accounting, information technology and human resources services to CANEX. User fees for these services were paid directly to CFMWS prior to April 1, 2024 and through CFCF as an intermediary in 2025. These transactions occurred in the normal course of operations and are recorded in other operating expenses of CANEX at the exchange amount of \$3,632 [2024 – \$3,721].

Notes to the Consolidated Financial Statements

March 31, 2025

(in thousands of Canadian dollars)

Department of National Defence

The Department of National Defence ["DND"], a Canadian federal government department, provides CANEX with certain facilities and land. It also pays for and provides other services on behalf of, and at no cost to, CANEX. These services include payment in lieu of taxes and the use of legal, environmental and other advisory services. The fair value of the facility and services provided to CANEX by DND has not been determined and, therefore, has not been recorded in the consolidated financial statements.

Contributions from DND of \$3,169 [2024 – \$3,108] toward wages are recorded at their exchange amount and are netted against payroll expenses under payroll and benefits in the consolidated statement of operations and deficit.

4. Credit plans receivable

CANEX credit plans were repurchased from CFCF on April 1, 2024 [note 3]. At year-end, CANEX recorded a provision of 1%, being \$507 [2024 – nil], for the estimate of potential future losses on the credit plan receivables balance of \$50,749 [2024 – nil] for a net receivable of \$50,242 [2024 – nil].

Notes to the Consolidated Financial Statements

March 31, 2025

(in thousands of Canadian dollars)

5. Property and equipment

Property and equipment consist of the following:

	2025		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Buildings	49,302	34,082	15,220
Building improvements	25,600	21,450	4,150
Computer equipment	2,298	2,171	127
Fixtures and equipment	12,645	9,681	2,964
Motor vehicles	308	305	3
Point of sale system	10,337	9,552	785
Work in progress	2,599	-	2,599
	103,089	77,241	25,848

	2024		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Buildings	49,976	32,917	17,059
Building improvements	25,383	20,227	5,156
Computer equipment	2,141	2,064	77
Fixtures and equipment	12,369	9,204	3,165
Motor vehicles	299	283	16
Point of sale system	10,325	9,364	961
Work in progress	475	-	475
	100,968	74,059	26,909

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Notes to the Consolidated Financial Statements

March 31, 2025

(in thousands of Canadian dollars)

6. Accounts payable and accrued liabilities

On April 1, 2024, CANEX repurchased its trade payables from CFCF [note 3]. Accounts payable and accrued liabilities consist of the following:

	2025	2024
	\$	\$
Trade payables and other liabilities	6,770	2,717
Rewards program liabilities	3,027	2,807
Payroll liabilities	1,228	1,428
Government remittances payable	39	134
	<u>11,064</u>	<u>7,086</u>

Rewards program liabilities

CANEX operates a loyalty rewards program, the CANEX CF One Rewards Program, whereby members earn one reward point for every dollar spent on qualifying purchases. Points may be redeemed in increments of \$10, with 80 points equating to \$1 in value. Points expire if not earned or redeemed within 24 consecutive months.

The estimated liability is based on historical redemption and expiration trends. As of the reporting date, CANEX has sufficient data to reasonably estimate the outstanding points and their associated value.

7. Loans payable to Canadian Forces Central Fund

Loans payable to CFCF bear interest at a fixed rate of 4% [2024 – 4%] per annum, are unsecured and are not subject to covenants. Maturity of these loans ranges from two months to 19 years. Principal repayments over the next five years and thereafter are as follows:

	\$
Years ending March 31	
2026	1,592
2027	1,364
2028	1,155
2029	1,199
2030	865
Thereafter	<u>3,091</u>
	9,266
Less current portion	<u>1,592</u>
Long-term portion	<u>7,674</u>

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Notes to the Consolidated Financial Statements

March 31, 2025

(in thousands of Canadian dollars)

8. Asset retirement obligation

The total undiscounted amount of estimated cash flows to settle the asset retirement obligation is approximately \$720 [discounted value of \$560] and is expected to be incurred over the next 18 years. Of the total liability recorded in the consolidated balance sheet as at March 31, 2025, no amount is expected to be paid within the next 12 months. During the year, no amount [2024 – nil] was paid toward the retirement of fuel tanks.

9. Commitments

CANEX is committed to minimum annual payments under motor fuel supply agreements as follows:

Years ending March 31	\$
2026	616
2027	412
2028	309
2029	282
2030	174
	<u>1,793</u>

The minimum annual payments were calculated using the average fuel price of \$1.31 from April 1, 2025 to July 31, 2025 and the minimum annual motor fuel purchase stipulated in each agreement.

