



**CONSOLIDATED FINANCIAL STATEMENTS**

**SOLUTION FINANCIAL INC.**

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**FOR THE YEARS ENDED OCTOBER 31, 2025 AND 2024**  
**(Expressed in Canadian dollars)**

**Unit 137 - 8680 Cambie Road**  
**Richmond, BC**  
**Canada**  
**V6X 4K1**  
**[Solution.Financial](http://Solution.Financial)**

**SOLUTION FINANCIAL INC.**

Consolidated Financial Statements

October 31, 2025

(Expressed in Canadian dollars)

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of  
Solution Financial Inc.

### *Opinion*

We have audited the accompanying consolidated financial statements of Solution Financial Inc. (the "Company"), which comprise the consolidated statements of financial position as at October 31, 2025 and 2024, and the consolidated statements of income and comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

### *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 Company 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 in our audit is sufficient and appropriate to provide a basis for our opinion.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our auditor's report.

### *Other Information*

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***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 IFRS Accounting Standards, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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:

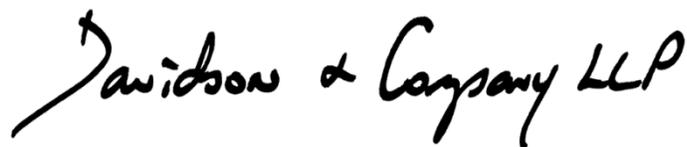
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of 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 Company'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 Company'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 Company 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Zachary Faure.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

January 27, 2026

**SOLUTION FINANCIAL INC.**  
**Consolidated Statements of Financial Position**  
**as at October 31, 2025 and 2024**  
**(Expressed in Canadian Dollars)**

	<b>October 31, 2025</b>	October 31, 2024
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents (Note 5)	\$ 1,985,833	\$ 683,291
Restricted cash (Note 15)	1,599,604	1,503,959
Accounts receivable	306,197	273,374
Deposits and other current assets	176,654	88,699
Current portion of receivable under finance lease (Note 7 and 8)	9,921,038	8,742,878
Inventory (Note 6)	545,116	444,301
	<b>14,534,442</b>	<b>11,736,502</b>
<b>Right-of-use assets</b>	12,201	72,861
<b>Receivable under finance leases (Note 7 and 8)</b>	22,602,356	18,151,528
<b>Property under operating leases (Note 9)</b>	181,456	1,100,766
<b>Property and equipment (Note 10)</b>	269,844	335,717
	<b>\$ 37,600,299</b>	<b>\$ 31,397,374</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Bank indebtedness (Note 13)	\$ 8,813,651	\$ 3,007,907
Accounts payable and accrued liabilities	646,549	675,003
Deferred revenue (Note 14)	-	36,243
Lease liabilities	-	63,999
Short-term portion of securitization financing (Note 15)	4,718,337	5,606,944
Customers' deposits and advances (Note 14)	484,840	498,080
	<b>14,663,377</b>	<b>9,888,176</b>
<b>Lease Liabilities</b>	13,235	11,585
<b>Deferred tax liability (Note 18)</b>	745,000	856,000
<b>Customers' deposits (Note 14)</b>	2,004,675	1,462,205
<b>Deferred revenue (Note 14)</b>	8,839	-
<b>Securitization financing (Note 15)</b>	7,893,450	6,429,381
	<b>25,328,576</b>	<b>18,647,347</b>
<b>Shareholders' equity</b>		
Share capital (Note 17)	9,193,065	9,353,133
Warrants (Note 17)	167,778	167,778
Contributed surplus	792,009	792,009
Retained earnings	2,118,871	2,437,107
	<b>12,271,723</b>	<b>12,750,027</b>
	<b>\$ 37,600,299</b>	<b>\$ 31,397,374</b>

Nature of Business (Note 1)

APPROVED ON BEHALF OF THE BOARD

"Randy Smyth" Director

"Bryan Pang" Director

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

# SOLUTION FINANCIAL INC.

## Consolidated Statements of Income and Comprehensive Income For the years ended October 31, 2025 and 2024 (Expressed in Canadian Dollars)

	2025	2024
<b>Sales</b>		
Vehicle sales (Note 21)	6,921,860	8,687,107
Leasing income (Note 21)	3,524,220	3,784,902
Brokerage commissions (Note 20)	160,562	37,830
<b>Total Sales</b>	<b>10,606,642</b>	<b>12,509,839</b>
<b>Cost of Sales</b>		
Cost of vehicle sales	6,555,554	8,165,309
Amortization of leased assets	151,376	585,840
<b>Gross profit</b>	<b>3,899,712</b>	<b>3,758,690</b>
<b>Expenses</b>		
Sales and marketing (Note 22)	766,307	618,775
General and administration (Note 22)	1,658,882	1,660,255
Provision for credit losses (Note 8)	47,699	123,424
Interest	1,201,278	1,042,113
Amortization (Note 10)	108,312	100,465
	<b>3,782,478</b>	<b>3,545,032</b>
	<b>117,234</b>	<b>213,658</b>
<b>Other items</b>		
Listing and financing fees	(15,305)	(34,231)
Other income	60,943	64,591
<b>Income before tax</b>	<b>162,872</b>	<b>244,018</b>
Income taxes (Note 18)	(111,000)	(111,000)
<b>Net income and comprehensive income for the year</b>	<b>273,872</b>	<b>355,018</b>
<b>Basic and diluted earnings per common share</b>	<b>0.003</b>	<b>0.004</b>
<b>Weighted average number of common shares outstanding (Note 19)</b>	<b>85,624,211</b>	<b>86,585,501</b>

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

**SOLUTION FINANCIAL INC.****Consolidated Statements of Changes in Shareholders' Equity**

For the years ended October 31, 2025 and 2024

(Expressed in Canadian Dollars)

