

SK LIVESTOCK FINANCE CO-OPERATIVE LTD.

FINANCIAL STATEMENTS
August 31, 2025


MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

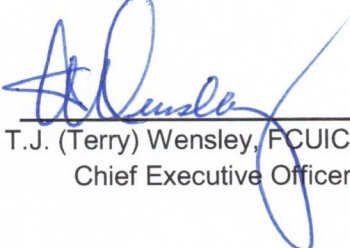
The accompanying financial statements of **SK Livestock Finance Co-operative Ltd.** have been prepared by the Co-operative's Management in accordance with Canadian accounting standards for private enterprises and necessarily include some amounts based on informed judgement and Management estimates.

To assist Management in fulfilling its responsibilities, a system of internal controls has been established to provide reasonable assurance that the financial statements are accurate and reliable and that assets are safeguarded.

The Board of Directors has reviewed and approved these financial statements.

These financial statements have been examined by the independent auditors, **Virtus Group LLP**, and their report is presented separately.

Signed by:

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Kristopher Webb
Chair, Board of Directors


T.J. (Terry) Wensley, FCUIC, BAC
Chief Executive Officer



**VIRTUS
GROUP**
Chartered Professional Accountants
& Business Advisors LLP

INDEPENDENT AUDITOR'S REPORT

**To the Members,
SK Livestock Finance Co-operative Ltd.**

Opinion

We have audited the financial statements of **SK Livestock Finance Co-operative Ltd.**, which comprise the balance sheet as at **August 31, 2025**, and the statements of income, members' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Co-operative as at August 31, 2025, and its financial performance and cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 Saskatchewan, 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 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.

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 generally accepted auditing standards 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.

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INDEPENDENT AUDITOR'S REPORT (continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 controls.
- Obtain an understanding of internal controls 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 controls.
- 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.

December 11, 2025
Regina, Saskatchewan

VIRTUS GROUP LLP
Chartered Professional Accountants


SK LIVESTOCK FINANCE CO-OPERATIVE LTD.
BALANCE SHEET
AS AT AUGUST 31, 2025
(with comparative figures for 2024)

<u>ASSETS</u>			
		2025	2024
Cash	\$	53,654	\$ 57,192
Restricted cash - assurance funds (Note 3)		7,449,168	7,036,576
Accounts receivable		3,600	3,692
Income taxes receivable		-	17,370
Interest receivable		2,126,175	2,583,132
Prepaid expenses		20,661	19,094
Member schedules receivable (Note 4)		59,449,780	57,375,564
Property and equipment (Note 5)		13,480	15,267
	\$	<u>69,116,518</u>	<u>\$ 67,107,887</u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	\$	695,723	\$ 315,429
Government remittances payable		19,154	12,476
Income taxes payable		6,165	-
Assurance funds payable (Note 3)		7,449,168	7,036,577
Deferred membership revenue		900	2,400
Loans payable (Note 6)		60,745,680	59,537,150
		<u>68,916,790</u>	<u>66,904,032</u>
<u>MEMBERS' EQUITY</u>			
Members' equity		199,728	203,855
	\$	<u>69,116,518</u>	<u>\$ 67,107,887</u>
Commitment (Note 9)			

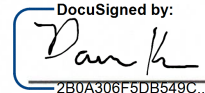
See accompanying notes to the financial statements.

Approved on behalf of the Board:

Signed by:


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SK LIVESTOCK FINANCE CO-OPERATIVE LTD.
STATEMENT OF INCOME AND MEMBERS' EQUITY
FOR THE YEAR ENDED AUGUST 31, 2025
(with comparative figures for the year ended August 31, 2024)

	2025	2024
Revenue		
Interest	\$ 3,365,884	\$ 3,891,625
Inventory fees	104,484	88,646
Investment	267,872	373,851
Membership fees	117,590	115,450
Other	84,234	116,431
Purchasing fees	204,414	202,094
	<u>4,144,478</u>	<u>4,788,097</u>
Expenses		
Administration	53,110	49,380
Advertising and promotion	56,269	50,495
Amortization	3,332	3,022
Bad debts	163,801	-
Bank charges	12,643	14,233
Board of Director expenses	23,564	22,981
Consulting fees	35,126	36,749
Interest	2,768,978	3,429,104
Office and general	69,988	57,740
Professional services	58,539	179,839
Region expenses	192,749	212,420
Salaries and benefits	690,745	687,628
Security registration	10,700	45,110
	<u>4,139,544</u>	<u>4,788,701</u>
Income (loss) before income taxes	4,934	(604)
Income taxes (Note 7)	9,061	-
Net loss	(4,127)	(604)
Members' equity - beginning of year	203,855	204,459
Members' equity - end of year	<u>\$ 199,728</u>	<u>\$ 203,855</u>

See accompanying notes to the financial statements.

