



Saskatchewan Opportunities Corporation

2004 Third Quarter Report

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Report From the President

Saskatchewan Opportunities Corporation (SOCO) enjoyed a strong Third Quarter in 2004 with financial performance continuing to exceed budget projections. Results thus far have shown marked improvement over figures from last year at this time.

Strategic Planning for 2005 is underway and a number of new measures for strategic objectives will be included. The planning and measurement will also contain new comparisons to industry standards.

The Corporation focuses on more than financial performance in its strategic planning putting emphasis on economic development, satisfying stakeholders and showing community leadership. The planning process has contributed to enhanced performance at SOCO and new and more sophisticated targets are now being put in place.

In September, 2004 the Saskatchewan Forest Centre building in Prince Albert was completed. Tenant improvements are underway and the first clients are scheduled to move in on January 1st, 2005.

SOCO has also been actively involved in internship programs and in particular the Crown Management Board GradWorks program this year. Saskatchewan's research parks provide exciting, well paying jobs for people graduating from Saskatchewan post secondary institutions.

At the Regina Research Park and Innovation Place in Saskatoon, 38% of employees are under the age of 35. It's clear that the organizations at Saskatchewan's research parks are committed to our youth and helping provide jobs for grads here in Saskatchewan.

2004 has been a strong year for the research parks so far and during our planning and budgeting for 2005 we have much to look forward to.



Douglas Tastad
President and 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 2004 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

Economic Development

- Grow Saskatchewan’s technology Sector

Stakeholder Satisfaction

- Ensure employees, clients, ownership and all external stakeholders view their relationship with the Corporation as positive

Financial Performance

- Build a sustainable financial structure that allows for the growth of the research parks

Community Leadership

- Lead on environmental issues
- Enhance the reputation of the Province
- Build a knowledgeable and representative workforce

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 nine months ended September 30, 2004. What follows will provide the context within which the Corporation's unaudited interim financial statements should be analyzed.

Corporate Overview

The Corporation is a 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 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 and SOCO continues to act as the operating and management company for the parks. 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 was started in 2003. Construction of the base building is complete and tenant improvements are underway. The Saskatchewan Forest Centre Building will also be owned by the Saskatchewan Department of Industry and Resources but SOCO will be completing the building and tenant improvements and transferring the building on or before March 31st, 2005. Occupancy is anticipated for January 1, 2005.

Financial Performance

Financial Results

SOCO's financial results for the first nine months of 2004 have exceeded expectations and reflect significantly improved performance relative to the same period in 2003.

The September 30th 2004 rental and development revenue exceeds the September 30th, 2003 revenue by \$1.8 million. This variance is attributable to the revenue generated from the two new buildings at the Regina Research Park which were purchased in the last quarter of 2003. As well, activity at the Bio Processing Centre has been stronger relative to the same period in 2003 which has had a favourable impact on the 2004 results to date.

The operating contribution from the General Revenue Fund is \$3.0 million below last year. This reduction is due to the change in the corporation's capital structure that occurred on April 1st 2004. The transfer of the research park assets and debt to the GRF eliminated the need for this contribution to be paid to SOCO for the balance of 2004.

Operating and administration expenses are \$386,000 more than the same period last year due to the decision to replace the corporation's property management and accounting system in 2004 as well as salaries for additional staff that were hired during 2004.

Rental and development expenses for the period ended September 30th, 2004 decreased by \$134,000 relative to same period in 2003. This decrease is due to the reduction in bad debt expense as a result of the collection of a long standing receivable, a more favourable property tax assessment relative to the 2003 assessment, and building and repair expenses that were lower than last year.

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. The recent downturns in the agriculture and telecommunications/internet sectors have impacted research park results.

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 and this growth must be financed through capital. The new capital structure of the Corporation now requires the establishment of a process to access capital for future development that allows for sustainable growth and the development of new research park assets.

Outlook

In an effort to meet the demand for space at the Regina Research Park from clients and potential clients, the corporation is planning to pursue the approval of another multi-tenant building. At Innovation Place in Saskatoon, space inventory is also low and it is anticipated that preliminary design work on a new building will be initiated early in 2005.

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

(In Thousands)

	September 30 2004 (unaudited)	September 30 2003 (unaudited)	December 31 2003 (audited)
ASSETS			
Cash	\$ 1,550	\$ 12,949	\$ 2,641
Accounts Receivable and Prepaid Expenses	3,255	3,624	3,227
Property, Plant and Equipment	3,993	141,183	151,641
	\$ 8,798	\$ 157,756	\$ 157,509
LIABILITIES AND EQUITY			
Accounts Payable and Accrued Liabilities	\$ 2,253	\$ 3,411	\$ 4,954
Due to GRF	4,673	-	-
Deferred Revenue	-	1,500	4,000
Notes Payable	-	25,800	25,800
Long-Term Debt	-	125,479	125,399
	6,926	156,190	160,153
Province of Saskatchewan's Equity (Deficit)			
Retained Earnings (Deficit)	1,872	1,566	(2,644)
	\$ 8,798	\$ 157,756	\$ 157,509

STATEMENT OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)

(In Thousands)

