

FarmWorks Investment Co-operative Limited

Balance Sheet

June 30, 2016
(Unaudited)

June 30, 2016

2015

Assets

Current		
Bank	418,722	116,949
Prepaid expenses	1,400	
Receivables (Note 7)	24,930	2,634
Current portion of loans receivable, at amortized cost (Note 3)	206,479	182,900
	<u>651,531</u>	<u>302,483</u>
Loans receivable (Note 3)	709,438	691,455
	<u>1,360,969</u>	<u>993,938</u>

Liabilities

Current		
Payables and accruals	5,020	4,083

Equity

Share capital (Note 4)	1,400,700	1,028,400
Deficit	(44,751)	(38,545)
	<u>1,355,949</u>	<u>989,855</u>
	<u>1,360,969</u>	<u>993,938</u>

Approved on Behalf of the Board:


Linda M. Best, Director
 
ANN L. ANDERSON, Director

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

FarmWorks Investment Co-operative Limited

Statements of Loss and Deficit

For the Period Ended June 30, 2016
(Unaudited)

	June 30, 2016	2015
Revenue		
Interest income	\$ 23,820	40,549
Miscellaneous revenue	435	
	<u>24,255</u>	<u>40,459</u>
Expenses		
Advertising and promotion	1,719	2,385
Bad debt		38,129
Insurance	1,652	1,551
Interest and bank charges	175	689
Memberships and licenses	454	1,075
Offering expenses	8,099	6,133
Professional fees	7,183	4,548
Sub-contracts	8,400	5,600
Travel	2,779	8,273
	<u>30,461</u>	<u>68,383</u>
Net Income (Loss)	(6,206)	(27,834)
Deficit, beginning of year	(38,545)	(10,711)
Net income (loss)	<u>(6,206)</u>	<u>(27,834)</u>
Deficit, end of year	<u>(44,751)</u>	<u>(38,545)</u>

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

FarmWorks Investment Co-operative Limited

Statement of Cash Flows

For the Period Ended June 30, 2016
(Unaudited)

June 30, 2016

2015

Increase (decrease) in cash and cash equivalents

Operating

Net loss	(6,206)	(27,834)
Provision for doubtful accounts		38,129
Change in non-cash operating working capital		
Prepaid expenses	(1,400)	
Receivables	(22,296)	(2,514)
Payables and accruals	937	197
	<u>(28,965)</u>	<u>7,978</u>

Investing

Issue of loans receivable	(141,012)	(491,000)
Collection of loans receivable	99,450	148,245
	<u>(41,562)</u>	<u>(342,755)</u>

Financing

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

Net increase (decrease) in cash and cash equivalents	301,773	(27,377)
Cash and cash equivalents, beginning of year	116,949	144,326
Cash and cash equivalents, end of period	<u>\$ 418,722</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

Interim for the period January 1 to June 30, 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.

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 June 30, 2016 (Unaudited)

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.	915,917	874,355
Current portion of loans receivable, at amortized cost	206,479	182,900
	<u>709,438</u>	<u>691,455</u>

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

June '2017	206,479
June '2018	215,439
June '2019	197,522
June '2020	156,539
June '2021	76,319
June '2022	20,113
June '2023	14,449
June '2024	12,796
June '2025	11,165
June '2026	5,096

4. Capital Stock

Authorized

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

Issued	June 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 June 30, 2016 (Unaudited)

5. Subsequent events

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.

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 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.

FarmWorks Investment Co-operative Limited

Notes to the Financial Statements

Interim for the period January 1 to June 30, 2016 (Unaudited)

7. Receivables

Investment funds	\$20,900
CWCF	2,520
Client Receivables	<u>1,510</u>
	<u>\$24,930</u>
