Grant Thornton

Financial Statements

FarmWorks Investment Co-operative Limited

December 31, 2017

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Independent Practitioner's Review Engagement Report

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To the Shareholders of
FarmWorks Investment Co-operative Limited

We have reviewed the accompanying financial statements of FarmWorks Investment Co-operative Limited that comprise the balance sheet as at December 31, 2017, and the statements of income and deficit and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these financial statements.

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Independent Practitioner's Review Engagement Report (continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these financial statements do not present fairly, in all material respects, the financial position of FarmWorks Investment Co-operative Limited as at December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Emphasis of matter

The financial statements of FarmWorks Investment Co-operative Limited for the year ended December 31, 2016 were reviewed by another practitioner.

Grant Thornton LLP

Kentville, Canada
April 24, 2018

Chartered Professional Accountants
Licensed Public Accountants

FarmWorks Investment Co-operative Limited
Statements of Income and Deficit

Year ended December 31

	2017	2016
Revenue		
Interest	$ 70,642	$ 51,709
Miscellaneous	555	1,175
	71,197	52,884
Expenses		
Advertising and promotion	4,985	3,692
Insurance	1,452	1,356
Interest and bank charges	705	283
Memberships and licenses	653	453
Offering expenses	3,752	8,546
Professional fees	13,293	14,433
Provision for bad debts	11,084	35,900
Sub-contracts	-	12,600
Travel	3,805	4,557
	39,729	81,820
Net income (loss)	$ 31,468	$ (28,936)
Deficit, beginning of year	$ (67,479)	$ (38,543)
Net income (loss)	31,468	(28,936)
Deficit, end of year	$ (36,011)	$ (67,479)

See accompanying notes to the financial statements.

FarmWorks Investment Co-operative Limited
Balance Sheet
December 31

	2017	2016
Assets		
Current		
Cash and cash equivalents	**$ 355,180**	$ 314,529
Receivables	**6,522**	3,210
Prepaids	**566**	296
Current portion of loans receivable (Note 3)	**373,941**	252,744
	736,209	570,779
Loans receivable (Note 3)	**1,004,607**	764,342
	$ 1,740,816	$ 1,335,121
Liabilities		
Current		
Payables and accruals	**$ 7,227**	$ 1,900
Shareholders' equity		
Share capital (Note 4)	**1,769,600**	1,400,700
Deficit	**(36,011)**	(67,479)
	1,733,589	1,333,221
	$ 1,740,816	$ 1,335,121

On behalf of the board

Director Director

See accompanying notes to the financial statements.

FarmWorks Investment Co-operative Limited
Statement of Cash Flows

Year ended December 31

	2017	2016
Increase (decrease) in cash and cash equivalents		
Operating		
Net income (loss)	**$ 31,468**	$ (28,936)
Item not affecting cash		
Provision for doubtful accounts	**11,084**	36,000
	42,552	7,064
Change in non-cash working capital items		
Receivables	**(3,312)**	(575)
Prepaids	**(270)**	(296)
Payables and accruals	**5,328**	(2,183)
	44,298	4,010
Financing		
Redemption of share capital	**(10,000)**	-
Issuance of share capital	**378,900**	372,300
	368,900	372,300
Investing		
Issue of loans receivable	**(654,895)**	(377,009)
Collection of loans receivable	**282,348**	198,279
	(372,547)	(178,730)
Increase in cash and cash equivalents	**40,651**	197,580
Cash and cash equivalents		
Beginning of year	**314,529**	116,949
End of year	**$ 355,180**	$ 314,529

See accompanying notes to the financial statements.

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 is a Community Economic Development Investment Fund (CEDIF) and is owned by individual investors in Nova Scotia. The co-operative promotes and provides strategic and responsible community investment in food production and distribution in order to increase access to a sustainable local food supply for all Nova Scotians.

2. Significant accounting policies

The financial statements have been prepared in accordance with Part II of the CPA Canada Handbook - Canadian accounting standards for private enterprises.