	Share capital Issued and outstanding			Equity component			Total shareholders' equity
	Number	Common shares	Warrants	Contributed surplus	of convertible debt	Retained earnings	
		\$	\$	\$	\$	\$	
<b>Balance, October 31, 2023</b>	86,398,273	9,375,981	167,778	601,293	190,716	2,461,772	12,797,540
Purchase of common shares for cancellation	(210,000)	(22,848)	-	-	-	(34,300)	(57,148)
Settlement of convertible debt	-	-	-	190,716	(190,716)	-	-
Net and comprehensive income	-	-	-	-	-	355,018	355,018
Dividend	-	-	-	-	-	(345,383)	(345,383)
<b>Balance, October 31, 2024</b>	86,188,273	9,353,133	167,778	792,009	-	2,437,107	12,750,027
Purchase of common shares for cancellation	(1,482,000)	(160,068)	-	-	-	(249,152)	(409,220)
Net and comprehensive income	-	-	-	-	-	273,872	273,872
Dividend	-	-	-	-	-	(342,956)	(342,956)
<b>Balance, October 31, 2025</b>	84,706,273	9,193,065	167,778	792,009	-	2,118,871	12,271,723

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

**SOLUTION FINANCIAL INC.**  
**Consolidated Statements of Cash Flows**  
**For the years ended October 31, 2025 and 2024**  
**(Expressed in Canadian Dollars)**

	2025	2024
<b>Operating activities</b>		
Net income	\$ 273,872	\$ 355,018
Items not affecting cash and cash equivalents:		
Amortization of property and equipment	108,312	100,465
Share-based compensation	-	-
Accretion expense on convertible debentures	-	53,651
Accretion expense on lease liabilities	4,325	7,145
Deferred Income taxes	(111,000)	(111,000)
Amortization of property under operating lease	192,029	631,326
Amortization of right-of-use assets	60,660	59,033
Provision for credit losses	47,699	123,424
Change in non-cash working capital		
Accounts receivable	(32,823)	128,314
Deposits and other current assets	(87,955)	(8,100)
Inventory	(100,815)	46,694
Receivable under finance leases	(5,676,687)	(5,669,850)
Accounts payable and accrued liabilities	(28,454)	246,410
Customers' deposits and advances	529,230	(51,375)
Deferred revenue	(27,404)	(205,806)
	<b>(4,849,011)</b>	<b>(4,294,651)</b>
<b>Investing activities</b>		
Acquisition of property and equipment	(42,439)	(71,785)
Disposal of property under operating lease (net)	727,281	2,621,639
	<b>684,842</b>	<b>2,549,854</b>
<b>Financing activities</b>		
Proceeds (repayments) from bank indebtedness	5,805,744	1,922,776
Proceeds from securitization financing	8,699,880	8,063,644
Repayments to securitization financing	(8,124,418)	(5,970,015)
Purchase of common shares for cancellation	(409,220)	(57,148)
Repayment of convertible debt	-	(2,175,400)
Payment of lease liabilities	(62,349)	(57,602)
Interest payment on lease liabilities	(4,325)	(7,145)
Payment of dividends	(342,956)	(345,383)
	<b>5,562,356</b>	<b>1,373,728</b>
Net increase (decrease) in cash and cash equivalents and restricted cash	<b>1,398,187</b>	<b>(371,071)</b>
Cash and cash equivalents and restricted cash, beginning of year	<b>2,187,250</b>	<b>2,558,320</b>
Cash and cash equivalents and restricted cash, end of year	<b>\$ 3,585,437</b>	<b>\$ 2,187,250</b>

Supplemental cash flow information (Note 12)

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

# **SOLUTION FINANCIAL INC.**

## **Notes to the Consolidated Financial Statements For the years ended October 31, 2025 and 2024 (Expressed in Canadian Dollars)**

### **1. Nature of Business**

Solution Financial Inc. (the “Company” or “Solution”), provides sourcing and leasing solutions for luxury and ultra-luxury vehicles, yachts and other high value assets in British Columbia, Alberta and Ontario.

The Company’s registered and records office is Unit 137, 8680 Cambie Road, Richmond, British Columbia, Canada, V6X 4K1. The Company’s shares trade on the Toronto Stock Exchange (the “TSX”) under the trading symbol “SFI”.

### **2. Basis of Presentation and Consolidation**

These consolidated financial statements, including comparatives, have been prepared in accordance with IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements have been prepared on a consolidated basis except for certain financial assets measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of the Company.

These consolidated financial statements include the assets and operations of Solution Financial Inc., and its wholly owned subsidiaries Solution Financial (Canada) Inc. and Solution Financial (Alberta) Inc.

All inter-company balances and transactions have been eliminated on consolidation.

The consolidated financial statements were approved by the Company’s Board of Directors and authorized for issue on January 27, 2026.

### **3. Critical Accounting Estimates and Use of Judgement**

The preparation of financial statements requires management to make estimates and judgments about the future. Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Areas of financial reporting that require management’s estimates and judgments are discussed below.

Significant estimates used in the preparation of these financial statements include the following:

#### *Determination of the Company’s allowance for credit losses*

Estimates and judgments are required as to the timing of establishing an allowance for credit losses and the amount of the required allowance taking into consideration counterparty creditworthiness, current economic trends, the expected residual value of leased assets and past experience.

#### *Valuation of inventory*

Inventories are recorded at the lower of cost and net realizable value with cost determined on a specific item basis for new and used vehicles. In determining net realizable value for new vehicles, the Company primarily considers the age of the vehicles along with the timing of annual and model

**SOLUTION FINANCIAL INC.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended October 31, 2025 and 2024**  
**(Expressed in Canadian Dollars)**

**3. Critical Accounting Estimates and Use of Judgement (continued)**

changeovers. For used vehicles, the Company considers recent market data and trends such as loss histories along with the current age of the inventory. The determination of net realizable value for inventories involves the use of estimates.

