SASKPOWER
SHAND GREENHOUSE

A SUBSIDIARY OF SASKPOWER | **FINANCIAL STATEMENTS 2007**

REPORT OF *MANAGEMENT*

The financial statements of **Power Greenhouses Inc. (SaskPower Shand Greenhouse)** are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles, applied on a basis consistent with that of the preceding year. The preparation of financial statements necessarily involves the use of estimates based on management's best judgement, particularly when transactions affecting the current period cannot be finalized with certainty until future periods. In management's opinion, the financial statements have been properly prepared within the framework of selected accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, information available up to January 10, 2008.

Management maintains appropriate systems of internal control which provide reasonable assurance that the Corporation's assets are safeguarded and appropriately accounted for, that financial records are relevant, reliable and accurate and that transactions are executed in accordance with management's authorization. This system includes corporate-wide policies and procedures and appropriate delegation of authority and segregation of responsibilities within the organization.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. At regular meetings the Board of Directors reviews audit, internal control and financial reporting matters with management and the external auditors to satisfy itself that each is properly discharging its responsibilities. The financial statements and the external auditors' report have been approved by the Board of Directors. The external auditors have full and open access to the Board of Directors, with and without the presence of management.

The financial statements have been examined by Meyers Norris Penny LLP, Chartered Accountants. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The auditors' report, which follows, outlines the scope of their examination and sets forth their opinion.

On behalf of management,

Marty Lelliot
Manager
January 10, 2008

AUDITORS' *REPORT*

To the Members of the Legislative Assembly of Saskatchewan

We have audited the statement of financial position of **Power Greenhouses Inc.** as at December 31, 2007, and the statements of income and comprehensive income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2007, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Chartered Accountants
Estevan, Saskatchewan
January 10, 2008

STATEMENT OF INCOME AND COMPREHENSIVE INCOME

For the year ended December 31	2007	2006
Revenue		
Contract revenue earned *(Note 9)*	**$ 987,787**	$ 881,246
Expense		
Operating, maintenance and administration *(Note 11)*	**651,533**	727,428
Depreciation	**166,590**	153,818
Write-down of construction in progress *(Note 5)*	**169,664**	–
Total expense	**987,787**	881,246
Net income	**–**	–
Other comprehensive income	**–**	–
Total comprehensive income	**$ –**	$ –

See accompanying notes

STATEMENT OF RETAINED EARNINGS

For the year ended December 31	2007	2006
Retained earnings, beginning of year	**$ –**	$ –
Net income	**–**	–
Retained earnings, end of year	**$ –**	$ –

See accompanying notes

STATEMENT OF FINANCIAL POSITION

As at December 31		2007		2006
ASSETS				
Current assets				
Cash	**$**	**12,227**	$	–
Accounts receivable		**109**		–
Inventory		**38,484**		28,726
		50,820		28,726
Property, plant and equipment *(Note 4)*				
Property, plant and equipment		**5,212,704**		5,145,432
Less: accumulated depreciation		**1,886,710**		1,720,121
		3,325,994		3,425,311
Construction in progress *(Note 5)*		**–**		231,897
		3,325,994		3,657,208
Total assets	**$**	**3,376,814**	$	3,685,934
LIABILITIES AND EQUITY				
Current liabilities				
Bank indebtedness	**$**	**–**	$	360
Accounts payable and accrued liabilities		**32,936**		29,070
		32,936		29,430
Due to SaskPower *(Note 6)*		**3,343,868**		3,656,494
Total liabilities		**3,376,804**		3,685,924
Equity				
Share capital *(Note 7)*		**10**		10
Retained earnings		–		–
Total equity		**10**		10
Total liabilities and equity	**$**	**3,376,814**	$	3,685,934

See accompanying notes

On behalf of the Board:

