



Saskatchewan Opportunities Corporation

2005 First Quarter Report

# Table of Contents

Report from the President

Corporate Plan

Management Discussion & Analysis

Financial Report

Notes to the Financial Statements

Board of Directors

Corporate Information

## Report From the President

The highlight of the First Quarter for SOCO was the occupation of the Saskatchewan Forest Centre Building by its initial tenants. The Saskatchewan Forest Centre itself, Saskatchewan Environment Forest Service, Geospatial Consulting Incorporated, BioForest Technologies and the Saskatchewan Forestry Association have all taken residence in the building. Prospects for further tenants are promising and the building itself is proving to be a positive example of the Province's support for the forest sector and the City of Prince Albert.

During 2005 the Saskatchewan Forest Centre Building will receive certification as Saskatchewan's first building built to the Leadership in Energy and Environmental Design (LEED) standard. This certification will show the continued commitment to sustainable development that has been a hallmark of SOCO in the past.

Tenants are growing in both Innovation Place and the Regina Research Park. The direct economic impact of tenants increased an astonishing \$60 million during 2004 to a total of over \$500 million. This growth has carried over into the first quarter with a marked increase in overall occupancy rates. Occupancy now stands at approximately 95% leading SOCO to commence planning for new facilities in both parks.

Financial performance in the First Quarter was ahead of plan in all areas except for the Innovation Place Bio Processing Centre. In the case of the Bio Processing Centre rescheduling of processing runs will result in the shifting of revenues to later in the year. It is anticipated that the Centre will meet its ambitious financial performance plans by year end building on its strong performance in 2004.

Overall the First Quarter has represented a strong start to 2005.



Douglas Tastad  
President & CEO

## Corporate Plan

Saskatchewan Opportunities Corporation (the “Corporation”) was established as a Crown Corporation in 1994. As such, the Corporation takes its strategic direction from Crown Investments Corporation of Saskatchewan (CIC), the holding company for provincial Crown corporations, whose board of directors are elected Cabinet Ministers.

In 1999, CIC developed a Crown Sector Strategic Plan (the plan) to assist all Crown corporations in developing their own strategic plans. CIC has since refined the plan and its four balanced score card perspectives have been integrated into the Corporation’s Corporate Plan and operations. The Corporation’s 2005 balanced score card perspectives are entitled economic development, stakeholder satisfaction, financial performance, and community leadership.

## Mission

*To support the growth and success of the Saskatchewan technology sector through the development and operation of research parks.*

## Vision

*Saskatchewan’s research parks will be the best in the world.*

## Values

*Excellence: The pursuit of excellence in design, operations and administration.*

*Innovation: Innovation in all our business activities.*

*Collaboration: Open and accountable in all our partnerships.*

## Goals

### 1. Economic Development

Grow Saskatchewan’s technology sector by contributing to the growth of the parks’ clients, supporting the establishment of new technology companies and attracting new science and technology activity to the Province.

### 2. Stakeholder Satisfaction

Make it easy for all stakeholders to successfully accomplish their objectives in an environment of fairness, transparency and well being.

### 3. Financial Performance

Maintain profitability at a level that supports the growth of our parks by prudently managing expenditures and by enhancing revenues by providing superior value to our clients.

### 4. Community Leadership

Through our efforts and by the example we set, enhance the performance of our industry, our environment, and the people we serve.

## **Management Discussion and Analysis**

The following management discussion and analysis for the Saskatchewan Opportunities Corporation, ('the Corporation') should be read in conjunction with the unaudited interim financial statements and notes to those statements for the three months ended March 31, 2005. What follows will provide the context within which the Corporation's unaudited interim financial statements should be analyzed.

### **Corporate Overview**

The Corporation is a Provincial Crown Corporation with a direct reporting relationship to the Crown Investments Corporation of Saskatchewan. The corporate mission is to support the growth and success of the Saskatchewan technology sector through the development and operation of research parks. The corporate vision is for Saskatchewan's research parks to be the best in the world.

The Corporation leases high quality space and services to tenants at Saskatchewan's two Research Parks; Innovation Place adjacent to the University of Saskatchewan, and the Regina Research Park adjacent to the University of Regina. Research park tenants have the capability and the opportunity to share information with others, resulting in synergies (clusters) and innovation.

The Corporation also operates the Bio Processing Centre which supports the bio-products industry by providing custom, toll processing on a contract basis for the nutraceutical, cosmetic and agri-food industries.

### **Business Highlights**

#### New Governance Structure

As part of the 2004-05 Provincial budget it was determined that, effective April 1, 2004, the Corporation's assets would be transferred to the General Revenue Fund (GRF) and the Corporation's debt would be assumed by the GRF. As a result of this new structure, SOCO no longer makes interest payments on the research park debt and it does not receive an operating allocation from the GRF.

