

---

F I R S T  
Q U A R T E R  
R E P O R T  
2008



---

For the three month period ended March 31, 2008



## TABLE OF CONTENTS

Management Discussion and Analysis .....	1
Operational Highlights .....	2
Financial Results .....	3
Outlook .....	5
Management's Responsibility for Financial Statements .....	6
Financial Report .....	7



## MANAGEMENT DISCUSSION AND ANALYSIS

The following management discussion and analysis 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, 2008. What follows will provide the context within which the Corporation's unaudited interim financial statements should be analyzed. The Board of Directors for Saskatchewan Opportunities Corporation have approved these 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, 2007.

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

### **Corporate Overview**

Innovation Place is the operating name for Saskatchewan Opportunities Corporation, 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. Innovation Place 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**

Innovation Place 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.

Innovation Place 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.

### Bio Processing Centre

Innovation Place 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, 2008	2008 Target
Employment growth within the parks	<b>156</b>	279
Vacancy	<b>8.27%</b>	5.9%

### Employment growth within the parks

The growth in the first quarter represents 56% of the growth targeted for the year, as such it is expected the 2008 year end target will be achieved. The current increase is attributed to growth of existing tenants and to several new tenants locating to Innovation Place.

### Vacancy

Although the March 31, 2008 vacancy of 8.27% is above the year end target of 5.9%, the high demand for space at Innovation Place will result in a vacancy rate consistent with the year end target as tenants continue to occupy space throughout the year.

## FINANCIAL RESULTS

(in thousands \$)

	Three Months Ended March 31		
	2008	2007	Change
Net income	\$ 990	\$ 1,222	\$ (232)
Operating cash flow	1,332	1,453	(121)

## Revenue

(in thousands \$)

	Three Months Ended March 31		
	2008	2007	Change
Rental	\$ 5,784	\$ 5,288	\$ 496
Bio Processing Centre	519	549	(30)
Other	187	190	(3)
Total Revenue	\$ 6,490	\$ 6,027	\$ 463

## Rental Revenue

The increase in rental revenue is due to decreased vacancy in the parks and increased revenue from the provision of food services at Innovation Place in Saskatoon.

## Expenses

(in thousands \$)

	Three Months Ended March 31		
	2008	2007	Change
Administration	\$ 1,022	\$ 869	\$ 153
Rental operations	3,444	3,151	293
Bio Processing operations	590	514	76
Interest	102	40	62
Amortization	342	231	111
Total Expenses	\$ 5,500	\$ 4,805	\$ 695

#### **Administration**

The increase in administration expense is the result of increased staffing and general wage increases.

#### **Rental Operations**

Increased occupancy costs, specifically property taxes, janitorial and utilities, as well as increased costs for amenities have led to an increase in rental operations expense.

#### **Bio Processing Operations**

The increase in Bio Processing operations expense is due primarily to an increase in a receivable allowance that was processed in the three month period ended March 31, 2008.

#### **Interest**

Interest expense has increased due to the increase in debt.

#### **Amortization**

The increase in amortization expense is due mostly to tenant improvement projects and infrastructure projects completed in 2007.

## Capital Expenditures

Capital expenditures for the first three months of 2008 totaled \$2,356,000 with the majority of this total being related to the construction of 2 Research Drive in Regina and the completion of various tenant improvement projects.

## Notes Payable

During the first three months of 2008, the Corporation borrowed \$3,000,000 of short term debt through the Saskatchewan Ministry of Finance. Upon completion of the new buildings, short term debt will be repaid through a combination of long term debt and cash flow from operations.

## OUTLOOK

The 2008 first quarter forecast represents a \$654,000 favourable variance from the 2008 budgeted net income of \$3,236,000, primarily due to increases to rental income.

Due to space in 121 Research Drive in Saskatoon being occupied quicker than budgeted, the building will be transferred to rental assets one month earlier than budgeted. It is anticipated the building will be fully occupied during 2008.

Total capital expenditures for 2008 are forecasted to be \$30,616,000 representing a \$2,386,000 increase from the 2008 budget of \$28,230,000. The increase to the capital budget relates mainly to a few projects originally scheduled for 2007 that were delayed to 2008. In addition, the high demand for space in Saskatoon has resulted in a building project originally scheduled for 2009 to be rescheduled to 2008.

