

**Kelly Coombs**  
Chartered Accountant Inc.

# FarmWorks Investment Co-operative Limited

Financial Statements

December 31, 2015

(Unaudited)

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## **Review Engagement Report**

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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, 2015 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 failure as described in the preceding paragraph to prepare the financial statements in accordance with International Financial Reporting Standards, 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 13, 2016

**Kelly Coombs Chartered Accountant Inc.**  
Chartered Accountant

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# FarmWorks Investment Co-operative Limited

## Statements of Loss and Deficit

For the Year Ended December 31, 2015

(Unaudited)

2015

2014

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|                           |               |               |
|---------------------------|---------------|---------------|
| Revenue                   |               |               |
| Interest income           | \$ 40,549     | \$ 26,585     |
| Grant income              |               | 3,913         |
|                           | <u>40,549</u> | <u>30,498</u> |
| Expenses                  |               |               |
| Advertising and promotion | 2,385         | 2,694         |
| Bad debt                  | 38,129        |               |
| Insurance                 | 1,551         | 1,551         |
| Interest and bank charges | 689           | 251           |
| Memberships and licenses  | 1,075         | 1,105         |
| Offering expenses         | 6,133         | 5,858         |
| Professional fees         | 4,548         | 5,658         |
| Salaries and wages        |               | 8,367         |
| Sub-contracts             | 5,600         |               |
| Travel                    | 8,273         | 5,960         |
|                           | <u>68,383</u> | <u>31,444</u> |
| Net loss                  | \$ (27,834)   | \$ (946)      |

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|                            |                    |                    |
|----------------------------|--------------------|--------------------|
| Deficit, beginning of year | \$ (10,711)        | \$ (9,765)         |
| Net loss                   | <u>(27,834)</u>    | <u>(946)</u>       |
| Deficit, end of year       | <u>\$ (38,545)</u> | <u>\$ (10,711)</u> |

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

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# FarmWorks Investment Co-operative Limited

## Balance Sheet

December 31, 2015  
(Unaudited)

2015

2014

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### Assets

#### Current

|   |                |                |
|---|----------------|----------------|
| Bank  | \$ 116,949     | \$ 144,326     |
| Receivables   | 2,634          | 120            |
| Current portion of loans receivable, at amortized cost (Note 3) | <u>182,900</u> | <u>136,676</u> |
|   | 302,483        | 281,122        |

#### Loans receivable (Note 3)

|  |                   |                   |
|--|-------------------|-------------------|
|  | <u>691,455</u>    | <u>433,053</u>    |
|  | <u>\$ 993,938</u> | <u>\$ 714,175</u> |

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### Liabilities

#### Current

|                       |                 |                 |
|-----------------------|-----------------|-----------------|
| Payables and accruals | \$ <u>4,083</u> | \$ <u>3,886</u> |
|-----------------------|-----------------|-----------------|

### Equity

|                        |                   |                   |
|------------------------|-------------------|-------------------|
| Share capital (Note 4) | 1,028,400         | 721,000           |
| Deficit                | <u>(38,545)</u>   | <u>(10,711)</u>   |
|                        | <u>989,855</u>    | <u>710,289</u>    |
|                        | <u>\$ 993,938</u> | <u>\$ 714,175</u> |

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Approved on Behalf of the Board:

\_\_\_\_\_, Director \_\_\_\_\_, Director

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

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# FarmWorks Investment Co-operative Limited

## Statement of Cash Flows

For the Year Ended December 31, 2015  
(Unaudited)

2015

2014

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Increase (decrease) in cash and cash equivalents

### Operating

|  |              |              |
|--|--------------|--------------|
| Net loss                                     | \$ (27,834)  | \$ (946)     |
| Provision for doubtful accounts              | 38,129       |              |
| Change in non-cash operating working capital |              |              |
| Receivables                                  | (2,514)      | 537          |
| Payables and accruals                        | 197          | (255)        |
|  | <u>7,978</u> | <u>(664)</u> |

### Investing

|                                |                  |                  |
|--------------------------------|------------------|------------------|
| Issue of loans receivable      | (491,000)        | (249,500)        |
| Collection of loans receivable | 148,245          | 101,635          |
|                                | <u>(342,755)</u> | <u>(147,865)</u> |

### Financing

|                                      |                |                |
|--------------------------------------|----------------|----------------|
| Proceeds from issue of common shares | 312,400        | 271,500        |
| Repurchase common shares             | (5,000)        |                |
|                                      | <u>307,400</u> | <u>271,500</u> |

|  |                   |                   |
|--|-------------------|-------------------|
| Net increase (decrease) in cash and cash equivalents | (27,377)          | 122,971           |
| Cash and cash equivalents, beginning of year         | 144,326           | 21,355            |
| Cash and cash equivalents, end of year               | <u>\$ 116,949</u> | <u>\$ 144,326</u> |

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

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# FarmWorks Investment Co-operative Limited

## Notes to the Financial Statements

For the Year Ended December 31, 2015  
(Unaudited)

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### 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.

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### 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.

#### 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.

#### Fair values not materially different from book values

The Co-operative has determined that the estimated fair value of the financial assets and liabilities do not differ considerably from their book value.

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# FarmWorks Investment Co-operative Limited

## Notes to the Financial Statements

For the Year Ended December 31, 2015  
(Unaudited)

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### 2. Significant Accounting Policies continued

#### 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.

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### 3. Loans receivable

|   | <u>2015</u>       | <u>2014</u>       |
|---|-------------------|-------------------|
| Loans receivable bearing interest at 6%, maturing from 2017 to 2021, at amortized cost. | \$ 874,355        | \$ 569,729        |
| Current portion of loans receivable, at amortized cost                                  | <u>182,900</u>    | <u>136,676</u>    |
|   | <u>\$ 691,455</u> | <u>\$ 433,053</u> |

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

|      |            |
|------|------------|
| 2016 | \$ 182,900 |
| 2017 | \$ 197,315 |
| 2018 | \$ 193,167 |
| 2019 | \$ 153,098 |
| 2020 | \$ 95,280  |

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### 4. Capital Stock

#### Authorized

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

#### Issued

|               | <u>2015</u>         | <u>2014</u>       |
|---------------|---------------------|-------------------|
| Common shares | <u>\$ 1,028,400</u> | <u>\$ 721,000</u> |

During the year, the co-operative issued 3,124 common shares for cash consideration of \$312,400. 50 common shares were repurchased for a cash consideration of \$5,000.

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# FarmWorks Investment Co-operative Limited

## Notes to the Financial Statements

For the Year Ended December 31, 2015  
(Unaudited)

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### 5. Subsequent events

#### Issuance of stock

On March 15, 2016, the Co-operative issued 3,614 common shares for cash consideration of \$ 361,400.

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### 6. Financial instruments

#### Risks 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, 2015.

#### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The co-operative is exposed to this risk mainly in respect of its payables and accruals.

#### Concentration of 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. 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.

#### 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.

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