A subsidiary of SaskPower

SaskPower Shand Greenhouse

Financial statements 2012

SaskPower
Shand Greenhouse

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 International Financial Reporting Standards. The preparation of financial statements necessarily involves the use of estimates based on management's best judgment, 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 March 6, 2013.

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, as well as the 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 independent auditor's 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 MNP LLP, Chartered Accountants. The external auditor's responsibility is to express its opinion on whether the financial statements are fairly presented in accordance with International Financial Reporting Standards.

On behalf of management,

Shelley Heidinger

Shelley Heidinger
Acting Manager
March 6, 2013

Independent Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan:

We have audited the accompanying financial statements of Power Greenhouses Inc., which comprise the statement of financial position as at December 31, 2012, and the statement of comprehensive income, statement of changes in equity and statement of 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 International Financial Reporting Standards, 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.

Auditor's responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Power Greenhouses Inc. as at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

MNP LLP

Chartered Accountants

March 6, 2013
Regina, Saskatchewan

Statement of comprehensive income

For the year ended December 31		**2012**		2011
Revenue				
Contract revenue earned *(Note 7)*	**$**	**798,571**	$	833,391
		798,571		833,391
Expense				
Operating, maintenance and administration *(Note 9)*		**650,340**		677,435
Depreciation		**148,231**		155,956
		798,571		833,391
Net income		**-**		-
Other comprehensive income		**-**		-
Total comprehensive income	**$**	**-**	$	-

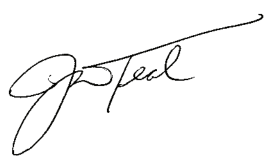
See accompanying notes

Statement of financial position

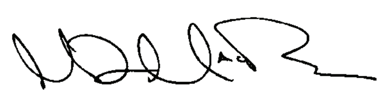
As at December 31		2012 *(Note 10)*		2011
Assets				
Current assets				
Cash	**$**	**3,065**	$	10,331
Inventory		**28,179**		33,379
		31,244		43,710
Property and equipment *(Note 4)*		**2,983,714**		3,122,441
Total assets	**$**	**3,014,958**	$	3,166,151
Liabilities and equity				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**58,931**	$	70,224
Total liabilities		**58,931**		70,224
Equity				
Share capital		**10**		10
Due to SaskPower		**2,956,017**		3,095,917
Retained earnings		**-**		-
Total equity		**2,956,027**		3,095,927
Total liabilities and equity	**$**	**3,014,958**	$	3,166,151

See accompanying notes

On behalf of the SaskPower Board of Directors:



Joel Teal
Chair



Mick MacBean
Director

Statement of changes in equity

	# of Class A Shares[1]	Share capital	Due to SaskPower[2]	Retained earnings	Total
Equity					
Balance, January 1, 2011	10	$ 10	$ 3,252,171	$ -	**$ 3,252,181**
Repayment of advances from SaskPower	-	-	(156,254)	-	**(156,254)**
Comprehensive income	-	-	-	-	**-**
Balance, December 31, 2011	**10**	**$ 10**	**$ 3,095,917**	**$ -**	**$ 3,095,927**
Repayment of advances from SaskPower	-	-	(139,900)	-	**(139,900)**
Comprehensive income	-	-	-	-	**-**
Balance, December 31, 2012	**10**	**$ 10**	**$ 2,956,017**	**$ -**	**$ 2,956,027**

1. Unlimited Class A non-cumulative, voting common shares authorized. All shares are held by the parent corporation, SaskPower.

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

See accompanying notes

Statement of cash flows

For the year ended December 31	**2012**	2011
Operating activities		
Net income	**$ -**	$ -
Add items not involving cash:		
Depreciation	**148,231**	155,956
	148,231	155,956
Net change in non-cash working capital:		
Inventory	**5,200**	(8,772)
Accounts payable and accrued liabilities	**(11,293)**	21,751
	(6,093)	12,979
Cash provided by operating activities	**142,138**	168,935
Investing activities		
Purchase of property and equipment	**(9,504)**	(10,278)
Cash used in investing activities	**(9,504)**	(10,278)
Financing activities		
Repayment of advances from SaskPower	**(139,900)**	(156,254)
Cash used in financing activities	**(139,900)**	(156,254)
Increase in cash	**(7,266)**	2,403
Cash, beginning of year	**10,331**	7,928
Cash, end of year	**$ 3,065**	$ 10,331