*Valuation of underlying residual values of leased assets*

The Company has significant investments in leased vehicles recorded as operating leases, which relate to vehicle leases. At the beginning of the lease contract a determination is made of the estimated realizable value of the vehicle at the end of the lease term, which is the critical assumption underlying the estimated carrying value of leased assets. The estimated realizable value is based on the lower of the contracted residual value or the current market estimate of residual value based on independent lease guides. Since the customer is not obligated to purchase the vehicle at the end of the contract, the Company is exposed to a risk of loss to the extent the value of the vehicle at the end of the lease term is below the residual value estimated at contract inception. Over the life of the lease, the Company evaluates the adequacy of the estimate of the residual value and may make adjustments to the extent the expected value of the vehicle at lease termination changes. Adjustments could result in a change in the depreciation rate of the leased asset or if an impairment exists, an impairment charge.

*Useful lives of equipment*

The Company's capitalized property and equipment balances are determined in part through the use of estimates of the useful lives of the underlying assets. In developing their accounting policy for property and equipment, the Company makes estimates of these useful lives. Changes in useful lives of property and equipment may result in adjustments to these capitalized balances in future periods if there are signs that estimates may no longer be accurate.

*Income taxes*

The determination of current tax expense requires estimates and assumptions. Further the Company's estimates of its deferred income tax assets and liabilities require subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these estimates and assumptions could materially affect the recorded amounts.

Significant judgements made as part of the preparation of these financial statements include the following:

*Determination of lease type*

On entering lease arrangements, the Company assesses whether the lease is a finance lease or an operating lease. As part of this determination, the Company makes a number of estimates associated with the lease, the customer, and the fair value of the underlying assets. The accounting for an operating lease is significantly different from that of a finance lease. As such, this determination has a significant impact on the way the leased assets are presented within Company's financial statements.

# **SOLUTION FINANCIAL INC.**

**Notes to the Consolidated Financial Statements  
For the years ended October 31, 2025 and 2024  
(Expressed in Canadian Dollars)**

## **4. Material Accounting Policy Information**

### **Adoption of new accounting policies**

#### **Amendments to IAS 1: Classification of Liabilities as Current or Non-current**

The amendments to IAS 1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. These amendments are effective for reporting periods beginning on or after January 1, 2024.

This amendment did not have a material impact on the Company.

#### **Standards issued but not yet effective**

The Company has elected to not early adopt standards, interpretations or amendments that have been issued but are not yet effective. The new and amended standards and interpretations that have been issued, but are not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. If applicable, the Company intends to adopt when they become effective.

#### **IFRS 18: Presentation and Disclosure in Financial Statements**

In April 2024, the IASB issued amendments to IAS 1, "Presentation of Financial Statements" to specify the requirements for reporting and disclosures. The amendments clarify:

- Categories for income and expenses;
- Requirement to disclose performance measures in the notes to financial statements

The amendments are effective for annual reporting periods beginning on or after January 1, 2027. The Company is still evaluating the impact on its financial statements.

# **SOLUTION FINANCIAL INC.**

**Notes to the Consolidated Financial Statements  
For the years ended October 31, 2025 and 2024  
(Expressed in Canadian Dollars)**

## **4. Material Accounting Policy Information (continued)**

### **Cash, restricted cash, and cash equivalents**

Cash consists of amounts held in banks with maturities less than three months at inception. Interest from cash is recorded on an accrual basis. The Company's cash equivalents consist of term deposits maturing within the next year. Restricted cash consists of funds held in escrow subject to security conditions related to the Company's Securitization Financing (see Note 15).

### **Lease receivables**

The Company recognizes and measures finance lease receivables in accordance with IFRS 9, Financial Instruments ("IFRS 9").

Under a finance lease substantially all the risks and rewards incidental to legal ownership are transferred by the lessor to the lessee at the inception of the lease transaction.

Direct financing leases, which are contracts under terms that provide for the transfer of substantially all the benefits and risks of equipment ownership to customers, are carried at amortized cost. These leases are recorded at the aggregate minimum payments plus guaranteed residual values less unearned finance income. Unearned finance income includes origination fees earned.

Direct financing leases and loans are recognized as being impaired when the Company is no longer reasonably assured of the timely collection of the full amount of principal and interest. As a matter of practice, a direct financing lease or a loan is deemed to be impaired at the earlier of the date it has been individually provided for when timely collection is not assured or when it has been in arrears for 120 days. When amounts receivable are considered impaired, their book value is adjusted to their estimated realizable value based on the fair value of any collateral underlying the receivable, net of any costs of realization, by totally or partially writing off the loan and/or establishing an allowance for credit losses.

### **Revenue recognition**

#### **Brokerage Commissions**

The Company facilitates vehicle sales through third-party dealerships where customers have low or limited credit history. The Company bears limited inventory risk in the transaction and does not have latitude in setting vehicle prices and therefore the Company only recognizes the net fees. In these situations, the fees are recorded as revenue at the time the customer enters into the contract and the Company is entitled to the fee. The Company is not the obligor under any of these contracts.

#### **Automobile sales**

Revenue is recognized when the risks and rewards of ownership have been transferred to the customer and the revenue and costs can be reliably measured and it is probable that economic benefits will flow to the Company. In practice, this means that revenue is recognized when vehicles are invoiced and physically delivered to the customer and payment has been received or credit approval has been obtained by the customer.

# **SOLUTION FINANCIAL INC.**

**Notes to the Consolidated Financial Statements  
For the years ended October 31, 2025 and 2024  
(Expressed in Canadian Dollars)**

## **4. Material Accounting Policy Information (continued)**

### **Revenue recognition (continued)**

#### Lease interest and rental income

Finance lease interest income is included in profit or loss for all financial assets measured at amortized cost using the effective interest method. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial instrument back to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument including prepayment options, fee income charged to the customer on the origination of all financial assets, and all purchase premiums or discounts, net of any transaction costs that are directly attributable to the financial instrument, but not future credit losses. The application of the method has the effect of recognizing revenue on the financial instrument evenly in proportion of the amount outstanding over the period to maturity or repayment. Once the recorded value of a financial asset has been reduced due to an impairment loss, interest revenue continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. This is offset by a corresponding adjustment to the loan loss provision charge to reflect the fact that this additional revenue may not be collectible.

Rental income on operating leases is recognized on a straight-line basis over the lease term.