10. Other revenue

	2025	2024
	\$	\$
The Personal Insurance Company	6,353	5,285
Concessions	4,309	4,099
BMO royalty	2,157	1,734
Rental and delivery	1,693	793
Other commission (duty-free, post office)	520	521
CF appreciation	446	597
Miscellaneous	189	327
Other - NATEX and AMSTO	169	222
Home heating oil	148	172
Advertising	114	124
Interest income - NATEX and AMSTO	56	486
	<u>16,154</u>	<u>14,360</u>

Notes to the Consolidated Financial Statements

March 31, 2025

(in thousands of Canadian dollars)

11. Pension Plan

All eligible employees are members of the Pension Plan. The CANEX share of contributions to the Pension Plan was nil in the current year due to a mandatory employer contribution holiday effective June 1, 2023. In 2024, CANEX contributed \$237, which was included as an expense in the consolidated statement of operations and deficit.

Actuarial valuations prepared as at December 31, 2024, indicated the following information about the multi-employer Pension Plan on a going concern basis:

	2025	2024
	\$	\$
Net assets available for benefits	592,256	545,937
Actuarial pension obligation	(442,739)	(404,311)
	149,517	141,626

Under the going concern basis, this valuation compares the relationship between the value of the Pension Plan's assets and the present value of the expected future benefit cash flows in respect of accrued service, assuming the Pension Plan will be maintained indefinitely. After incorporating an asset smoothing adjustment, this valuation resulted in a surplus of \$120,187 [2024 – \$138,783].

Conversely, under the hypothetical solvency or wind-up basis, the Pension Plan is assumed to be wound up and settled on the valuation date, assuming benefits are settled in accordance with the existing taxation rules and under circumstances producing the maximum wind-up liabilities on the valuation date. This valuation resulted in a surplus of \$99,700 [2024 – \$77,240].

These valuations are used to assess monthly and annual employer contributions. Due to a favourable valuation and in accordance with regulatory guidelines, the next required actuarial valuation for funding purposes is as at December 31, 2027.

12. Other operating expenses

	2025	2024
	\$	\$
Support service user fees (accounting, information technology, human resources) <i>[note 3]</i>	3,632	3,721
Services (cleaning, delivery, consulting)	3,325	3,199
Facilities	2,049	2,009
Marketing and advertising	1,555	1,320
Fees (recycling, credit card, terminal)	1,186	1,285
Other expenses (doubtful accounts, supplies, travel, equipment)	69	1,304
	11,816	12,838

Included in other expenses is a credit of \$2,192 for an inventory adjustment regarding supplier rebates.

Notes to the Consolidated Financial Statements

March 31, 2025

(in thousands of Canadian dollars)

13. Royalties and contributions

NATEX contributed \$481 [2024 – \$465] to the NATO Air Base and 1 NATO Signals Battalion. NATEX's contributions are based on various percentages of consumer sales, in accordance with the respective NATEX contracts.

14. Financial risks

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. CANEX is exposed to credit risk on the financial assets recognized on the consolidated balance sheet, particularly its credit plans receivable. Failure of these parties to fulfil their obligations could result in significant financial losses. CANEX mitigates these losses through credit checks and credit limits and the use of collection agencies when credit plans are in default.

Currency risk

The majority of CANEX transactions are in Canadian dollars. Currency risk largely results from Canadian purchases used in NATEX and AMSTO operations, and the financial liabilities thereon, for which sales are denominated in a foreign currency, primarily in euros.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. CANEX is exposed to interest rate risk primarily through its credit plans and loans payable to CFCF.

Liquidity risk

Liquidity risk is the risk that CANEX may encounter challenges in meeting its financial obligations as they come due. This risk applies to all financial liabilities recognized on the consolidated balance sheet. CANEX mitigates this exposure through its relationship with a related party, to whom most liabilities are owed. This relationship allows for the negotiation of flexible repayment terms, thereby reducing the likelihood of liquidity shortfalls.

CANEX

Notes to the Consolidated Financial Statements

March 31, 2025

(in thousands of Canadian dollars)

15. NATEX and AMSTO operations

Included in the consolidated financial statements of CANEX are the results of operations for NATEX and AMSTO. The financial information for NATEX and AMSTO is summarized as follows:

	2025	
	€	\$
Total assets	4,825	7,498
Sales and other revenue	6,828	10,197
Loss before royalties and contributions	355	531
	2024	
	€	\$
Total assets	5,537	8,090
Sales and other revenue	7,438	10,872
Loss before royalties and contributions	168	246

16. Comparative figures

Certain prior year figures have been reclassified to conform to the current year's presentation.