
F I R S T
Q U A R T E R
R E P O R T
2007



For the three month period ended March 31, 2007

SASKATCHEWAN OPPORTUNITIES CORPORATION

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MANAGEMENT DISCUSSION AND ANALYSIS

The following management discussion and analysis for the Saskatchewan Opportunities Corporation (SOCO; the Corporation) should be read in conjunction with the Corporation's unaudited interim financial statements and notes to those statements for the three months ended March 31, 2007. What follows will provide the context within which the Corporation's unaudited interim financial statements should be analyzed. SOCO's Board of Directors has approved the interim financial statements. For additional information relative to its operations and financial position, refer to the Corporation's Annual Report for the year ended December 31, 2006.

This discussion includes forward looking statements about SOCO's corporate direction and financial objectives. Due to the risks and uncertainties inherent in any forecast, the actual results could differ materially from those anticipated.

Corporate Overview

SOCO is a Saskatchewan Crown corporation with a direct reporting relationship to the provincial government through the Crown Investments Corporation. The corporate mission is to support the growth and success of Saskatchewan's technology sector. SOCO fulfills this mission through the development and operations of research parks on the campuses of the Province's two universities in Saskatoon and Regina as well as a forest sector building in downtown Prince Albert.

Core Business

SOCO designs and constructs specialized buildings primarily for technology companies. Revenue is generated from leasing space in these buildings to a wide range of tenants that support each other's success. A typical lease arrangement would include a five year term with fixed revenue, adjusted annually for any increase in operating costs. Typical vacancy within buildings is approximately five percent.

Major categories of operating costs include utilities, grants-in-lieu of taxes, building and grounds maintenance and corporate administration. For the most part both revenue and expenses are not subject to rapid change. Profitability is tightly linked to local real estate market conditions. The greatest opportunity for increased revenue is from the development of new buildings and an increase in rental rates.

SOCO attempts to provide its clients with a superior working environment that contributes directly to their success. A diverse mix of research and service tenants, a dynamic social atmosphere and high quality facilities work together to create a community that encourages interaction, collaboration and growth.

The quality of the environment is not only intended to enhance operating productivity and tenant innovation but to assist tenants in employee recruitment and corporate marketing.

Innovation Place Bio Processing Centre

SOCO operates this fee-for-service processing centre in Saskatoon. It extracts active compounds from plant material, primarily for cosmetic and specialized food purposes. Approximately 20 Saskatchewan companies have used the centre for their processing requirements as have a similar number from outside the province.

OPERATIONAL HIGHLIGHTS

	For the Quarter ending March 31, 2007	For the Year ending December 31, 2006
Employment growth within the parks	136	252
Vacancy	4.38%	5.3%

SOCO's 2007 year end target for employment growth within the Parks is 249. The first quarter estimated results of 136 new employees in the parks indicates the Corporation will exceed this target. Although there can be unknown future circumstances to impact this prediction, Management is confident the current level of demand and leasing efforts will ensure this target is met.

SOCO's 2007 year end target for vacancy is 11.4%. The target of 11.4% was based on the assumption the new building in Saskatoon (121 Research Drive) would be partly vacant at the end of the year; however, leasing information to date suggests the building could be full at the end of the year. Therefore, it is likely the year end vacancy will be less than the target.

FINANCIAL RESULTS

Net Income and Cash Flow

(in thousands \$)

	Three months ended March 31, 2007	Three months ended March 31, 2006	Change
Net Income	\$1,222	\$1,127	\$95
Operating Cash Flow	1,453	1,259	194

Revenue

(in thousands \$)

	Three months ended March 31, 2007	Three months ended March 31, 2006	Change
Rental	\$5,288	\$5,027	\$261
Bio Processing	549	480	69
Other	190	125	65
Total Revenue	<u>\$6,027</u>	<u>\$5,632</u>	<u>\$395</u>

Rental Revenue

The increase in rental revenue is due to decreased vacancy in the parks. The 4.38% vacancy percentage is 2.03% lower than the March 31, 2006 vacancy percentage of 6.41%.

Bio Processing Centre

Processing activity in the Bio Processing Centre is slightly higher for the three month period ending March 31, 2007 compared to the same period in 2006 resulting in increased revenue of \$69,000.

Other Revenue

The increase in other revenue is due primarily to an increase in interest revenue. Included in the total for the three month period ended March 31, 2007 is \$96,000 of interest revenue, compared to \$24,000 for the same period in the prior year.

Expenses

(in thousands \$)

	Three months ended March 31, 2007	Three months ended March 31, 2006	Change
Administration	\$869	\$902	\$(33)
Rental Operations	3,151	3,034	117
Bio Processing Operations	514	437	77
Interest	40	-	40
Amortization	231	132	99
Total Revenue	<u>\$4,805</u>	<u>\$4,505</u>	<u>\$300</u>

Administration

While administrative salaries have increased \$53,000 for the 3 month period ended March 31, 2007, it is offset by a decrease in administrative expenses of \$86,000. The increase in salaries is due to increased staffing and general wage increases. The decrease in administration expenses is due to the timing of expenses.