### **Taxation**

Income tax expense is comprised of current and deferred income taxes. Current income tax and deferred income tax are recognized in profit or loss.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

The Company follows the liability method to provide for income taxes on all transactions recorded in its financial statements. The liability method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred income tax assets and liabilities are determined for each temporary difference and for unused losses, as applicable, at rates expected to be in effect when the asset is realized or the liability is settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in earnings or equity in the period that includes the substantive enactment date. Deferred income tax assets are recognized to the extent that it is probable that the assets can be recovered.

### **Inventories**

New, used and demonstrator vehicle inventories are recorded at the lower of cost and net realizable value with cost determined on a specific item basis.

In determining net realizable value for new vehicles, the Company primarily considers the age of the vehicles along with the timing of annual and model changeovers. For used vehicles, the Company considers recent market data and trends such as loss histories along with the current age of the inventory.

# **SOLUTION FINANCIAL INC.**

## **Notes to the Consolidated Financial Statements For the years ended October 31, 2025 and 2024 (Expressed in Canadian Dollars)**

### **4. Material Accounting Policy Information (continued)**

#### **Inventories (continued)**

The Company retains security over the vehicles associated with each lease. Subject to certain conditions, the Company may repossess a vehicle provided a notice of default has been issued to the customer, or upon the customer voluntarily terminating their contract. The Company attempts to negotiate with customer to avoid the need for repossession whenever possible. Vehicles that are repossessed are either disposed of at the wholesale used vehicle market price or re-leased to new customers with the proceeds offsetting any outstanding balance. The customer is liable for any shortfall.

#### **Share capital**

Common shares are classified as share capital. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects. Warrants issued in units are accounted for with the relative fair value method and classified as warrants reserve. Broker's warrants values are classified under contributed surplus.

Deferred financing costs incurred in connection with the issuance of common shares are capitalized until the financing is completed. In the event the financing is not completed, these costs are expensed to profit or loss.

Proceeds that are received in advance of the completion of an issuance of common shares are recorded within equity as subscriptions received in advance.

#### **Convertible debentures**

Convertible debentures, where all significant terms of the agreement are known, are separated into their liability and equity components and accounted for using effective interest rate method. The fair value of the liability component at the time of issue was determined based on an estimated interest rate of the debentures without the conversion feature. The fair value of the equity component was determined as the difference between the face value and the fair value of the liability component.

Convertible debentures for which the conversion price is not known are recorded as liabilities in their entirety.

#### **Earnings per share ("EPS")**

Basic EPS amounts are calculated by dividing net income attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted EPS amounts are calculated with consideration given to convertible preferred shares, stock options and warrants, and assumes that any proceeds received on exercise of options or warrants would be used to purchase common shares at the average market price during the period. Diluted EPS amounts also include exchangeable shares using the "if-converted" method to determine the dilutive effect of convertible and subordinate debentures, whereby it is assumed the conversion of the exchangeable shares occurs at the beginning of the reporting period (or at the time of issuance, if later) where applicable. The weighted average number of common shares outstanding is then adjusted by the net change.

# **SOLUTION FINANCIAL INC.**

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## **4. Material Accounting Policy Information (continued)**

### **Share-based compensation**

Equity-settled share-based compensation to employees and others providing similar services are measured at the fair value of equity instruments at the grant date. The fair value is measured at grant date, using the Black-Scholes option pricing model, and each tranche is recognized on a graded-vesting basis over the period in which options vest. At the end of the reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit and loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed surplus.

Equity-settled share-based compensation transactions with parties other than employees are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Consideration received on the exercise of the stock options is recorded in share capital and the related share-based payment in contributed surplus is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity.

### **Dividends**

Dividends on common shares are recognized in the Company's consolidated financial statements in the period the dividends are declared by the Company's Board of Directors.

### **Property under operating leases**

The Company determines the classification of a lease at its lease inception date. An operating lease is one that does not transfer substantially all of the risks and rewards of ownership to the lessee.

Property classified as operating leases are carried at cost less accumulated depreciation and are being depreciated to their estimated residual values using the straight-line method over the lease term.

Property under operating leases are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds the higher of the asset's fair value less costs to sell and its value in use. The Company has not been required to record an impairment loss to date.

### **Property, plant and equipment**

Property and equipment are stated at cost less accumulated amortization and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Residual values, useful lives and methods of amortization are reviewed, and adjusted if appropriate, at each financial year end. Land is not amortized. Unless noted otherwise, amortization of property and equipment is provided for over the estimated useful life of the assets on the declining balance basis at the following annual rates:

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**4. Material Accounting Policy Information (continued)**

Land		0%
Buildings		4%
Leasehold Improvements	Straight line basis over the term of the lease	
Furniture and Equipment		20%
Computer Equipment		30%
Software	4 years straight line method	

**Impairment of non-current assets**

The carrying amounts of the Company's non-current assets are reviewed at each reporting date for indicators of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment, if any. The recoverable amount of an asset is evaluated at the Cash Generating Unit ("CGU") level, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amount of a CGU is the greater of its fair value less costs to sell and its value in use. Fair value less cost to sell is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties, less the costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

**Financial instruments**

**Classification**

The Company determines the classification of its financial instruments at initial recognition. Upon initial recognition, a financial asset is classified as measured at: amortized cost, fair value through profit and loss ("FVTPL"), or fair value through other comprehensive income (loss) ("FVOCI"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial liability is classified as measured at amortized cost or FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

# **SOLUTION FINANCIAL INC.**

## **Notes to the Consolidated Financial Statements For the years ended October 31, 2025 and 2024 (Expressed in Canadian Dollars)**

### **4. Material Accounting Policy Information (continued)**

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

An equity investment that is held for trading is measured at FVTPL. For other equity investments that are not held for trading, the Company may irrevocably elect to designate them as FVOCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has elected to measure them at FVTPL.

#### **Measurement**

##### Initial measurement

On initial recognition, all financial assets and financial liabilities are measured at fair value adjusted for directly attributable transaction costs except for financial assets and liabilities classified as FVTPL, in which case the transaction costs are expensed as incurred.

