

Kelly Coombs
Chartered Accountant Inc.

FarmWorks Investment Co-operative Limited

Financial Statements

December 31, 2016

(Unaudited)

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Review Engagement Report

To the Members of
FarmWorks Investment Co-operative Limited

I have reviewed the balance sheet of FarmWorks Investment Co-operative Limited as at December 31, 2016 and the statements of loss, deficit and cash flows for the year then ended. My review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to me by the Co-operative.

A review does not constitute an audit and consequently I do not express an audit opinion on these financial statements.

Note 2 indicates that the financial statements of the Co-operative have not been prepared in accordance with International Financial Reporting Standards. The effect of this departure from Canadian generally accepted accounting principles on the unaudited financial statements has not been determined.

Except for the effect of matters as described in the proceeding paragraph, based on my review, nothing has come to my attention that causes me to believe that these financial statements are not, in all material respects, in accordance with Canadian generally accepted accounting principles.



New Minas, Nova Scotia
April 30, 2017

Kelly Coombs Chartered Accountant Inc.
Chartered Professional Accountant

FarmWorks Investment Co-operative Limited

Statements of Loss and Deficit

For the Year Ended December 31, 2016
(Unaudited)

2016

2015

Revenue		
Interest income	<u>\$ 52,884</u>	<u>\$ 40,549</u>
Expenses		
Advertising and promotion	3,692	2,385
Insurance	1,356	1,551
Interest and bank charges	283	689
Memberships and licenses	453	1,075
Offering	8,546	6,133
Professional fees	14,433	4,548
Provision for bad debts	35,900	38,129
Sub-contracts	12,600	5,600
Travel	<u>4,557</u>	<u>8,273</u>
	<u>81,820</u>	<u>68,383</u>
Net loss	<u>\$ (28,936)</u>	<u>\$ (27,834)</u>

Deficit, beginning of year	\$ (38,543)	\$ (10,709)
Net loss	<u>(28,936)</u>	<u>(27,834)</u>
Deficit, end of year	<u>\$ (67,479)</u>	<u>\$ (38,543)</u>

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

FarmWorks Investment Co-operative Limited

Balance Sheet

December 31, 2016
(Unaudited)

2016

2015

Assets

Current

Bank	\$ 314,529	\$ 116,949
Receivables	3,210	2,635
Current portion of loans receivable, at amortized cost (Note 3)	252,744	182,900
Prepays	<u>296</u>	<u> </u>
	570,779	302,484

Loans receivable (Note 3)	<u>764,342</u>	<u>691,455</u>
	<u>\$ 1,335,121</u>	<u>\$ 993,939</u>

Liabilities

Current

Payables and accruals	\$ <u>1,900</u>	\$ <u>4,082</u>
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Equity

Share capital (Note 4)	1,400,700	1,028,400
Deficit	<u>(67,479)</u>	<u>(38,543)</u>
	<u>1,333,221</u>	<u>989,857</u>
	<u>\$ 1,335,121</u>	<u>\$ 993,939</u>

Approved on Behalf of the Board:

_____, Director _____, Director

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

FarmWorks Investment Co-operative Limited

Statement of Cash Flows

For the Year Ended December 31, 2016
(Unaudited)

2016

2015

Increase (decrease) in cash and cash equivalents

Operating

Net loss	\$ (28,936)	\$ (27,834)
Provision for bad debts	<u>36,000</u>	<u>38,129</u>
	7,064	10,295

Change in non-cash operating working capital

Receivables	(575)	(2,515)
Payables and accruals	(2,183)	198
Prepays	<u>(296)</u>	<u> </u>
	<u>4,010</u>	<u>7,978</u>

Investing

Issue of loans receivable	(377,009)	(491,000)
Collection of loans receivable	<u>198,279</u>	<u>148,245</u>
	<u>(178,730)</u>	<u>(342,755)</u>

Financing

Proceeds from issue of common shares	372,300	312,400
Repurchase common shares	<u> </u>	<u>(5,000)</u>
	<u>372,300</u>	<u>307,400</u>

Net increase (decrease) in cash and cash equivalents	197,580	(27,377)
Cash and cash equivalents, beginning of year	<u>116,949</u>	<u>144,326</u>
Cash and cash equivalents, end of year	<u>\$ 314,529</u>	<u>\$ 116,949</u>

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

FarmWorks Investment Co-operative Limited

Notes to the Financial Statements

December 31, 2016
(Unaudited)

1. Nature of operations

FarmWorks Investment Co-operative Limited (the "Co-operative") was incorporated on May 17, 2011, under the laws of Nova Scotia. The Co-operative provides subordinated debt funding to farms and food-related businesses to help increase the supply of local food, and the level of agricultural and related economic activity.

