

FarmWorks Investment Co-operative Limited

**Unaudited Financial Statements and
Notice to Reader**

September 30, 2016

Prepared by:

**Athena Koros, CPA, CMA
Wolfville, Nova Scotia**

Notice to Reader

On the basis of information provided by management, I have compiled the balance sheet of Farmworks Investment Co-operative as at September 30, 2016, the statement of loss, the statement of deficit and the statement of cash flows for the period ended September 30, 2016.

I have not performed an audit or a review engagement in respect of these financial statements and, accordingly, I express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purposes.

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October 18, 2016

FarmWorks Investment Co-operative Limited

Statements of Loss and Deficit

For the Period Ended September 30,
2016 (Unaudited – See Notice to Reader)

September 30, 2016

2015

Revenue			
Interest income	\$	37,684	40,549
Miscellaneous revenue		435	
		<hr/>	<hr/>
		38,119	40,459
Expenses			
Advertising and promotion		3,411	2,385
Bad debt			38,129
Insurance		1,652	1,551
Interest and bank charges		241	689
Memberships and licenses		452	1,075
Offering expenses		8,177	6,133
Professional fees		10,644	4,548
Sub-contracts		12,600	5,600
Travel		3,592	8,273
		<hr/>	<hr/>
		40,769	68,383
Net Income (Loss)		<hr/>	<hr/>
		(2,650)	(27,834)
Deficit, beginning of year		(38,545)	(10,711)
Net income (loss)		<hr/>	<hr/>
		(2,650)	(27,834)
Deficit, end of year		<hr/>	<hr/>
		(41,195)	(38,545)

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

FarmWorks Investment Co-operative Limited

Statement of Cash Flows

For the Period Ended September 30,
2016 (Unaudited – See Notice to Reader)

September 30, 2016

2015

Increase (decrease) in cash and cash equivalents

Operating

Net loss	(2,650)	(27,834)
Provision for doubtful accounts		38,129
Change in non-cash operating working capital		
Receivables	114	(2,514)
Payables and accruals	(2,740)	197
	(5,276)	7,978

Investing

Issue of loans receivable	(247,051)	(491,000)
Collection of loans receivable	129,805	148,245
	(117,246)	(342,755)

Financing

Proceeds from issue of common stock	372,300	312,400
Repurchase common shares		(5,000)
	372,300	307,400

Net increase (decrease) in cash and cash equivalents	249,778	(27,377)
Cash and cash equivalents, beginning of year	116,949	144,326
Cash and cash equivalents, end of period	\$366,727	\$ 116,949

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

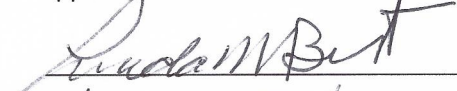
FarmWorks Investment Co-operative Limited


Balance Sheet

September 30, 2016 (Unaudited—See Notice to Reader)

	September 30 2016	2015
Assets		
Current		
Bank	366,727	116,949
Receivables	2,520	2,634
Current portion of loans receivable, at amortized cost (Note 3)	230,867	182,900
	<u>600,114</u>	<u>302,483</u>
Loans receivable (Note 3)	760,734	691,455
	<u>1,360,848</u>	<u>993,938</u>
Liabilities		
Current		
Payables and accruals	1,343	4,083
Equity		
Share capital (Note 4)	1,400,700	1,028,400
Deficit	(41,195)	(38,545)
	<u>1,359,505</u>	<u>989,855</u>
	<u>1,360,848</u>	<u>993,938</u>

Approved on Behalf of the Board:


 Linda M Bost
 Treasurer


 ANN L ANDERSON, Director
 Secretary

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

FarmWorks Investment Co-operative Limited

Notes to the Financial Statements

Interim for the period January 1 to September 30, 2016 (Unaudited—See Notice to Reader)

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.

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.

FarmWorks Investment Co-operative Limited

Notes to the Financial Statements

Interim for the period January 1 to September 30, 2016 (Unaudited – See Notice to Reader)

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.

3. Loans receivable

	2016	2015
Loans receivable bearing interest at 6%, maturing from 2017 to 2026, amortized cost.	991,601	874,355
Current portion of loans receivable, at amortized cost	230,867	182,900
	<u>760,734</u>	<u>691,455</u>

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

September '2017	230,867
September '2018	231,498
September '2019	219,226
September '2020	174,165
September '2021	74,601
September '2022	21,075
September '2023	14,240
September '2024	12,989
September '2025	8,220
September '2026	4,720

4. Capital Stock

Authorized

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

Issued	September 30, 2016	2015	2014	2013
Common shares	\$1,400,700	\$1,028,400	\$721,000	\$449,500

FarmWorks Investment Co-operative Limited

Notes to the Financial Statements

Interim for the period January 1 to September 30, 2016 (Unaudited – See Notice to Reader)

Capital stock continued

Issuance of stock

On March 15, 2016, the co-operative issued 3,614 common shares for cash consideration of \$ 361,400 and on June 10, 2016 the co-operative issued 109 common shares for cash consideration of \$10,900.

5. 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 June 3, 2016.

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 cooperative 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.