D. Packet

Debbie Packet
Director

Bill Schroeder
Director

STATEMENT OF CASH FLOWS

For the year ended December 31	2007	2006
Operating activities		
Net income	**$ –**	$ –
Add items not involving cash:		
Depreciation	**166,590**	153,818
Write-down of construction in progress	**169,664**	–
Net change in non-cash working capital:		
Accounts receivable	**(109)**	–
Inventory	**(9,758)**	8,297
Prepaid expenses	**–**	35,199
Accounts payable and accrued liabilities	**3,866**	(1,142)
Cash provided by operating activities	**330,253**	196,172
Investing activities		
Purchase of property, plant and equipment	**(7,590)**	(85,694)
Cash used in investing activities	**(7,590)**	(85,694)
Financing activities		
Repayment of due to SaskPower	**(312,626)**	(104,388)
Overhead chargeback to SaskPower	**2,550**	–
Cash used in financing activities	**(310,076)**	(104,388)
Increase in cash	**12,587**	6,090
Bank indebtedness, beginning of year	**(360)**	(6,450)
Cash (bank indebtedness), end of year	**$ 12,227**	$ (360)

NOTES TO THE *FINANCIAL STATEMENTS*

As at December 31, 2007

1. STATUS OF THE CORPORATION

Power Greenhouses Inc. (the Corporation), a wholly-owned subsidiary of Saskatchewan Power Corporation (SaskPower), was incorporated pursuant to *The Business Corporations Act (Saskatchewan)*. Accordingly, the financial results of the Corporation are included in the consolidated financial statements of SaskPower.

The mandate of the Corporation is to operate a greenhouse to provide tree seedlings for the purpose of afforestation. The Corporation entered into an agreement with SaskPower, whereby it operates the greenhouse and in turn SaskPower funds the Corporation for costs incurred. As a subsidiary of a provincial Crown corporation, the Corporation is not subject to federal income tax, provincial income tax or federal large corporations tax.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered significant:

(a) Use of estimates

The timely preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates primarily related to unsettled transactions and events as of the date of the financial statements. Significant areas requiring the use of management estimates are described in the following summary of significant accounting policies. Actual results could differ from those estimates, which may impact the actual results reported in future periods.

(b) Revenue recognition

Contract revenue earned is based on total expenses incurred during the year.

(c) Inventory

Inventory is valued at the lower of cost or net realizable value with the cost being determined on a first-in, first-out basis. In establishing the appropriate provision for inventory obsolescence, management estimates the likelihood that inventory on hand will become obsolete due to changes in technology.

(d) Property, plant and equipment

Property, plant and equipment is recorded at cost. Assets under construction are recorded as construction in progress until they are operational and available for use, at which time they are transferred to property, plant and equipment. Depreciation is calculated on a straight-line basis over the estimated service life of the related asset as set out below:

Buildings	40 years
Equipment	7 years

(e) Asset impairment

The Corporation evaluates its property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. Factors which could indicate an impairment exists include significant changes in the Corporation's strategy or underperformance of assets relative to projected future operating results. An impairment is recognized when the carrying amount of an asset exceeds the undiscounted projected future net cash flows expected from its use and disposal. It is measured as the amount by which the carrying amount of the asset exceeds its fair value. As at December 31, 2007, the Corporation determined that there was no impairment of value to its long-lived assets and therefore no write down was required.

(f) Financial instruments

The Corporation classifies its financial instruments into one of the following categories: held-for-trading; held-to-maturity; loans and receivables; available-for-sale; and other liabilities. All financial instruments are measured at fair value on initial recognition and recorded on the statement of financial position.Transaction costs are included in the initial carrying amount of financial instruments except for held-for-trading instruments, in which case they are expensed as incurred. Measurement in subsequent periods depends on the classification of the financial instrument.

Held-for-trading financial assets and liabilities are subsequently measured at fair value, with changes in fair value recognized in the statement of income in the line item to which the financial instrument is related. Available-for-sale financial assets are subsequently measured at fair value, with changes in fair value recognized as other comprehensive income. Financial instruments classified as held-to-maturity; loans and receivables; and other liabilities are subsequently measured at amortized cost using the effective interest rate method.

Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair value is determined by reference to quoted bid or ask prices, as appropriate, in the active market for that instrument to which the Corporation has immediate access.