# SOLUTION FINANCIAL INC.

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## 4. Material Accounting Policy Information (continued)

### Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial instruments:

#### **Financial assets at FVTPL**

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

#### **Financial assets at amortized cost**

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

#### **Equity investments at FVOCI**

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

#### **Debt investments at FVOCI**

These assets are subsequently measured at fair value. Interest income is calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.

### Impairment of financial instruments

Impairment of financial assets at amortized cost: The Company assesses all information available, including on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as the reporting date, with the risk of default as at the date of initial recognition, based on all information available, and reasonable and supportive forward-looking information.

## 5. Financial Instruments and Risk Management

### **Fair value**

The Company's financial instruments recognized on the statements of financial position consist of cash, restricted cash and cash equivalents, accounts receivable, deposits and other current assets, receivable under finance lease, bank indebtedness, accounts payable and accrued liabilities, customers' advances, customers' deposits, convertible debt and lease liabilities. The fair values of the Company's short-term financial instruments approximate their carrying values due to their short-term maturity. The fair values of the Company's long term financial assets and liabilities approximate their carrying values based on market interest rates.

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**5. Financial Instruments and Risk Management (continued)**

The Company has classified financial instruments as follows:

	Classification	Measurement
Financial assets:		
Cash, restricted cash and cash equivalents	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Deposits and other current assets	Loans and receivables	Amortized cost
Receivable under finance leases	Loans and receivables	Amortized cost
Financial liabilities:		
Bank indebtedness	Financial liabilities	Amortized cost
Accounts payable accrued liabilities	Financial liabilities	Amortized cost
Customers' deposits and advances	Financial liabilities	Amortized cost
Lease liabilities	Financial liabilities	Amortized cost
Convertible debentures	Financial liabilities	Amortized cost
Securitized financing	Financial liabilities	Amortized cost

The Company's cash equivalents consist of term deposits maturing within the next year.

The Company has exposure to the following risks from its use of financial instruments: credit, interest rate, liquidity, and price risk. The Company reviews its risk management framework on a quarterly basis and makes adjustments as necessary. The fair values of the Company's financial assets and liabilities held at amortized cost approximates their book values.

**Credit risk**

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company's financial instruments that are exposed to concentrations of credit risk consist of cash, restricted cash and cash equivalents, accounts receivable, other current assets and lease receivables. The Company attempts to mitigate the risks associated with cash and term deposits by dealing only with major Canadian financial institutions with good credit ratings and performs credit assessments of all customers making material orders. The Company attempts to mitigate the risks associated receivables under finance leases through its credit check process performed before entering into any sales arrangement.

**Interest rate risk**

Interest rate risk is the risk that the fair values and future cash flows of the Company will fluctuate because of changes in market interest rates. The Company's financial instruments that are exposed to concentrations of interest rate risk consist of bank indebtedness and short-term loans. A change in the prime rate of interest of 1% would result in additional interest expense for the Company of \$88,137.

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**5. Financial Instruments and Risk Management (continued)**

**Liquidity risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they come due. The Company currently settles all of its financial obligations out of cash generated from operations. The ability to do so relies on the Company maintaining sufficient cash in excess of anticipated needs. To help manage its liquidity the Company has obtained an operating loan agreement through a major schedule 1 Canadian Financial Institution (Note 13).

**Price risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk). The Company is at risk to changes in commodity prices, which may affect financing options available to the Company.

**6. Inventory**

Inventory at October 31, 2025 and October 31, 2024 consist of vehicles held for sale. The inventory is carried at the lower of cost or net realizable value and as at October 31, 2025 and October 31, 2024, the Company has not recorded any reserves for inventory write downs.

**7. Receivable Under Finance Lease**

Finance lease receivables consist of conditional sales contracts, which have terms of 3 to 72 months with fixed rates of interest. In 2022, the Company adopted the use of guaranteed residual values resulting in substantially all new lease agreements being classified as finance leases. All lease receivables are secured by the corresponding vehicle and typically contain a contractual guarantee of the residual price by the lessor.

The contractual maturity of the portfolio outstanding of continuing operations as at October 31, 2025 and October 31, 2024, assuming no prepayments, is as follows:

	31-Oct-25			31-Oct-24		
	Gross receivable	Unearned income	Net receivable	Gross receivable	Unearned income	Net receivable
	\$	\$	\$	\$	\$	\$
Maturity						
Within 1 year	12,634,604	(2,713,565)	9,921,039	11,147,228	(2,404,350)	8,742,878
In 1 to 3 years	21,291,547	(3,146,225)	18,145,322	17,780,270	(2,597,104)	15,183,166
After 3 years	4,972,947	(196,948)	4,775,999	3,365,427	(125,798)	3,239,629
	<b>38,899,098</b>	<b>(6,056,738)</b>	<b>32,842,360</b>	<b>32,292,925</b>	<b>(5,127,252)</b>	<b>27,165,673</b>
Allowance for credit losses	(318,966)		(318,966)	(271,267)		(271,267)
	<b>38,580,132</b>	<b>(6,056,738)</b>	<b>32,523,394</b>	<b>32,021,658</b>	<b>(5,127,252)</b>	<b>26,894,406</b>

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**7. Receivable Under Finance Lease (continued)**

An analysis of the aging of gross finance receivables in each of the years presented is as follows:

Age	October 31, 2025	October 31, 2024
Current	\$ 32,826,689	\$ 27,127,707
Contractually past due:		
31-60 days	15,671	37,966
Over 60 days	-	-
	\$ 32,842,360	\$ 27,165,673
Allowance for credit losses	(318,966)	(271,267)
	\$ 32,523,394	\$ 26,894,406

In accordance with IFRS 9, the Company records a provision for credit losses using the Expected Credit Losses model that segments its finance receivables into three stages- Stage 1 “performing”, Stage 2 “underperforming” and Stage 3 “non-performing”.