Rental Operations

The increase in rental operations expense relates primarily to increased occupancy costs, specifically repairs, maintenance and janitorial.

Bio Processing Centre

The increase in Bio Processing operations expense is due to increased plant activity, an additional staff member added in the first quarter of 2007 and general increases in operating expenses.

Interest

The increase in interest expense relates to debt for capital.

Amortization

The increase in amortization expense is due mostly to tenant improvement projects that were completed in 2006.

Capital Expenditures

Capital expenditures for the first three months of 2007 totaled \$2,505,000, with the majority of this total being related to the construction of 121 Research Drive in Saskatoon. The project is within budget and is projected to be completed in late summer of 2007.

Notes Payable

During the first three months of 2007 the Corporation borrowed \$1,000,000 of short-term debt through the Saskatchewan Department of Finance. The financing is for the construction of 121 Research Drive. Upon completion of 121 Research Drive, the short-term debt will be repaid through a combination of long-term debt and cash flow from operations.

OUTLOOK

Net income in the first quarter forecast is estimated to be \$4,494,000, reflecting a \$277,000 favorable variance when compared to the budgeted net income of \$4,217,000. Increased rental revenue and interest revenue account for the majority of the favourable variance.

The first quarter capital forecast of \$24,587,000 reflects a decrease of \$4,560,000 when compared to the annual budget of \$29,147,000. The forecast includes the completion of 121 Research Drive. Although the forecast also includes the construction of 2 Research Drive and design for the green sciences building, these projects have been delayed resulting in the decrease in capital required for the year.

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

On behalf of management,

Douglas Tastad
President and Chief Executive Officer

Charlene Callander
Vice President and Chief Financial Officer

FINANCIAL REPORT

Consolidated Statement of Financial Position

Unaudited (in thousands \$)

	<u>March 31, 2007</u>	<u>March 31, 2006</u>
ASSETS		
Cash	\$ 8,467	\$ 3,388
Accounts receivable	2,935	4,093
Prepaid expenses	342	550
Property, plant and equipment	26,678	8,785
	<u>38,422</u>	<u>16,816</u>
LIABILITIES AND PROVINCE'S EQUITY		
Accounts payable and accrued liabilities	4,764	2,981
Deferred revenue	368	495
Notes payable	18,000	3,000
	<u>23,132</u>	<u>6,476</u>
Province of Saskatchewan's equity	15,290	10,340
Retained Earnings	<u>\$ 38,422</u>	<u>\$ 16,816</u>

Consolidated Statement of Operations and Retained Earnings

Unaudited (in thousands \$)

	Three months ended March 31, 2007	Three months ended March 31, 2006
REVENUE		
Rental	\$ 5,288	\$5,027
Bio Processing	549	480
Other	190	125
	<u>6,027</u>	<u>5,632</u>
 EXPENSES		
Administration	869	902
Rental operations	3,151	3,034
Bio Processing operations	514	437
Interest	40	-
Amortization	231	132
	<u>4,805</u>	<u>4,505</u>
 NET INCOME	 1,222	 1,127
 Retained earnings, beginning of period	 14,068	 9,213
Retained earnings, end of period	<u>\$ 15,290</u>	<u>\$ 10,340</u>

Consolidated Statement of Cash Flows

Unaudited (in thousands \$)

	Three months ended March 31, 2007	Three months ended March 31, 2006
OPERATING ACTIVITIES		
Net income	\$ 1,222	\$1,127
Add non-cash item:		
Amortization	231	132
Operating cash flow	<u>1,453</u>	<u>1,259</u>
Change in non-cash operating items:		
Accounts of receivable	529	707
Prepaid expenses	(134)	(144)
Accounts payable and accrued liabilities	165	(788)
Deferred revenue	(90)	(59)
Cash provided by operating activities	<u>1,923</u>	<u>975</u>
INVESTING ACTIVITIES		
Change in accounts payable for capital	(492)	(632)
Purchases of property, plant and equipment	(2,505)	(1,228)
Cash used in investing activities	<u>(2,997)</u>	<u>(1,860)</u>
FINANCING ACTIVITIES		
Proceeds from notes payable	<u>1,000</u>	<u>3,000</u>
NET CHANGE IN CASH DURING THE PERIOD	(74)	2,115
CASH, BEGINNING OF PERIOD	<u>8,541</u>	<u>1,273</u>
CASH, END OF PERIOD	<u>\$ 8,467</u>	<u>\$ 3,388</u>
Supplementary information:		
Interest paid on notes payable	\$ 184	\$ 11

Notes to Financial Statements

March 31

Saskatchewan Opportunities 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).

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 2006 annual financial statements.

2. Comparative Figures

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



SASKATCHEWAN OPPORTUNITIES CORPORATION

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