SaskPower Shand Greenhouse

A subsidiary of SaskPower | Financial statements 2009

Report of Management

The financial statements of Power Greenhouses Inc. (SaskPower Shand Greenhouse; the Corporation) are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. 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 8, 2010.

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.

On behalf of management,

Shelley Heidinger

Shelley Heidinger
Acting Manager
January 8, 2010

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, 2009, 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, 2009, 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 8, 2010

Statement of income and comprehensive income

For the year ended December 31	**2009**	2008
Revenue		
Contract revenue earned *(Note 7)*	**$ 803,906**	$ 861,208
Other revenue	**–**	20,700
Total revenue	**803,906**	881,908
Expense		
Operating, maintenance and administration *(Note 11)*	**636,532**	710,155
Depreciation	**167,374**	171,753
Total expense	**803,906**	881,908
Net income and total comprehensive income	**$ –**	$ –

See accompanying notes

Statement of retained earnings

For the year ended December 31	**2009**	2008
Retained earnings, beginning of year	**$ –**	$ –
Net income	**–**	–
Retained earnings, end of year	**$ –**	$ –

See accompanying notes

Statement of financial position

As at December 31	2009	2008
Assets		
Current assets		
Cash	**$ 15,853**	$ 7,005
Inventory	**33,330**	34,860
	49,183	41,865
Property and equipment *(Note 4)*	**3,049,307**	3,211,377
Total assets	**$ 3,098,490**	$ 3,253,242
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 44,694**	$ 65,649
Due to SaskPower *(Note 5)*	**3,053,786**	3,187,583
Total liabilities	**3,098,480**	3,253,232
Equity		
Share capital *(Note 6)*	**10**	10
Retained earnings	**–**	–
Total equity	**10**	10
Total liabilities and equity	**$ 3,098,490**	$ 3,253,242

See accompanying notes

On behalf of the Board:

D. Packet
Director

K. Scobie
Director

Statement of cash flows

For the year ended December 31	2009	2008
Operating activities		
Net income	**$ –**	$ –
Add items not involving cash:		
Depreciation	**167,374**	171,753
Net change in non-cash working capital:		
Accounts receivable	**–**	109
Inventory	**1,530**	3,624
Accounts payable and accrued liabilities	**(20,955)**	32,714
Cash provided by operating activities	**147,949**	208,200
Investing activities		
Purchase of property and equipment	**(5,304)**	(57,137)
Cash used in investing activities	**(5,304)**	(57,137)
Financing activities		
Repayment of due to SaskPower	**(133,797)**	(156,285)
Cash used in financing activities	**(133,797)**	(156,285)
Increase (decrease) in cash	**8,848**	(5,222)
Cash, beginning of year	**7,005**	12,227
Cash, end of year	**$ 15,853**	$ 7,005

See accompanying notes

Notes to the financial statements

As at December 31, 2009

1. Status of the Corporation

Power Greenhouses Inc. (SaskPower Shand Greenhouse; 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 (GAAP). 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 and equipment

Property and equipment is recorded at original cost and includes material, direct labour, and overhead costs. 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 and equipment. Amortization is calculated on a straight-line basis over the estimated service life of the related asset as set out below:

Buildings	40 years
Equipment	4 – 25 years

(e) Asset impairment

The Corporation evaluates its property 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, 2009, 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 in 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. The Corporation has classified the fair valuation of its financial instruments as level 1, 2, or 3 as defined below:

> Level 1 – Fair values are determined using inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities to which the Corporation has immediate access. The fair value for cash was based on carrying value as an approximation of market value due to the short time frame to maturity.
>
> Level 2 – Fair values are determined using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.
>
> Level 3 – Fair values are determined based on inputs for the asset or liability that are not based on observable market data.

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, 2009, the Corporation does not have any outstanding contracts or financial instruments with embedded derivatives that are required to be separately valued.

(g) Employees' future benefits

The Corporation provides a defined contribution plan for all eligible employees. The defined contribution plan is governed by *The Public Employees Pension Plan Act* and *Regulations* and certain sections of *The Superannuation (Supplementary Provisions) Act* and *Regulations*. Under the defined contribution plan, the Corporation's obligations are limited to contributions made for current service. When made, these contributions are charged to wages and employee benefits expense.

