
Financial statements of
SK Livestock Finance
Co-operative Ltd.

August 31, 2019

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Independent Auditor's Report

To the Members of
SK Livestock Finance Co-operative Ltd.

Opinion

We have audited the financial statements of SK Livestock Finance Co-operative Ltd. (the "Co-operative"), which comprise the balance sheet as at August 31, 2019, and the statements of loss and retained deficit and cash flows for the five months then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Co-operative as at August 31, 2019, and the results of its operations and its cash flows for the five months then ended in accordance with Canadian accounting standards for private enterprises ("ASPE").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Co-operative in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASPE, 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.

In preparing the financial statements, management is responsible for assessing the Co-operative's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Co-operative or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Co-operative's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Co-operative's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Co-operative's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Co-operative to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
January 22, 2020
Regina, Saskatchewan

SK Livestock Finance Co-operative Ltd.

Balance sheet

As at August 31, 2019

	Note	2019 \$
Assets		
Current assets		
Accounts receivable		3,952
Prepaid expenses		4,742
		8,694
Liabilities		
Current liabilities		
Bank indebtedness	4	142,550
Accounts payable		35,538
Loan payable		1,500
Deferred revenue		150
		179,738
Shareholder's equity		
Retained deficit		(171,044)
		8,694

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

Approved by the Board

SANDRA LEE MOEN

Signature 

DALE ROBERT CANNON

Signature 

SK Livestock Finance Co-operative Ltd.**Statement of loss and retained deficit**Five months ended August 31, 2019

	2019
	\$
Revenue	
Membership application fees	120,500
Ministry of Agriculture government grant	120,000
Other	6,127
	246,627
Expenses	
Administration	22,386
Legal	37,236
Office	14,879
Personal Property Security Act ("PPSA") charges	41,750
Professional fees	250,850
Salaries, wages and benefits	50,570
	417,671
Net loss for the period	(171,044)
Retained earnings, beginning of period	—
Retained deficit, end of period	(171,044)

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

SK Livestock Finance Co-operative Ltd.**Statement of cash flows**Five months ended August 31, 2019

	2019
	\$
Operating activities	
Net loss	(171,044)
Changes in non-cash working capital	
Accounts receivable	(3,952)
Prepaid expenses	(4,742)
Accounts payable	35,538
Deferred revenue	150
	(144,050)
Financing activities	
Proceeds from loan payable	1,500
Net decrease in cash	(142,550)
Cash, beginning of period	—
Bank indebtedness, end of period	(142,550)

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

SK Livestock Finance Co-operative Ltd.

Notes to the financial statements

August 31, 2019

1. Description of business

SK Livestock Finance Co-operative Ltd. (the "Co-operative") was incorporated as a co-operative corporation under *The Co-operatives Act, 1996* (the "Act") on March 29, 2019 to replace the Saskatchewan Ministry of Agriculture Livestock Loan Guarantee Program, which ceased active operations on July 31, 2019. In accordance with the Act, there is no share capital in the Co-operative. However, the interest of each member is the same as that of every other member.

The Co-operative's principal business activity is to provide financing and supervisory services for Saskatchewan livestock producers. The Co-operative's financing programs for livestock is largely modeled off the previous Saskatchewan Ministry of Agriculture Livestock Loan Guarantee Program. The Co-operative borrows funds from the lender and in turn loans the funds to members subject to the restrictions and limitations specified under the Co-operative's Policies & Procedures Manual.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for private enterprises ("ASPE") and reflect the following significant accounting policies:

(a) 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 reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

(b) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the Co-operative becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost.

Transaction costs related to financial instruments measured subsequent to initial recognition at fair value are expensed as incurred. Transaction costs related to other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the effective interest method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the effective interest method and recognized in net earnings as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Co-operative recognizes in net earnings an impairment loss, if any, when there are indicators of impairment and it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to net earnings in the period the reversal occurs.

SK Livestock Finance Co-operative Ltd.

Notes to the financial statements

August 31, 2019

2. Significant accounting policies (continued)

(c) Revenue recognition

Ministry of Agriculture grant revenue is recognized when collection is reasonably assured.

Membership application fees are recognized upon the date that the membership application is received in exchange for the service of processing the application form, as that is when collection is reasonably assured, performance is achieved, and reasonable assurance exists regarding the measurement of the consideration.

(d) Income taxes

The Co-operative follows the taxes payable method of accounting for income taxes. Under this method, only current income taxes for the period, determined in accordance with the rules established by taxation authorities are recognized as an expense.

3. Financial instruments and risk management

(a) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets and liabilities, known as price risk.

The Co-operative is exposed to interest rate cash flow risk with respect to its bank indebtedness, which is expected to be realized within one year. The Co-operative is not exposed to interest rate price risk.

(b) Credit risk

Credit risk is the risk that one party to a financial asset will cause a financial loss for the Co-operative by failing to discharge an obligation. The Co-operative's principal financial assets are accounts receivable, which are subject to credit risk. The carrying amount of financial assets on the balance sheet represents the Co-operative's maximum credit exposure at the balance sheet date.

(c) Liquidity risk

Liquidity risk is the risk that the Co-operative will encounter difficulty in meeting obligations with financial liabilities. The Co-operative's objective is to have sufficient liquidity to meet its liabilities when due. The Co-operative monitors its cash balances and cash flows generated from operations to meet its requirements. As at August 31, 2019, the Co-operative's principal financial liabilities are: accounts payable, bank indebtedness and loan payable.

SK Livestock Finance Co-operative Ltd.

Notes to the financial statements

August 31, 2019

4. Bank indebtedness

The Co-operative has access to the following credit facilities by way of an authorized term sheet signed on July 18, 2019. The Co-operative has access to an overdraft lending facility with an authorized limit of \$70,000,000, bearing interest at prime, with a general security agreement pledged as collateral. The Co-operative also has access to a revolving working capital facility with an authorized limit of \$250,000, bearing interest at prime plus 1.00%, with a general security agreement pledged as collateral. These facilities are due on demand. The Co-operative has drawn from its revolving working capital facility as at August 31, 2019. The Co-operative was in compliance with the covenants as set out in the authorized term sheet as at August 31, 2019.

Subsequent to August 31, 2019, the Co-operative executed the loan agreement with the bank dated September 18, 2019. The loan agreement sets out certain covenants to be maintained by the Co-operative.

5. Income taxes

The income tax expense reported differs from the amount computed by applying the Canadian statutory rate to income before taxes for the following reasons:

	2019
	\$
Loss before income taxes	(171,044)
Expected income tax benefit at the combined rate of 27%	(46,182)
Increase (decrease) in income tax benefit resulting from:	
Difference between tax depreciation and accounting treatment	5,108
Loss carryforward	41,074
Income tax benefit	—

Losses of \$152,127 are available to reduce income for tax purposes until 2039.

6. Related party transactions

Transactions with related parties were conducted in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Transactions and balances with related parties are as follows:

	2019
	\$
Accounts payable	2,645
Membership application fees	1,200
Administration	2,491
Salaries, wages and benefits	12,345