	Three Months Ended September 30 2004 (unaudited)	Three Months Ended September 30 2003 (Unaudited)	Nine Months Ended September 30 2004 (Unaudited)	Nine Months Ended September 30 2003 (Unaudited)
REVENUE				
Rental and Development Income	\$ 5,427	\$ 4,696	\$ 15,830	\$ 13,991
Operating Contribution - General Revenue Fund	-	1,803	1,803	4,838
	5,427	6,499	17,633	18,829
EXPENSES				
Operating and Administration	639	479	1,964	1,578
Interest	(9)	1,893	1,820	5,622
Rental and Development	2,783	2,645	8,142	8,276
Amortization	46	1,032	1,191	3,039
Restructuring	-	16	-	281
	3,459	6,065	13,117	18,796
Net Income (Loss)	1,968	434	4,516	33
Retained Earnings (Deficit), Beginning of Period	(96)	1,132	(2,644)	1,533
Retained Earnings (Deficit), End of Period	\$ 1,872	\$ 1,566	\$ 1,872	\$ 1,566

STATEMENT OF CASH FLOWS

(In Thousands)

	Three Months Ended September 30 2004 (unaudited)	Three Months Ended September 30 2003 (Unaudited)	Nine Months Ended September 30 2004 (Unaudited)	Nine Months Ended September 30 2003 (Unaudited)
OPERATING ACTIVITIES				
Net Income (Loss)	\$ 1,968	\$ 434	\$ 4,516	\$ 33
Add non-cash item:				
Amortization	46	1,032	1,191	3,039
Change in non-cash operating items:				
(Increase) Decrease in Accounts Receivable and Prepaid Expenses	175	(134)	(28)	1,017
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(25)	669	(1,231)	(503)
Non-cash Balances Transferred to GRF	-	-	1,644	-
Cash Provided by Operating Activities	2,164	2,001	6,092	3,586
INVESTING ACTIVITIES				
Increase (Decrease) in Accounts Payable for Capital	(714)	(37)	(1,470)	(323)
Investment in Property, Plant and Equipment	(1,284)	(1,068)	(6,494)	(2,677)
Cash Used in Investing Activities	(1,998)	(1,105)	(7,964)	(3,000)
FINANCING ACTIVITIES				
Net Change in Notes Payable	-	10,000	1,168	10,000
Non-repayable Contributions for Capital	-	-	-	1,500
Net Change in Long-Term Debt	-	(37)	(387)	(990)
Cash Provided by Financing Activities	-	9,963	781	10,510
(Decrease) Increase in Cash Position for the Period	166	10,859	(1,091)	11,096
Cash, Beginning of Period	1,384	2,090	2,641	1,853
Cash, End of Period	\$ 1,550	\$ 12,949	\$ 1,550	\$ 12,949

NOTES TO FINANCIAL STATEMENTS

June 30

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 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 Crown Investments Corporation of Saskatchewan (CIC).

On March 27, 2002, the Minister of Finance for the Province of Saskatchewan, through release of the 2002-03 fiscal budget, announced the Province's intention to wind down the operations of the Corporation. At that time, it was announced that the Corporation's Investment Division would be transferred to CIC Industrial Interests Inc. (CIC III), a wholly owned subsidiary of CIC. This transfer is accounted for as Discontinued Operations and was disclosed in note 5 to the Corporation's December 31, 2003 annual financial statements.

On March 31, 2004, the Minister of Finance for the Province of Saskatchewan, through release of the 2004-05 Provincial budget, announced the Province's intention with respect to the remaining Research Parks Division of the Corporation. All of the outstanding debt of the corporation, along with the property, plant and equipment would be transferred to the General Revenue Fund. The corporation will continue to manage the assets on behalf of the General Revenue Fund, and will remain a Crown corporation with a direct reporting relationship to the Crown Investments Corporation of Saskatchewan. The transfer of the assets and liabilities is detailed in note 2 to these financial statements.

The Corporation's mandate is to facilitate economic growth in Saskatchewan by investing in research parks that support the development of business.

1. BASIS OF PRESENTATION AND 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 2003 annual financial statements.

These interim financial statements should be read in conjunction with the corporation's fiscal 2003 Annual Report.

2. SIGNIFICANT RELATED PARTY TRANSACTION

On April 1, 2004, the majority of the corporation's property, plant and equipment was transferred to the General Revenue Fund, a related party by virtue of common control by the Government of Saskatchewan. In return, all of the Corporation's debt was assumed by the General Revenue Fund.

The transfer values were based on carrying values on the date of transfer, summarized as follows (In Thousands).

Accounts Receivable and Prepaid Expenses	\$ 489
Property, Plant and Equipment	152,951
Accounts Payable and Accrued Liabilities	2,133
Deferred Revenue	4,000
Notes Payable	26,968
Long-Term Debt	125,012

The net liability arising from the transfer (\$4,673,000) has been recorded as a liability to the General Revenue Fund.

The Corporation is developing a management agreement with Industry and Resources to manage the research park assets. All future assets constructed/purchased will remain the property of the Corporation.

Corporate Information

Interim Board of Directors

Blair Swystun, Chairman

Acting Chief Financial Officer
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 Loepky, 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

Gregg Willie, Manager, Bio Processing Center

Pennie Bainbridge, Executive Assistant to the President

Contact Information

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SASKATCHEWAN OPPORTUNITIES CORPORATION