There is credit risk inherent in finance receivables resulting from the potential non-payment or other objective evidence of deterioration in the collectability of the receivable. The primary evidence of impairment used by the Company is monitoring for timely payment with payments over 90 days being an indication of non-performance. Receivables past due may be indicative of underperforming receivables should they persist or not be collected within 120 days. Prior to 2022, the Company primarily entered into lease agreements with unguaranteed residual values resulting in a limited number of finance type leases and were categorized as performing due to limited payment defaults and no historical credit losses. The Company’s leases also typically include down payments and customer deposits to discourage non-performance.

Included in Receivable Under Finance Lease at October 31, 2025 are \$14,318,660 (2024- \$13,776,078) of leases pledged under the Company’s Securitization Financing.

**8. Allowance For Credit Losses**

Under IFRS 9, the Company using forward-looking indicators to determine the allowance for credit losses. The analysis performed by the Company looked at several factors including the rate of unemployment, used vehicle market conditions in the luxury automobile sector, comparative and general economic statistics including GDP, immigration statistics and housing values which may be early indicators that might indicate potential future credit losses. Despite the Company’s historical performance, early indicators of an economic recession, rising interest rates, and the elevated used vehicle market influenced the judgement applied in respect of modelling the Expected Credit Loss allowance.

The Company recognized a provision for credit losses of \$47,699 for the period ended October 31, 2025 and \$123,424 for the year ended October 31, 2024. This provision was determined based on the Company’s 13-year historical loss ratios on all lease types as well as the allowance levels of Canadian National banks personal retail lending levels. The allowance rate equated to 1.0% for 2025 (2024- 1.0%).

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**9. Property Under Operating Leases**

The Company acts as a lessor in connection with operating leases and recognizes the leased assets in its statements of financial position. The lease payments received, are recognized in net income as rental revenue.

	<b>For the years ended</b>	
	<b>31-Oct-25</b>	<b>31-Oct-24</b>
	<b>\$</b>	<b>\$</b>
<b>COST</b>		
<b>At the beginning of the year</b>	<b>2,220,991</b>	7,253,323
Disposals	<b>(1,717,823)</b>	(5,032,332)
<b>At the the end of the year</b>	<b>503,168</b>	2,220,991
<b>ACCUMULATED DEPRECIATION</b>		
<b>At the beginning of the year</b>	<b>1,120,225</b>	2,899,592
Depreciation charge for the year	<b>192,028</b>	631,326
Disposals	<b>(990,541)</b>	(2,410,693)
<b>At the the end of the year</b>	<b>321,712</b>	1,120,225
Net carrying amount	<b>181,456</b>	1,100,766

Below are the future minimum lease payments arising from non-cancellable operating leases of continuing operations:

	<b>31-Oct-25</b>	<b>31-Oct-24</b>
Within 1 year	<b>52,501</b>	171,068
In 1 to 3 years	<b>14,430</b>	72,482
After 3 years	-	-
	<b>\$ 66,931</b>	\$ 243,550

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**10. Property and Equipment**

	Land	Buildings	Furniture and Equipment	Computer Equipment	Software	Leasehold Improvements	Total
<b>Cost</b>							
Balance, October 31, 2023	\$ 161,883	\$ 94,025	\$ 141,441	\$ 21,845	\$ 274,729	\$ 17,550	\$ 711,473
Additions	-	-	-	-	71,785	-	71,785
Balance, October 31, 2024	\$ 161,883	\$ 94,025	\$ 141,441	\$ 21,845	\$ 346,514	\$ 17,550	\$ 783,258
<b>Accumulated Amortization</b>							
Balance, October 31, 2023	\$ -	\$ 47,689	\$ 109,155	\$ 18,180	\$ 161,522	\$ 10,530	\$ 347,076
Additions	-	1,853	6,457	2,016	86,629	3,510	100,465
Balance, October 31, 2024	\$ -	\$ 49,542	\$ 115,612	\$ 20,196	\$ 248,151	\$ 14,040	\$ 447,541
<b>Net Book Value</b>							
Balance, October 31, 2024	\$ 161,883	\$ 44,483	\$ 25,829	\$ 1,649	\$ 98,363	\$ 3,510	\$ 335,717

	Land	Buildings	Furniture and Equipment	Computer Equipment	Software	Leasehold Improvements	Total
<b>Cost</b>							
Balance, October 31, 2024	\$ 161,883	\$ 94,025	\$ 141,441	\$ 21,845	\$ 346,514	\$ 17,550	\$ 783,258
Additions	-	-	2,350	2,551	37,538	-	42,439
Balance, October 31, 2025	\$ 161,883	\$ 94,025	\$ 143,791	\$ 24,396	\$ 384,052	\$ 17,550	\$ 825,697
<b>Accumulated Amortization</b>							
Balance, October 31, 2024	\$ -	\$ 49,542	\$ 115,612	\$ 20,196	\$ 248,151	\$ 14,040	\$ 447,541
Additions	-	1,779	5,401	1,609	96,013	3,510	108,312
Balance, October 31, 2025	\$ -	\$ 51,321	\$ 121,013	\$ 21,805	\$ 344,164	\$ 17,550	\$ 555,853
<b>Net Book Value</b>							
Balance, October 31, 2025	\$ 161,883	\$ 42,704	\$ 22,778	\$ 2,591	\$ 39,888	\$ -	\$ 269,844

**11. Related Party Transactions**

In accordance with IAS 24, Related Party Disclosures, related party transactions include transactions with parties that have control or joint control over the reporting entity, have significant influence over the entity, are members of key management personnel of the Company including the Directors and Senior Executives of the Company, and close family members of those individuals. The Senior Executive team includes the Chief Executive Officer (“CEO”), Chief Financial Officer (“CFO”), and VP Operations.

The Company uses an office leased by Solution Lease Club, a Company controlled by the CEO of the Company for administration and promotional purposes. Solution Lease Club’s office is at Unit 6, 11220 Voyager Way, Richmond. The Company pays Solution Lease Club a \$400 fee for each sales and lease transaction for property usage. For the year ended October 31, 2025, the Company paid \$168,500 to Solution Lease Club (2024- \$151,600).

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For the year ended October 31, 2025, remuneration of directors and other members of key management personnel amounted to \$431,812 (2024 – \$588,989). Included in this remuneration are financing fees of \$36,000 (2024 - \$36,000) paid to a Company with a director in common for assistance in securing the Company’s banking and securitization facilities.