For transitional purposes, the Corporation has elected to record embedded derivatives only for contracts or financial instruments entered into or modified after January 1, 2003. As at December 31, 2007, the Corporation does not have any outstanding contracts or financial instruments with embedded derivatives that are required to be separately valued.

(g) Future accounting policy changes

Financial instruments – disclosure and presentation

In December 2006, the Accounting Standards Board (AcSB) issued two new Canadian Institute of Chartered Accountants (CICA) handbook sections which expand the disclosure requirements on financial instruments: Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation." These sections replace Section 3861, "Financial Instruments – Disclosure and Presentation." The Corporation will be adopting these new sections effective January 1, 2008. The impact of these new standards on the Corporation's financial statements is currently being assessed.

Capital disclosures

In December 2006, the AcSB also issued Section 1535, "Capital Disclosures." This standard required disclosure regarding what the Corporation defines as capital and its objectives, policy and processes for managing capital. This section becomes mandatory for adoption effective January 1, 2008. The impact of this new standard on the Corporation's financial statements is currently being assessed.

Inventories

In June 2007, the AcSB issued Section 3031, "Inventories," which converges Canadian accounting for inventories with International Financial Reporting Standards (IFRS). This section becomes mandatory for adoption effective January 1, 2008. This standard is not expected to have a material effect on the Corporation's financial statements.

International Financial Reporting Standards

In 2006, the AcSB adopted its Strategic Plan, which includes a decision to converge Canadian accounting standards with IFRS. The AcSB has indicated that Canadian companies will need to begin reporting under IFRS by the first quarter of 2011 with appropriate comparative data from the prior year.The impact of these new standards on the Corporation's financial statements is currently being assessed.

3. CHANGE IN ACCOUNTING POLICY

Financial instruments

Effective January 1, 2007, the Corporation adopted the new CICA Section 1530, "Comprehensive Income;" Section 3251, "Equity;" Section 3855, "Financial Instruments – Recognition and Measurement;" Section 3861, "Financial Instruments – Disclosure and Presentation;" and Section 3865, "Hedges." The following are the impacts of implementing these new standards in 2007.

The Corporation has classified its financial instruments into one of the following categories: *held-for-trading*; *held-to-maturity*; *loans and receivables*; *available-for-sale*; and *other liabilities*.

Cash and bank indebtedness are classified as *held-for-trading* and are measured at carrying value which approximates fair value due to the short-term nature of these instruments.

Accounts receivable are classified as *loans and receivables* and are recorded at amortized cost, using the effective interest method.

Accounts payable and accrued liabilities and due to SaskPower are classified as *other liabilities* and are recorded at amortized cost, using the effective interest method.

The Corporation does not have any financial instruments classified as *held-to-maturity* or *available-for-sale* either upon adoption of the new standards on January 1, 2007, or at December 31, 2007. The Corporation had no items requiring reclassification to other comprehensive income. The Corporation does not have any transactions which qualify for hedge accounting.

Upon the adoption of the new standards, there was no impact of applying this change in accounting policy effective January 1, 2007, on the financial statements of the Corporation.

Accounting changes

Effective January 1, 2007, the Corporation adopted the new CICA Section 1506, "Accounting Changes," in accordance with the transitional provisions of the section. The new standard allows for voluntary changes in accounting policy only if they result in the financial statements providing reliable and more relevant information. New disclosures are required in respect of changes in accounting policies, changes in accounting estimates and correction of errors. The adoption of Section 1506 had no material impact on these financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

	2007			2006
	Cost	**Accumulated depreciation**	**Net book value**	Net book value
Buildings	**$ 4,761,524**	**$ 1,625,218**	**$ 3,136,306**	$ 3,487,240
Equipment	**451,180**	**261,492**	**189,688**	169,968
	$ 5,212,704	**$ 1,886,710**	**$ 3,325,994**	$ 3,657,208

5. CONSTRUCTION IN PROGRESS WRITE-DOWN

During the current year, the greenhouse expansion project was abandoned. As a result, the construction in progress amount relating to this project, $172,214, was written-off. The resulting write-down of $169,664 has been recorded in the, "write-down of construction in progress" in the current year expenses. The remaining $2,550, which represents a SaskPower overhead charge, was charged back to SaskPower and treated as a reduction to the, "due to SaskPower."