Revenue recognition

Interest revenue is recognized on a time proportion basis over the term of the issued loans.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits, deposits held on call with banks, other short-term highly liquid investments which are readily convertible to known amounts of cash and bank overdrafts. The co-operative considers securities with original maturities of three months or less to be readily convertible to known amounts of cash.

Financial instruments

The co-operative considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The co-operative accounts for the following as financial instruments:

- cash and cash equivalents
- trade and other receivables
- loans receivable
- trade and other payables

A financial asset or liability is recognized when the co-operative becomes party to contractual provisions of the instrument.

Financial assets or liabilities obtained in arm's length transactions are initially measured at their fair value. In the case of a financial asset or liability not being subsequently measured at fair value, the initial fair value will be adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption.

Financial assets or liabilities obtained in related party transactions are measured in accordance with the accounting policy for related party transactions except for those transactions that are with a person or entity whose sole relationship with the co-operative is in the capacity of management in which case they are accounted for in accordance with financial instruments.

Financial assets and financial liabilities are subsequently measured according to the following methods:

Financial instrument	Subsequent measurement
Cash and cash equivalents	Amortized cost

2. Significant accounting policies (continued)

Financial instruments (continued)

Receivables	Amortized cost
Loans receivable	Amortized cost
Payables and accruals	Amortized cost

The co-operative removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net income.

Use of estimates

Management reviews the carrying amounts of items in the financial statements at each balance sheet date to assess the need for revisions. Many items in the preparation of these financial statements require management's best estimate based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to net income as appropriate in the year they become known.

Significant items subject to management estimates include the allowance for loan impairment on the loans receivable. Management has reviewed the loan portfolio in detail and identified specific loans that were know to be uncollectible or for which significant doubt exists. Additionally a general provision has been recorded for other loans that may become impaired. An allowance for loan impairment of $24,000 is included in Note 3. Bad debts written off during the year and any adjustment to the allowance for loan impairment is included in the Statement of Income and amounted to $11,084.

Income taxes

The co-operative has elected to account for income taxes using the taxes payable method. The taxes payable and provision for income taxes are based on the corporate income tax returns filed. There is no adjustment for income taxes related to temporary differences and no recognition of the benefit of income tax losses carried forward.

3. Loans receivable

	2017	2016
Loans receivable bearing interest at 6%, maturing from 2018 to 2027.	**$ 1,402,548**	$ 1,053,086
Allowance for loan impairment	**(24,000)**	(36,000)
	1,378,548	1,017,086
Less current portion	**373,941**	252,744
	$ 1,004,607	$ 764,342

Loans receivable are unsecured.

Estimated principal repayments are as follows:

2018	$ 373,941
2019	312,941
2020	285,975
2021	232,555
2022	150,991

4. Share capital

Authorized

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

Issued

	2017	2016
17,689 Common shares (2016 - 14,000)	**$ 1,769,600**	$ 1,400,700

During the year 3,745 shares were issued for $378,900 and 100 shares were redeemed for $10,000.

5. Income taxes

For income tax purposes, the co-operative has losses carried forward of $36,014 which can be applied to reduce future years' taxable income. These losses begin to expire in 2035. The benefit of these losses have not been recognized in the financial statements. During the year losses of $31,468 were utilized to reduce taxable income and taxes payable to zero.

6. Financial instruments

The main risk the co-operative is exposed to through its financial instruments is credit risk.

Credit risk

Exposure to credit risk relating to financial assets arises from the potential of loan recipients to not making payments as specified under the terms of their lending agreement which could lead to a financial loss to the co-operative. Credit risk is managed through a stringent loan application process and regular monitoring and follow up on all issued loans. The co-operative has no significant concentration risk with respect to any single party. There was no significant change in exposure from the prior year.

7. Subsequent events

Subsequent to year end the co-operative concluded its seventh offering in March 2018, resulting in the issue of 4,440 common shares for a total of $444,000.