2. Significant Accounting Policies

Basis of accounting

The financial statements have been prepared in accordance with Accounting Standards for Private Enterprises.

Revenue recognition

Interest income is recognized over the term of the loans receivable.

Cash and cash equivalents

Cash and cash equivalents includes short-term investments and highly liquid investments in money market instruments which are carried at the lower of cost and market value with a maturity date of three months or less from the acquisition date. These are valued at cost which approximates market value.

Impairment of long lived assets

In the event that facts and circumstances indicate that the carrying amount of an asset may not be recoverable and an estimate of future undiscounted cash flows is less than the carrying amount of the asset, an impairment loss will be recognized. Management's estimates of revenues, operating expenses, and operating capital are subject to certain risks and uncertainties which may affect the recoverability of the Co-operative's investments. Although management has made its best estimate of these factors based on current conditions, it is possible that changes could occur which could adversely affect management's estimate of the net cash flow expected to be generated from its operations.

Allowance for loan impairment

Management estimates that an allowance of \$36,000 is required to provide for loans that may be uncollectable.

Use of estimates

The preparation of financial statements in conformity with Canadian Accounting Standards for Private Enterprises requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the recognized amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the impairment of financial assets.

FarmWorks Investment Co-operative Limited

Notes to the Financial Statements

December 31, 2016

(Unaudited)

2. Significant Accounting Policies continued

Financial instruments- Transaction costs expensed

The Co-operative recognizes all transaction costs related to financial assets and liabilities as a reduction to net income in the period in which the costs were incurred.

3. Loans receivable

	<u>2016</u>	<u>2015</u>
Loans receivable bearing interest at 6%, maturing from 2017 to 2021, at amortized cost.	\$ 1,053,086	\$ 874,355
Allowance for loan impairment	<u>(36,000)</u>	<u> </u>
Total debt	1,017,086	874,355
Current portion of loans receivable, at amortized cost	<u>252,744</u>	<u>182,900</u>
	<u>\$ 764,342</u>	<u>\$ 691,455</u>

Principal amounts receivable over the next five years are as follows:

2017	\$ 252,744
2018	\$ 245,649
2019	\$ 226,889
2020	\$ 174,527
2021	\$ 84,162

4. Capital Stock

Authorized

The co-operative is authorized to issue common shares with a par value of \$100 each.

Issued

	<u>2016</u>	<u>2015</u>
Common shares	<u>\$ 1,400,700</u>	<u>\$ 1,028,400</u>

During the year, the co-operative issued 3,723 common shares for cash consideration of \$372,300.

FarmWorks Investment Co-operative Limited

Notes to the Financial Statements

December 31, 2016
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5. Subsequent events

Issuance of stock

On February 28, 2017, the Co-operative issued 3,537 common shares for cash consideration of \$353,700.

6. Financial instruments

Risk and concentrations

The Co-operative is exposed to various risks through its financial instruments. The following analysis provides a measure of the co-operative's risk exposure as at December 31, 2016.

Liquidity risk

We are exposed to liquidity risk in meeting our obligations associated with financial liabilities, which is dependent on receipt of funds from operations.

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.

The Co-operative by its very nature is subject to a higher credit risk on its loan receivable than are other lending organizations.

We maintain cash and cash equivalents with reputable and major financial institutions. We consider the risk of non-performance of these instruments to be remote.

Financial instruments which potentially subject the Co-operative to concentrations of credit risk consist of loans receivable. The Co-operative has loans receivable from clients engaged in farming and food-related industries in Nova Scotia. These industries may be affected by economic factors which may impact loans receivable.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. There were no foreign denominated transactions during the year.

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 market interest rates. The Co-operative is exposed to interest rate risk on its financial instruments. Fixed-interest instruments subject the Co-operative to a fair value risk, since fair value fluctuates inversely to changes in market interest rates. Floating rate instruments subject the Co-operative to related cash flow risk. There are currently no floating rate instruments.

FarmWorks Investment Co-operative Limited

Notes to the Financial Statements

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6. Financial instruments continued

Other price risk

Other 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 interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.