During the year ended October 31, 2025, services provided by a law firm where a partner is a director of the Company amounted to \$14,420 (2024 – \$32,537). As of October 31, 2025, balance owing was \$644 (2024- \$50,386).

Additionally, as of October 31, 2025, service fees owing to the CFO was \$10,500 (2024- \$10,500).

Two directors of the Company have automobile lease agreements with the Company under standard commercial terms. These leases bear interest at rates consistent with terms available to other customers in similar circumstances.

**12. Supplemental Cash Flow Information**

Significant non-cash transactions during the years ended October 31, 2025 and 2024 affecting cash flows from investing and financing activities included:

October 31,	2025	2024
Cash paid for interest	\$ 1,196,953	\$ 981,317

**13. Bank Indebtedness**

On August 31, 2022, the Company secured a \$15 million Operating Loan Facility with ATB Financial (“ATB”). The \$15 million Operating Loan Facility bears interest at prime plus 1.5% per annum and is secured by a General Security Agreement, subject to permitted encumbrances, a first-ranking security interest over all assets and priority over the Unsecured Convertible Debentures. The Operating Loan Facility is subject to monthly, quarterly and annual reporting covenants including Total Debt to Equity and Working Capital Ratios.

As at October 31, 2025, the balance outstanding on this Operating Loan Facility was \$8,813,651 (2024 - \$3,007,907). As part of the bank covenants, the Company was required to maintain a working capital ratio as defined under the agreement of not less than 1.25:1 and a debt to tangible net worth ratio not greater than 6.00:1. The Company was in compliance with these covenants at all times in 2025 and 2024.

Interest expense recognized in relation to bank indebtedness during the year ended October 31, 2025 was \$348,317 (2024 - \$125,629).

## SOLUTION FINANCIAL INC.

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### 14. Customers' Deposits and Deferred Revenue

Customers' deposits are refundable security deposits received by the Company at lease inception. They are applied to residual balance if buyout option is exercised or will be refunded at the maturity of the lease upon return of the vehicle. As at October 31, 2025, the Company has deposits of \$484,840 on leases coming due in the next year (2024 - \$498,080) and \$2,004,675 deposits coming due in more than a year (2024 - \$1,462,205).

<b>Balance, October 31, 2023</b>	\$	2,011,660
Additions		1,000,885
Refunds		(1,052,260)
<b>Balance, October 31, 2024</b>	\$	1,960,285
Additions		1,455,150
Refunds		(925,920)
<b>Balance, October 31, 2025</b>	\$	2,489,515

Deferred revenue are lease down payment received by the Company at lease inception. They are recognized as rental income on a straight-line basis over the terms of the lease. In case of pre-mature termination, any balance of the unrealized down payment will be recognized at the same time.

### 15. Securitization Financing

On December 22, 2022, the Company entered into a \$35 million Master Purchase and Service Agreement or "Securitization Financing" with Sun Life Assurance Company of Canada. Securitization financings are subject to eligibility criteria of pledged finance lease receivables. Funds are drawn against the securitization facility in tranches. The corresponding interest rates of applicable tranches are set at fixed yield rates tied to specified Government of Canada Bonds with terms that most closely approximate the term of the pledged finance lease receivables included in each tranche. The facility is repayable in monthly instalments of principal and interest in accordance with amortization schedule of the respective tranches. The facility is secured by assignment of the vehicle lease receivables. Restricted cash represents cash held as security for borrowings provided by securitization lender. A cash reserve account held by the lender is maintained at an amount equal to 2% of the loan principal outstanding or a minimum of \$500,000. Refundable customer deposits are also held in restricted cash accounts. The securitization financing is subject to certain reporting and financial covenants as defined under the agreement which the Company was compliant with throughout 2025, including maintaining a Tangible Net Worth of at least \$10,000,000 and maintaining a ratio of Total Liabilities and Securitized Obligations to Tangible Net Worth of less than 9.0 to 1.00.

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**15. Securitization Financing (continued)**

During 2024, the company completed an additional three tranches amounting to \$8,063,644, securitizing corresponding gross finance lease receivables of \$9,486,640.

During 2025, the company completed an additional three tranches amounting to \$8,699,879, securitizing corresponding gross finance lease receivables of \$10,235,152.

As at October 31, 2025, the Securitization financing debt was \$12,611,787 (2024 - \$12,036,325) of which \$4,718,337 (2024 - \$5,606,944) is current.

**16. Convertible Debentures**

	Liability Portion of Convertible Debentures	Equity Portion of Convertible Debentures
Balance, October 31, 2022	2,997,436	190,716
Repayment of convertible debts	(1,000,000)	-
Accretion included in interest expense	124,313	-
Balance, October 31, 2023	2,121,749	190,716
Repayment of convertible debts	(2,175,400)	(190,716)
Accretion included in interest expense	53,651	-
Balance, October 31, 2024	-	-

On July 28, 2022, the Company closed a non-brokered financing of unsecured convertible debentures (“July 28, 2022 Debentures”) with a principal amount of \$3,175,400. The convertible debenture financing consisted entirely of the reinvestment of previously issued unsecured convertible debentures from March 8, 2021 otherwise set to mature on March 8, 2023. The March 8, 2021 Debentures bore interest at a rate of 5.0% per annum and had a conversion price of \$0.50 per Share.

The “July 28, 2022 Debentures” mature on July 28, 2024 and bear interest at a rate of 5.0% per annum, calculated and paid semi-annually. The principal amount and any accrued and unpaid interest on the Debenture may be convertible into common shares in the capital of the Company (“Shares”), in whole or in part, at any time following the Issue Date but on or before the Maturity Date at a conversion price of \$0.38 per Common Share.

On issuance, the Company recognized the fair value of the liability component of \$2,972,068 based on the terms of the Debentures and a discount rate of 8.62%. The residual amount of \$190,716 was allocated to the equity portion.

The convertible debenture has been fully repaid at the maturity date of July 28, 2024.