The research park assets are now held by the Department of Industry and Resources. On March 2, 2005, the Corporation signed an agreement with the Department of Industry and Resources to lease the rental assets transferred to the GRF for \$1 per year, effective April 1, 2004. Under the terms of this agreement the Corporation retains all rental income generated and is responsible for all costs associated with their operation. New assets at the parks, whether constructed or purchased, will be owned by SOCO.

#### Saskatchewan Forest Centre

Construction of the Saskatchewan Forest Centre Building in Prince Albert, which was started in 2003, was essentially complete at December 31<sup>st</sup>, 2004. The first tenants moved in during the first quarter of 2005. This building is a showcase for Saskatchewan wood products and leading edge environmental design.

### **Financial Performance**

#### **Financial Results**

SOCO's financial results for the first three months of 2005 have are slightly below expectations but reflect improved rental and development income relative for the same period in 2004.

The March 30<sup>th</sup> 2005 rental and development income exceeds the March 30th, 2004 revenue by \$121,000. This variance is attributable to the additional revenue generated at Innovation Place.

The operating contribution from the General Revenue Fund, interest and amortization have been eliminated or substantially reduced due to the change in the corporation's capital structure that occurred on April 1<sup>st</sup> 2004. The transfer of the research park assets and debt to the GRF eliminated the need for this contribution to be paid to SOCO, and for SOCO to pay interest or record amortization on the transferred assets.

Operating and administration expenses are relatively the same for the same period last year.

The March 31, 2005 rental and development expenses exceed the March 31, 2004 amount by \$209,000. This increase is due mainly to the increased operating costs for the new tenants and other common area expenditures.

## **Risks and Uncertainties**

The main risks facing the corporation fall into two general categories:

### Rental Property Vacancy Risk

Vacancy risk is inherent in the property management business. The operating results of the research parks depend to a large extent on the level of occupancy achieved. Therefore, a critical risk factor for the research parks is failing to replace tenants as they leave.

Directly related to rental property vacancy risk is client's industry risk. This is the risk inherent in the industry in which a client operates. A downturn in a particular sector of the economy can have an impact on research park financial results after some "lag" time. This risk is further exacerbated by the cluster strategy inherent in Research Parks whereby clients in the same sector are encouraged to locate in the park to gain synergies.

Given the historically high occupancy rates, and the current leases at Innovation Place and the Regina Research Park, management does not consider vacancy to be a significant risk for the foreseeable future.

Related to vacancy risk is the risk of not being able to accommodate existing tenants' growth. When a tenant's business is successful and growing, research parks need to ensure space is available to accommodate that growth. The alternative is when tenants need to expend and the parks have no space available, the tenants will be forced to leave the parks.

### Access to Capital for Future Growth

The Corporation's mission to support the growth and success of the Saskatchewan technology sector through the development and operation of research parks is dependant on access to adequate capital. The Corporation can only affect growth of the technology sector through the growth of the research parks' asset base which must be financed through capital. The corporation's new capital structure provides profitability that will allow for access capital for future development that will facilitate the sustainable growth and development of new research park assets.

## **Outlook**

In an effort to meet demand for space at Innovation Place and the Regina Research Park from clients and potential clients, the corporation is planning to pursue the approval of two multi-tenant buildings during 2005 – one in Regina and one in Saskatoon. Space inventory is low in both parks and preliminary design work has been started on a new building at Innovation Place in Saskatoon and will soon be initiated on a new building in Regina.

## **Significant Transactions**

The Corporation is required to report significant transactions to the Standing Committee on Crown and Central Agencies. This committee consists of seven government and opposition members of the Legislative Assembly. The Committee considers matters relating to the Crown Investments Corporation of Saskatchewan and its subsidiaries, supply and services, central agencies, and all other revenue related agencies and entities.

On March 31, 2005, the remaining assets were transferred to the General Revenue Fund to cover the full amount of the Corporation's debt that was assumed by the General Revenue Fund on April 1, 2004.

## Management's Responsibility for Financial Statements

The accompanying unaudited interim financial statements of the Saskatchewan Opportunities Corporation have been prepared by corporate management in accordance with Canadian generally accepted accounting principles and necessarily include amounts based on informed judgment and management estimates. Financial information presented elsewhere in this quarterly report is consistent with that in the financial statements.

Ensuring the integrity and objectivity of financial information is an integral part of management's responsibility to the ongoing operation. Management maintains an appropriate system of internal controls, policies and procedures to provide reasonable assurance that all financial transactions are recorded on a timely basis with proper approvals and result in reliable financial statements.

The interim Board of Directors has reviewed and approved these unaudited interim financial statements. The entire interim Board acts as an audit and finance committee and meets periodically with management.