## 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 \$)

	March 31, 2008	March 31, 2007
<b>ASSETS</b>		
Cash	\$ 10,734	\$ 8,467
Accounts receivable	3,224	2,935
Prepaid expenses	285	342
Property, plant and equipment	41,268	26,678
	<u>\$ 55,511</u>	<u>\$ 38,422</u>
<b>LIABILITIES AND PROVINCE'S EQUITY</b>		
Accounts payable and accrued liabilities	\$ 4,376	\$ 4,764
Deferred revenue	528	368
Notes payable	31,844	18,000
	<u>36,748</u>	<u>23,132</u>
Province of Saskatchewan's Equity		
Retained earnings	18,763	15,290
	<u>\$ 55,511</u>	<u>\$ 38,422</u>

## Consolidated Statement of Operations and Comprehensive Income

unaudited (in thousands \$)

	Three months ended March 31, 2008	Three months ended March 31, 2007
<b>REVENUE</b>		
Rental	\$ 5,784	\$ 5,288
Bio Processing Centre	519	549
Other	187	190
	<b>6,490</b>	<b>6,027</b>
<b>EXPENSES</b>		
Administration	1,022	869
Rental operations	3,444	3,151
Bio Processing operations	590	514
Interest	102	40
Amortization	342	231
	<b>5,500</b>	<b>4,805</b>
<b>NET INCOME</b>	<b>990</b>	<b>1,222</b>
Other comprehensive income	-	-
<b>COMPREHENSIVE INCOME</b>	<b>\$ 990</b>	<b>\$ 1,222</b>

## Consolidated Statement of Retained Earnings

UNAUDITED (in thousands \$)

	Three months ended March 31, 2008	Three months ended March 31, 2007
Retained earnings, beginning of period	\$ 17,773	\$ 14,068
Net income	990	1,222
Retained earnings, end of period	<b>\$ 18,763</b>	<b>\$ 15,290</b>

## Consolidated Statement of Cash Flows

unaudited (in thousands \$)

	Three months ended March 31, 2008	Three months ended March 31, 2007
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 990	\$ 1,222
Add non-cash item:		
Amortization	342	231
	1,332	1,453
Change in non-cash operating items:		
Accounts receivable	193	529
Prepaid expenses	(83)	(134)
Accounts payable and accrued liabilities	730	165
Deferred revenue	98	(90)
Cash provided by operating activities	2,270	1,923
<b>INVESTING ACTIVITIES</b>		
Changes in accounts payable for capital	(1,022)	(492)
Purchases of property, plant and equipment	(2,356)	(2,505)
Cash used in investing activities	(3,378)	(2,997)
<b>FINANCING ACTIVITIES</b>		
Proceeds from notes payable	3,000	1,000
<b>NET CHANGE IN CASH DURING THE PERIOD</b>	1,892	(74)
<b>CASH, BEGINNING OF PERIOD</b>	8,842	8,541
<b>CASH, END OF PERIOD</b>	\$ 10,734	\$ 8,467
<b>Supplementary Information:</b>		
Interest paid on notes payable	\$ 293	\$ 184

## Notes to Consolidated Financial Statements

March 31, 2008

### 1. STATUS OF CORPORATION

Saskatchewan Opportunities Corporation, operating as Innovation Place (the "Corporation") was incorporated under *The Saskatchewan Opportunities Corporation Act*, which was proclaimed and came into force in 1994. The Corporation is an agent of 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.

### 2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and are consistent with those used and described in the 2007 annual financial statements.

### 3. COMPARATIVE FIGURES

Certain amounts for the prior year have been reclassified to conform with current year financial statement presentation.





SASKATCHEWAN OPPORTUNITIES CORPORATION

**Corporate Office**

Innovation Place  
114 - 15 Innovation Boulevard  
Saskatoon, Saskatchewan  
S7N 2X8

Telephone: 306.933.6295  
Fax: 306.933.8215  
[www.innovationplace.com](http://www.innovationplace.com)  
email: [saskatoon@innovationplace.com](mailto:saskatoon@innovationplace.com)

**BEST**  
**SMALL &**  
**MEDIUM**  
EMPLOYERS IN CANADA