(h) Future accounting policy changes

International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board and the Public Sector Accounting Board confirmed that enterprises such as SaskPower will be required to adopt IFRS in place of Canadian GAAP for interim and annual reporting purposes in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year.

SaskPower continues to make progress on its IFRS conversion project and has developed a detailed IFRS implementation plan. An external advisor was engaged to assist with the development of this plan and to perform a detailed review of the major differences between current Canadian GAAP and IFRS.

3. Change in accounting policies

Financial instruments – disclosure

Effective December 31, 2009, SaskPower Shand Greenhouse adopted the changes to Canadian Institute of Chartered Accountants Section 3862, "Financial Instruments – Disclosures," regarding the disclosure of fair value techniques. The disclosure can be found in *Note 8*.

4. Property and equipment

	2009			2008
	Cost	**Accumulated depreciation**	**Net book value**	Net book value
Buildings	**$ 4,762,138**	**$ 1,863,295**	**$ 2,898,843**	$ 3,017,267
Equipment	**513,007**	**362,543**	**150,464**	194,110
	$ 5,275,145	**$ 2,225,838**	**$ 3,049,307**	$ 3,211,377

5. Due to SaskPower

	2009	2008
Total advances to date	**$ 14,423,326**	$ 13,753,217
Less: total expenses incurred to date	**(11,369,540)**	(10,565,634)
	$ 3,053,786	$ 3,187,583

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

6. Share capital

	#	**2009**	#	2008
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.

7. Related party transactions

The Corporation entered into an agreement with SaskPower, its parent, whereby the Corporation operates the greenhouse and in turn SaskPower funds the Corporation for costs incurred. This 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.

Expense	**2009**	2008
SaskTel	**$ 6,679**	$ 6,810
SaskPower	**20,862**	20,217

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.

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 December 31			**2009**		2008	
			Asset (liability)		Asset (liability)	
Financial instrument	**Classification[2]**	**Level[5]**	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets						
Cash	HFT[1]	1	**$ 15,853**	**$ 15,853**	$ 7,005	$ 7,005
Financial liabilities						
Accounts payable and accrued liabilities[4]	OL[3]	N/A	**$ (45,316)**	**$ (45,316)**	$ (65,948)	$ (65,948)
Due to SaskPower	OL[3]	N/A	**(3,053,786)**	**–**	(3,187,583)	–

1. HFT – held-for-trading.
2. The Corporation has not classified any of its financial instruments as at December 31, 2009, as either held-to-maturity or available-for-sale.
3. OL – other liabilities.
4. Accounts payable and accrued liabilities exclude GST receivable of $622 (2008 - $299), which is not considered to be a financial instrument.
5. Fair values are determined using a fair value hierarchy as follows:
   Level 1 – Quoted prices in active markets for identical assets or liabilities.
   Level 2 – Inputs other than quoted prices included in level 1 that are observable for the asset or liability.
   Level 3 – Inputs for the asset or liability that are not based on observable market data.
   Not applicable (N/A) - Accounts payable and accrued liabilities are carried at values which approximate fair value due to the short period to maturity. The Corporation has a loan, due to SaskPower, carried at its cost of $3,053,786 (2008 – $3,187,583). 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. Capital management

The Corporation's objective when managing capital is to ensure adequate capital to support the operations and strategies for the Corporation. The Corporation continues to work under the mandate to operate a greenhouse to provide tree seedlings with funding provided by SaskPower to cover its costs.

10. Employees' future benefits

The Corporation contributed $21,955 (2008 - $23,500) to the defined contribution plan during the year.

11. Operating, maintenance and administration

		2009		2008
Advertising	**$**	**19,151**	$	29,811
Board indemnity		**24,420**		21,708
Contract labour		**34,920**		15,247
Materials and supplies		**49,372**		40,667
Miscellaneous		**1,814**		2,074
Office		**11,981**		11,662
Professional fees		**6,762**		9,094
Shipping		**3,744**		5,366
Telephone		**6,679**		6,810
Travel and training		**19,849**		18,344
Vehicle		**34,319**		32,537
Wages and employee benefits		**423,521**		516,835
	$	**636,532**	$	710,155

SaskPower
Shand Greenhouse

Power Greenhouses Inc.
P.O. Box 280 | Estevan, Saskatchewan
Canada S4A 2A3
saskpower.com