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**17. Share Capital**

***Authorized share capital***

Unlimited number of common shares without par value.

***Issued share capital***

During the year ended October 31, 2025 the Company completed the following transactions:

- (i) The Company paid dividends of \$342,956 or \$0.004 per share.
- (ii) The Company purchased and cancelled 1,482,000 of its common shares on the open market at an average price of \$0.28 for total cost of \$409,220, pursuant to a normal course issuer bid (the "NCIB").

Subsequent to the year end, the Company purchased and cancelled 200,000 of its common shares on the open market at an average price of \$0.28 for total cost of \$56,440, pursuant to a normal course issuer bid.

During the year ended October 31, 2024 the Company completed the following transactions:

- (i) The Company paid dividends of \$345,383 or \$0.004 per share.
- (ii) The Company purchased and cancelled 210,000 of its common shares on the open market at an average price of \$0.27 for total cost of \$57,148, pursuant to a normal course issuer bid (the "NCIB").

***Stock options and warrants***

The Company follows the policies of the TSX under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the policies, the exercise price of each option equals the market price, or a discounted price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of five years and vest at the discretion of the Board of Directors.

There were no stock options or warrants outstanding during the years ended October 31, 2024 and 2025.

**SOLUTION FINANCIAL INC.**  
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**18. Income Taxes**

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	<b>2025</b>		<b>2024</b>	
Income for the year	\$	162,872	\$	244,018
Expected income tax (recovery)	\$	44,000	\$	66,000
Change in statutory rates and other		(27,000)		(36,000)
Permanent differences		4,000		5,000
Adjustment to prior years provision versus statutory tax returns		3,000		(20,000)
Change in unrecognized deductible temporary differences		(135,000)		(126,000)
<b>Total income tax expense (recovery)</b>	<b>\$</b>	<b>(111,000)</b>	<b>\$</b>	<b>(111,000)</b>

The significant components of the Company's deferred tax assets and liabilities are as follows:

	<b>2025</b>		<b>2024</b>	
Deferred tax assets (liabilities)				
Property and equipment		(5,321,000)		(4,500,000)
Financing costs		62,000		132,000
Non-capital losses available for future period		4,647,000		3,780,000
		(612,000)		(588,000)
Unrecognized deferred tax assets		(133,000)		(268,000)
<b>Net deferred tax liability</b>	<b>\$</b>	<b>(745,000)</b>	<b>\$</b>	<b>(856,000)</b>

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	<b>2025</b>		<b>2024</b>	
	<b>Expiry Date</b>	<b>Range</b>	<b>Expiry Date</b>	<b>Range</b>
<b>Temporary Differences</b>				
Financing costs	3,000	2046	117,000	2045 to 2046
Non-capital losses available for future periods	488,000	2038 to 2041	875,000	2033 to 2041

The attributes are subject to review, and potential adjustments, by tax authorities.

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**19. Earnings per Share**

The following table sets forth the computation of basic and diluted earnings per share:

For the years ended October 31,	2025	2024
Net income available to common shareholders for basic and diluted earnings per share	\$ 273,872	\$ 355,018
Weighted average number of common share outstanding - basic	85,624,211	86,585,501
No dilutive securities	-	-
Weighted average number of common shares outstanding-	85,624,211	86,585,501
Earnings per share - reported:	\$ 0.003	\$ 0.004

**20. Brokerage Commissions**

The gross sales through third-party dealerships were:

For the year ended October 31	2025	2024
Brokerage sale	\$ 2,490,220	\$ 846,154
Cost of brokerage sale	<u>(2,329,658)</u>	<u>(808,324)</u>
	160,562	37,830
Total brokerage commissions	\$ 160,562	\$ 37,830

**21. Sales by Nature**

Sales and lease income includes the following major categories by nature:

For the year ended October 31	2025	2024
In-house vehicle sales	\$ 6,823,754	\$ 8,561,583
Finance lease vehicle sales	98,106	125,524
<b>Vehicle Sales</b>	<b>\$ 6,921,860</b>	<b>\$ 8,687,107</b>
Interest and administrative income	\$ 2,940,629	\$ 2,817,252
Rental revenue	235,869	660,000
Registration fees	347,722	307,650
<b>Leasing Income</b>	<b>\$ 3,524,220</b>	<b>\$ 3,784,902</b>

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**22. Expense by Nature**

Sales and marketing expenses include the following major expenses by nature:

<u>For the year ended October 31</u>	<u>2025</u>	<u>2024</u>
Advertising and promotion	\$ 44,484	\$ 45,980
Commissions	456,520	351,429
Marketing	235,623	181,203
Meals and entertainment	29,681	40,163
<b>Total</b>	<b>\$ 766,307</b>	<b>\$ 618,775</b>

General and administrative expenses include the following major expenses by nature:

<u>For the year ended October 31</u>	<u>2025</u>	<u>2024</u>
Accounting and legal	\$ 336,244	\$ 311,840
Consulting fees	10,000	10,000
Regulatory and transfer agent	272,062	247,974
Insurance, license and permit	58,430	46,646
Office and miscellaneous	171,769	162,197
Repairs and maintenance	2,742	2,733
Salaries and wages	807,635	878,865
<b>Total</b>	<b>\$ 1,658,882</b>	<b>\$ 1,660,255</b>

**23. Capital Management**

The Company's objectives, when managing capital, are to safeguard cash as well as maintain financial liquidity and flexibility in order to preserve its ability to meet financial obligations and deploy capital to grow its businesses.

The Company's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to business growth opportunities and changes in economic conditions. In order to maintain or adjust its capital structure, the Company may issue shares or issue debt (secured, unsecured, convertible and/or other types of available debt instruments). The Company is subject to certain externally imposed capital requirements as described in Note 13 Bank Indebtedness and Note 15 Securitization Financing. The Company did not change its capital management strategy in the year ended October 31, 2025.

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**24. Segmented Information**

The Company operates in one business segment being retail sales, leases, and financing for high-end automotive vehicles, boats, and commercial equipment. All of the Company's non-current assets and revenues are in Canada.