See accompanying notes

Notes to the financial statements

1. Description of business

Power Greenhouses Inc. (Shand Greenhouse; the Corporation) was incorporated pursuant to *The Business Corporations Act (Saskatchewan)*. The Shand Greenhouse address is P.O. Box 280 Estevan, Saskatchewan, Canada, S4A 2A3. Shand Greenhouse is a wholly-owned subsidiary of Saskatchewan Power Corporation (SaskPower), which is a subsidiary of Crown Investments Corporation (CIC) of Saskatchewan. Accordingly, the financial results of the Corporation are included in the consolidated financial statements of SaskPower and CIC.

The mandate of the Corporation is to operate a greenhouse to provide tree seedlings for the purpose of afforestation. The Shand Greenhouse 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 or provincial income taxes.

2. Basis of preparation

(a) Statement of compliance

The Corporation's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements were authorized for issue by the SaskPower's Board of Directors on March 6, 2013.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

(d) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Significant areas requiring the use of management estimates are further described in the following summary of significant accounting policies and related notes.

Notes to the financial statements

3. Significant accounting policies

(a) Revenue recognition

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

(b) Inventory

Inventory is valued at the lower of cost and 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.

(c) Property and equipment

Property and equipment is recorded at cost less accumulated depreciation and accumulated provisions for impairment. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, services and direct labour. Borrowing costs associated with major capital and development projects that are six months or longer in duration are capitalized during the construction period at the weighted average cost of SaskPower's long-term borrowings. Assets under construction are recorded as in progress until they are operational and available for use, at which time they are transferred to property and equipment.

Costs are capitalized provided there is reasonable certainty they will provide benefits into the future. Significant renewals and enhancements to existing assets are capitalized only if the useful life of the asset is increased; physical output, service capacity or quality is improved above original design standards; or operating costs are reduced by a substantial and quantifiable amount that can be reliably measured. The costs of day-to-day servicing of property and equipment are expensed as incurred.

When property and equipment are disposed of or retired, the related costs less accumulated depreciation are de-recognized. The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds less costs of removal and the carrying amount of the asset.

Depreciation is recognized on a straight-line basis over the estimated useful life of each component of property and equipment. Depreciation commences when the property and equipment is ready for its intended use. The estimated useful lives of the major classes of property and equipment are:

Asset class	Estimated useful lives (years)
Buildings	40
Equipment	4 – 20

These estimated useful lives are reviewed annually and any changes are applied prospectively.

(d) Impairment of assets

At each reporting date, 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 exist, 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 or cash generating unit (CGU) exceeds the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the present value of the future cash flows to be derived from a CGU. At the balance sheet date, the Corporation determined that there was no impairment of value to its long-lived assets and therefore no write-down was required.

Notes to the financial statements

(e) Financial instruments

(i) Classification and measurement

The Corporation classifies its financial instruments into one of the following categories: financial instruments at fair value through profit or loss; held-to-maturity; loans and receivables; and other liabilities. All financial instruments are measured at fair value on initial recognition and recorded on the statement of financial position. Financial assets and liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as fair value through profit or loss, in which case they are expensed as incurred. Measurement in subsequent periods depends on the classification of the financial instrument.

Financial instruments classified as fair value through profit or loss are subsequently measured at fair value, with changes in fair value recognized in the statement of comprehensive income in the line item to which the financial instrument is related. Financial instruments classified as loans and receivables and other liabilities are subsequently measured at amortized cost using the effective interest method, less any impairment.

(ii) Embedded derivatives

As at December 31, 2012, the Corporation does not have any outstanding contracts or financial instruments with embedded derivatives that are required to be valued separately.

(iii) Fair value

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. Shand Greenhouse's own credit risk and the credit risk of the counterparty have been taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. The Corporation has classified the fair value 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 were determined based on inputs for the asset or liability that are not based on observable market data.

