

Kelly Coombs
Chartered Accountant Inc.

FarmWorks Investment Co-operative Limited

Financial Statements

December 31, 2013

(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, 2013 and the 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.

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.



Kelly Coombs Chartered Accountant Inc.
Chartered Accountant

New Minas, Nova Scotia
April 15, 2014

FarmWorks Investment Co-operative Limited

Statements of Loss and Deficit

For the Year Ended December 31, 2013
(Unaudited)

	<u>2013</u>	<u>2012</u>
Revenue		
Interest income	\$ 11,316	\$ 1,086
Other revenue		3,114
	<u>11,316</u>	<u>4,200</u>
Expenses		
Advertising and promotion	2,559	2,954
Insurance	1,551	650
Interest and bank charges	168	131
Memberships and licenses	200	
Offering expenses	3,583	5,043
Professional fees	2,713	2,329
Travel expenses	3,400	
	<u>14,174</u>	<u>11,107</u>
Net Loss	<u>\$ (2,858)</u>	<u>\$ (6,907)</u>

Deficit, beginning of year	\$ (6,907)	
Net loss	<u>(2,858)</u>	\$ (6,907)
Deficit, end of year	<u>\$ (9,765)</u>	<u>\$ (6,907)</u>

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

FarmWorks Investment Co-operative Limited

Balance Sheet

December 31, 2013
(Unaudited)

	<u>2013</u>	<u>2012</u>
Assets		
Current		
Bank	\$ 21,356	\$ 40,073
Receivables	657	1,117
Current portion of loans receivable, at amortized cost. (Note 3)	<u>78,663</u>	<u>30,018</u>
	<u>100,676</u>	<u>71,208</u>
Loans receivable (Note 3)	<u>343,201</u>	<u>148,328</u>
	<u>\$ 443,877</u>	<u>\$ 219,536</u>

Liabilities		
Current		
Payables and accruals	\$ 4,142	\$ 2,243
Equity		
Share capital (Note 4)	449,500	224,200
Deficit	<u>(9,765)</u>	<u>(6,907)</u>
	<u>439,735</u>	<u>217,293</u>
	<u>\$ 443,877</u>	<u>\$ 219,536</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, 2013
(Unaudited)

Increase (decrease) in cash and cash equivalents

	<u>2013</u>	<u>2012</u>
Operating		
Net loss	\$ (2,858)	\$ (6,907)
Change in non-cash operating working capital		
Receivables	460	(1,116)
Payables and accruals	<u>1,899</u>	<u>2,242</u>
	<u>(499)</u>	<u>(5,781)</u>
Investing		
Issue of loans receivable	(288,000)	(180,000)
Collection of loans receivable	44,482	1,654
Decrease (increase) in organizational costs		<u>556</u>
	<u>(243,518)</u>	<u>(177,790)</u>
Financing		
Proceeds from issue of common stock	<u>225,300</u>	<u>223,500</u>
Net increase (decrease) in cash and cash equivalents	(18,717)	39,929
Cash and cash equivalents, beginning of year	<u>40,073</u>	<u>144</u>
Cash and cash equivalents, end of year	<u>\$ 21,356</u>	<u>\$ 40,073</u>

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

FarmWorks Investment Co-operative Limited

Notes to the Financial Statements

For the Year Ended December 31, 2013
(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 Canadian generally accepted accounting principles.

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

For the Year Ended December 31, 2013
(Unaudited)

2. Significant Accounting Policies continued

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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

	<u>2013</u>	<u>2012</u>
Loans receivable bearing interest at 6%, maturing in 2017 and 2019, at amortized cost.	\$ 421,864	\$ 178,346
Current portion of loans receivable, at amortized cost.	<u>78,663</u>	<u>30,018</u>
	<u>\$ 343,201</u>	<u>\$ 148,328</u>

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

2014	\$	78,663
2015	\$	85,170
2016	\$	90,423
2017	\$	94,797
2018	\$	57,277

4. Capital Stock

Authorized

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

Issued

	<u>2013</u>	<u>2012</u>
Common shares	<u>\$ 449,500</u>	<u>\$ 224,200</u>

During the year, the co-operative issued 2,253 common shares for cash consideration of \$225,300.

FarmWorks Investment Co-operative Limited

Notes to the Financial Statements

For the Year Ended December 31, 2013
(Unaudited)

5. Subsequent events

Issuance of stock

On March 3, 2014, the co-operative issued 2,400 common shares for cash consideration of \$ 240,000.

6. Financial instruments

Risks and concentrations

The company 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, 2012.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company 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.