SK LIVESTOCK FINANCE CO-OPERATIVE LTD.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2025
(with comparative figures for the year ended August 31, 2024)

	2025	2024
Cash provided by (used in) operating activities:		
Net loss	\$ (4,127)	\$ (604)
Items not involving cash:		
Amortization	3,332	3,022
	(795)	2,418
Non-cash operating working capital (Note 10)	864,488	(281,578)
	863,693	(279,160)
Cash (used in) provided by investing activities:		
Increase in member schedules receivable	(2,074,216)	(8,540,539)
Additions to property and equipment	(1,545)	(1,555)
	(2,075,761)	(8,542,094)
Cash (used in) provided by financing activities:		
Repayment of loans payable	1,208,530	8,867,163
(Decrease) increase in cash	(3,538)	45,909
Cash position - beginning of year	57,192	11,283
Cash position - end of year	\$ 53,654	\$ 57,192

See accompanying notes to the financial statements.

SK LIVESTOCK FINANCE CO-OPERATIVE LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025
(with comparative figures for the year ended August 31, 2024)

1. Nature of operations

SK Livestock Finance Co-operative Ltd. (the "Co-operative") was incorporated under *The Co-operatives Act, 1996* in the province of Saskatchewan on March 29, 2019. The Co-operative provides financing and supervisory services for livestock producers in Saskatchewan.

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for private enterprises. The financial statements required Management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. The financial statements reflect the following accounting policies:

Financial instruments

Financial assets and financial liabilities are recorded on the balance sheet when the Co-operative becomes party to the contractual provisions of the financial instrument. The Co-operative initially measures its financial assets and financial liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate. Transaction costs are added to the carrying value and recognized over the expected life of the instrument using the straight line method. The Co-operative subsequently measures all of its financial assets and financial liabilities at cost or amortized cost.

The Co-operative's recognized financial instruments consist of cash, restricted cash, accounts receivable, interest receivable, member schedules receivable, accounts payable, accrued liabilities, assurance funds payable and loans payable. The fair value of these items approximate cost given their short term nature.

Financial asset impairment

The Co-operative assesses impairment of all financial assets measured at cost or amortized cost at each fiscal year end. With respect to member schedules receivable, Management considers whether the borrower is having significant financial difficulty or whether there has been a breach in contract in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Co-operative determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Co-operative reduces the carrying amount of any impaired financial asset to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment which is not considered temporary, is included in the current year earnings. The Co-operative reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in net income in the year the reversal occurs.

Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization is provided on the straight line basis over the estimated useful life of the assets at the following annual rates:

Furniture and fixtures	5 years
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Leasehold improvements are amortized on the straight line basis over the term of the lease.

SK LIVESTOCK FINANCE CO-OPERATIVE LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025
(with comparative figures for the year ended August 31, 2024)

2. Summary of significant accounting policies (continued)

Revenue recognition

Interest revenue is recognized on the accrual basis over the term of the schedule. Inventory and purchasing fees are recognized as the services are provided to members. Membership revenue is recognized when a membership application is approved. Investment income is recognized on the accrual basis as it is earned. Other revenues are recognized as the goods or services are provided.

Income taxes

The Co-operative accounts for income taxes using the taxes payable method under which only current income taxes payable or recoverable for the period, determined in accordance with the rules established by taxation authorities, are recognized as an expense or recovery.

3. Restricted cash - assurance funds

Upon approval of a member schedule, the Co-operative collects funds from the member in accordance with the program agreements. Funds collected are 5% of the amount borrowed under the Feeder program, and 10% under the Breeder program. Funds are held on deposit with the Co-operative and maintained separately from operating activities. If a member defaults on a schedule, the funds may be used to pay amounts outstanding on the schedule. Once a schedule is repaid in full, the assurance funds are repayable to the member.