On behalf of management,



Douglas Tastad

President & Chief Executive Officer



Glenda Bruce

Chief Financial Officer

**STATEMENT OF FINANCIAL POSITION - Unaudited**  
AS AT MARCH 31

	<b>2005</b>	<b>2004</b>
	(000s)	(000s)
<b>ASSETS</b>		
Cash	\$ 2,219	\$ 2,166
Accounts Receivable and Prepaid Expenses	3,318	3,027
Property, Plant and Equipment	2,682	154,039
	<u>\$ 8,219</u>	<u>\$ 159,232</u>
 <b>LIABILITIES AND EQUITY</b>		
Accounts Payable and Accrued Liabilities	\$ 2,617	\$ 5,271
Deferred Revenue	551	4,000
Notes Payable	-	26,968
Long-Term Debt	-	125,012
	<u>3,168</u>	<u>161,251</u>
Province of Saskatchewan's Equity (Deficit)		
Retained Earnings (Deficit)	5,051	(2,019)
	<u>\$ 8,219</u>	<u>\$ 159,232</u>

**STATEMENT OF OPERATIONS AND RETAINED EARNINGS (DEFICIT) - Unaudited**  
 FOR THE THREE MONTHS ENDED MARCH 31

	<b>2005</b>	<b>2004</b>
	(000s)	(000s)
<b>REVENUE</b>		
Rental and Development Income	\$ 5,479	\$ 5,358
Operating Contribution - General Revenue Fund	-	1,803
	<u>5,479</u>	<u>7,161</u>
<b>EXPENSES</b>		
Operating and Administration	615	611
Interest	-	1,849
Rental and Development	3,176	2,967
Amortization	57	1,109
	<u>3,848</u>	<u>6,536</u>
<b>Net Income (Loss)</b>	<b>1,631</b>	<b>625</b>
Retained Earnings (Deficit), Beginning of Period	3,420	(2,644)
Retained Earnings (Deficit), End of Period	<u>\$ 5,051</u>	<u>\$ (2,019)</u>

**STATEMENT OF CASH FLOWS - Unaudited**  
FOR THE THREE MONTHS ENDED MARCH 31

	<b>2005</b>	<b>2004</b>
	(000s)	(000s)
<b>OPERATING ACTIVITIES</b>		
Net Income	\$ 1,631	\$ 625
Add non-cash item:		
Amortization	57	1,109
Change in non-cash operating items:		
Decrease in Accounts Receivable and Prepaid Expenses	43	200
(Decrease) Increase in Accounts Payable and Accrued Liabilities	(118)	1,105
Decrease in Deferred Revenue	(62)	-
Cash Provided by Operating Activities	<u>1,551</u>	<u>3,039</u>
<b>INVESTING ACTIVITIES</b>		
Decrease in Accounts Payable for Capital	(1,294)	(788)
Investment in Property, Plant and Equipment	(1,109)	(3,507)
Cash Used in Investing Activities	<u>(2,403)</u>	<u>(4,295)</u>
<b>FINANCING ACTIVITIES</b>		
Net Change in Notes Payable	-	1,168
Net Change in Long-Term Debt	-	(387)
Cash Provided by Financing Activities	<u>-</u>	<u>781</u>
Decrease in Cash Position for the Period	(852)	(475)
Cash, Beginning of Period	3,071	2,641
Cash, End of Period	<u>\$ 2,219</u>	<u>\$ 2,166</u>

**Supplementary Information:**

Interest Paid on Notes Payable and Long-Term Debt	\$	0	\$	707
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## **NOTES TO FINANCIAL STATEMENTS**

MARCH 31

Saskatchewan Opportunities Corporation (the "Corporation") was incorporated under *The Saskatchewan Opportunities Corporation Act*, which was proclaimed and came into force on August 15, 1994. The Corporation is an agent of the Her Majesty in Right of the Province of Saskatchewan and as a provincial Crown corporation is subject to neither federal nor provincial income tax. The financial results of the Corporation are included in the consolidated financial statements of the Crown Investments Corporation of Saskatchewan (CIC).

The Corporation's mandate is to create, encourage and facilitate business opportunities in the Saskatchewan technology sector, primarily through the development and operation of research and development parks.

### **1. ACCOUNTING POLICIES**

These unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles and are consistent with those used and described in the 2004 annual financial statements.

### **2. COMPARATIVE FIGURES**

Certain amounts for the comparative period have been reclassified to conform with current period financial statement presentation.

## Corporate Information

### Interim Board of Directors

**Blair Swystun, Chair**

Vice President

Crown Investments Corporation of Saskatchewan

Regina, SK

**Kathy Buitenhuis**

Acting Senior Vice President

Crown Investments Corporation of Saskatchewan

Regina, SK

**Glen Veikle**

Assistant Deputy Minister

Department of Finance

Regina, SK

### Senior Management

**Douglas Tastad**, President and Chief Executive Officer

**Glenda Bruce**, Vice-President and Chief Financial Officer

**Ken Loeppky**, General Manager, Regina Research Park

**Charlene Callander**, Executive Director, Accounting & Administration

**Austin Beggs**, Director, Marketing and Corporate Development

**Rob Trimble**, Director, Client Services

**Lorne Vinish**, Director, Business Services

**Gord Joorisity**, Executive Director, Project Management

**Gregg Willie**, Manager, Bio Processing Centre

**Pennie Bainbridge**, Executive Assistance to the President

## Contact Information

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