(f) Employee benefits

The Corporation has a defined contribution pension plan that provides retirement benefits for its 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 pension plan, the Corporation pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to the defined contribution pension plan are recognized in wages and employee benefits expense in the period during which services are rendered by employees.

Notes to the financial statements

4. Property and equipment

	Buildings	Equipment	Construction in progress	**Total**
Cost				
Balance, January 1, 2011	$ 5,132,126	$ 522,137	$ 506	**$ 5,654,769**
Additions	6,948	3,836	10,278	**21,062**
Disposals and/or retirements	-	-	-	**-**
Transfers	-	-	(10,784)	**(10,784)**
Balance, December 31, 2011	**$ 5,139,074**	**$ 525,973**	**$ -**	**$ 5,665,047**
Additions	-	9,504	-	**9,504**
Disposals and/or retirements	-	-	-	**-**
Transfers	-	-	-	**-**
Balance, December 31, 2012	**$ 5,139,074**	**$ 535,477**	**$ -**	**$ 5,674,551**
Accumulated depreciation				
Balance, January 1, 2011	$ 1,982,172	$ 404,478	$ -	**$ 2,386,650**
Depreciation expense	128,331	27,625	-	**155,956**
Balance, December 31, 2011	**$ 2,110,503**	**$ 432,103**	**$ -**	**$ 2,542,606**
Depreciation expense	128,477	19,754	-	**148,231**
Balance, December 31, 2012	**$ 2,238,980**	**$ 451,857**	**$ -**	**$ 2,690,837**
Net book value				
Balance, December 31, 2011	**$ 3,028,571**	**$ 93,870**	**$ -**	**$ 3,122,441**
Balance, December 31, 2012	**$ 2,900,094**	**$ 83,620**	**$ -**	**$ 2,983,714**

Notes to the financial statements

5. 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 classification, carrying amounts and fair values of the Corporation's financial instruments:

			December 31, 2012		December 31, 2011	
			Asset (liability)		Asset (liability)	
Financial instruments	**Classification[2]**	**Level[5]**	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets						
Cash	FVTPL[1]	1	**$ 3,065**	**$ 3,065**	$ 10,331	$ 10,331
Financial liabilities						
Accounts payable and accrued liabilities[4]	OL[3]	N/A	**$ (59,582)**	**$ (59,582)**	$ (70,805)	$ (70,805)

1. FVTPL – Fair value through profit or loss.
2. The Corporation has not classified any of its financial instruments as held-to-maturity.
3. OL – Other liabilities.
4. Accounts payable and accrued liabilities exclude GST receivable of $651 (2011 - $581), 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) – Financial instruments including accounts payable and accrued liabilities, are carried at values which approximate fair value due to the short period to maturity.

6. Capital management

The Corporation's objectives when managing capital are to ensure adequate capital to support the operations and growth strategies for the Shand Greenhouse. 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.

Notes to the financial statements

7. 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.

Expenses	**2012**	2011
SaskPower	**$ -**	$ 12,795
SaskTel	**7,184**	8,472

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

8. Employee benefits

The Corporation contributed $20,537 (2011 – $23,187) to the defined contribution pension plan described in *Note 3(f)*.

9. Operating, maintenance and administration

	2012	2011
Advertising	**$ 14,239**	$ 14,623
Board indemnity	**14,541**	17,090
Contract labour	**49,756**	66,610
Materials and supplies	**56,277**	56,563
Miscellaneous	**4,281**	3,395
Office	**12,608**	13,164
Professional fees	**20,414**	19,230
Shipping	**7,357**	6,565
Telephone	**7,114**	8,472
Travel and training	**11,156**	15,655
Vehicle	**11,240**	29,142
Wages and employee benefits	**441,357**	426,926
	$ 650,340	$ 677,435

10. Subsequent events

The Corporation's parent company, SaskPower announced on December 31, 2012, that it will dissolve the Power Greenhouses Inc. legal entity. Effective January 1, 2013, the Corporation's personnel and assets and liabilities were transferred to SaskPower. The Shand Greenhouse will continue to operate within SaskPower following dissolution.

Power Greenhouses Inc.
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