4. Member schedules receivable

	2025	2024
Breeder program: bearing interest at prime plus 0.75%	\$ 34,072,483	\$ 31,137,979
Feeder program: bearing interest at prime plus 0.5%	25,741,098	26,437,585
Specific allowance	(63,801)	-
General allowance	(300,000)	(200,000)
	<u>\$ 59,449,780</u>	<u>\$ 57,375,564</u>

The Co-operative refers to the agreements advancing funds to members with specific repayment terms as schedules. The Co-operative holds collateral on the amounts advanced to members through the assurance funds, a security interest in the livestock purchased and ownership of the livestock and their progeny.

5. Property and equipment

	2025		2024	
	Cost	Amortization	Value	Value
Furniture and fixtures	\$ 11,882	\$ 8,398	\$ 3,484	\$ 4,160
Leasehold improvements	16,661	6,665	9,996	11,107
	<u>\$ 28,543</u>	<u>\$ 15,063</u>	<u>\$ 13,480</u>	<u>\$ 15,267</u>

SK LIVESTOCK FINANCE CO-OPERATIVE LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025
(with comparative figures for the year ended August 31, 2024)

6. Loans payable

	2025	2024
Revolving loan payable to Bank of Montreal.	\$ 60,745,680	\$ 59,537,150

The Co-operative has a lending facility with the Bank of Montreal, with an authorized limit of \$65,000,000 bearing interest at the Canadian Overnight Repo Rate Average (CORRA) rate plus 1.70%. The Co-operative also has access to a revolving working capital facility with an authorized limit of \$250,000, bearing interest at prime. For the period of May 1, 2025 to August 31, 2025, the Co-operative had an authorized, one time seasonal bulge to borrow to a maximum of \$70,000,000.

Both lending facilities are due on demand and a general security agreement is pledged as security. The lending agreement includes certain covenants with which the Co-operative must comply. At year end, the Co-operative was in compliance with the debt covenants.

7. Reconciliation of income tax rates

The Co-operative's reported effective tax rate on accounting income differs from statutory rates as follows:

	2025	2024
Earnings before income taxes	\$ 4,934	\$ (604)
Effective federal and provincial tax rate	10.00%	10.00%
Accounting income tax provision at statutory income tax rate	493	(60)
Adjustments:		
Amortization in excess (deficiency) of CCA	146	(101)
Loan balances	10,638	(1,496)
Other differences	104	(663)
Losses carried forward	(2,320)	2,320
Income tax expense	\$ 9,061	\$ -

8. Related party transactions

The Co-operative incurred the following related party transactions with directors in the year:

	2025	2024
Membership fee revenue	\$ 3,100	\$ 2,950
Salary and benefit expense	11,250	17,293

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

At the end of the year, the amounts included in assets and liabilities are as follows:

	2025	2024
Member schedules receivable	\$ 1,753,964	\$ 1,753,964
Assurance funds payable	130,828	130,828

SK LIVESTOCK FINANCE CO-OPERATIVE LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025
(with comparative figures for the year ended August 31, 2024)

9. Commitment

The Co-operative leases premises under agreements requiring aggregate minimum payments over the next 5 years as follows:

2026	\$	32,025
2027		32,025
2028		32,025
2029		32,025
2030		32,025

10. Non-cash operating working capital

Details of net change in each element of working capital relating to operations excluding cash are as follows:

	2025	2024
(Increase) decrease in current assets:		
Restricted cash - assurance funds	\$ (412,592)	\$ (120,887)
Accounts receivable	92	5,379
Income taxes receivable	17,370	(17,370)
Interest receivable	456,957	(410,033)
Prepaid expenses	(1,567)	(7,140)
	<u>60,260</u>	<u>(550,051)</u>
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	380,294	141,919
Government remittances payable	6,678	6,639
Income taxes payable	6,165	(3,372)
Assurance funds payable	412,591	120,887
Deferred membership revenue	(1,500)	2,400
	<u>804,228</u>	<u>268,473</u>
	<u>\$ 864,488</u>	<u>\$ (281,578)</u>

11. Financial risk management

The Co-operative has a risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The significant financial risks to which the Co-operative is exposed are:

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. The Co-operative is exposed to credit risk on the schedules receivable from its members. In order to reduce its credit risk, the Co-operative has adopted credit policies, which include the review of a new member's credit history and financial position before extending credit, obtaining a security position on the livestock purchased and holding assurance funds from members. Members are concentrated in the livestock industry, but are located throughout the province of Saskatchewan. The Co-operative has established a general allowance to mitigate the risk of future losses.