6. DUE TO SASKPOWER

	2007	2006
Total advances to date	**$ 13,027,594**	$ 12,352,433
Less: total expenses incurred to date	**(9,683,726)**	(8,695,939)
	$ 3,343,868	$ 3,656,494

Amount owing to SaskPower is not secured, non-interest bearing with no fixed terms of repayment.

7. SHARE CAPITAL

	#	2007	#	2006
Authorized				
Unlimited Class A non-cumulative, voting common shares				
Issued				
Class A				
Issued and outstanding, beginning of year	**10**	**$ 10**	10	$ 10
Issued during the year for cash	**–**	**–**	–	–
Issued and outstanding, end of year	**10**	**$ 10**	10	$ 10

All shares are held by the parent corporation, SaskPower.

8. FINANCIAL INSTRUMENTS

As part of its operations, the Corporation carries a number of financial instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

The following summarizes the carrying amounts and fair values of the Corporation's financial instruments at year-end:

At December 31		**2007**		2006	
		Asset (liability)		Asset (liability)	
Financial instrument	**Classification**	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets					
Cash and bank indebtedness	HFT[1]	**$ 12,227**	**$ 12,227**	$ (360)	$ (360)
Accounts receivable	L&R[2]	**109**	**109**	–	–
Financial liabilities					
Accounts payable and accrued liabilities[5]	OL[3]	**$ (33,924)**	**$ (33,924)**	$ (29,915)	$ (29,915)
Due to SaskPower	OL[3]	**(3,343,868)**	**–**	(3,656,494)	–

1. HFT – held-for-trading.
2. L&R – loans and receivables.
3. OL – other liabilities.
4. The Corporation has not classified any of its financial instruments as at December 31, 2007, as either held-to-maturity or available-for-sale.
5. Accounts payable and accrued liabilities exclude GST receivable of $988 ($845 in 2006), which is not considered to be a financial instrument.

The carrying amount of cash, accounts receivable, accounts payable and accrued liabilities approximates their fair value due to the short-term maturities of these items.

The Corporation has a loan, due to SaskPower, carried at its cost of $3,343,868. The fair value of the financial instrument cannot be reliably estimated because the loan is non-interest bearing and has no set terms of repayment. The shareholder loan represents initial and ongoing financial support from the Corporation's shareholder.

9. RELATED PARTY TRANSACTIONS

The Corporation entered into an agreement with SaskPower, its parent, whereby it operates the greenhouse and in turn SaskPower funds the Corporation for costs incurred, which is reflected as contract revenue earned.

Also included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as related parties). Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

Expenditures	**2007**	2006
SaskTel	**$ 7,566**	$ 7,933
SaskPower	**21,242**	21,969

In addition, the Corporation pays Saskatchewan provincial sales tax on all its taxable purchases to the Saskatchewan Ministry of Finance. Taxes paid are recorded as part of the cost of those purchases.

10. CONTINGENCIES

During the year, an employee of the Corporation was dismissed without notice and a severance package was offered but refused by the employee. Management is uncertain as to the outcome of this matter.

11. OPERATING, MAINTENANCE AND ADMINISTRATION

	2007	2006
Advertising	**$ 7,659**	$ 48,581
Board indemnity	**21,413**	22,155
Contract labour	**74,516**	68,513
Materials and supplies	**45,083**	52,401
Miscellaneous	**635**	4,402
Office	**7,999**	10,253
Professional fees	**5,924**	4,872
Shipping	**3,915**	8,949
Telephone	**7,566**	7,932
Travel and training	**21,484**	39,425
Vehicle	**31,747**	34,511
Wages and employee benefits	**423,592**	425,434
	$ 651,533	$ 727,428

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SaskPower
Shand Greenhouse

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