

SASKATCHEWAN  
OPPORTUNITIES  
CORPORATION  
FIRST  
QUARTER  
REPORT  
2009



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# 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, 2009. 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, 2008.

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, 2009	2009 Target
Employment growth within the parks	49	530
Vacancy	5.69%	3.7%

## Employment growth within the parks

The growth in the first quarter represents 9% of the growth targeted for the year. Further growth is anticipated through expansion of existing tenants, the continued occupancy of 2 Research Drive and the completion of the Saskatchewan Disease Control Laboratory.

## Vacancy

Despite the volatile global economic conditions, expansion demands of existing tenants remains strong. It is expected vacancy will continue to decrease until new inventory is made available.

# FINANCIAL RESULTS

(in thousands \$)

	Three Months Ended March 31		
	2009	2008	Change
Net income	\$ 1,316	\$ 990	\$ 326
Operating cash flow	1,826	1,332	494

## Revenue

(in thousands \$)

	Three Months Ended March 31		
	2009	2008	Change
Rental	\$ 7,328	\$ 5,784	\$ 1,544
Bio Processing	298	519	(221)
Interest	29	106	(77)
Other	87	81	6
Total Revenue	\$ 7,742	\$ 6,490	\$ 1,252



### Rental Revenue

\$800,000 of the increase in rental revenue is due to the completion of 121 Research Drive in 2008 which was transferred to rental assets effective April 1, 2008.

The remaining increase is due to decreased vacancy in the parks and increased occupancy cost recoveries.

### Bio Processing Revenue

Processing activity in the Bio Processing Centre was lower for the three month period ended March 31, 2009 compared to the same period in 2008 resulting in reduced revenue.

## Expenses

(in thousands \$)

	Three Months Ended March 31		
	2009	2008	Change
Administration	\$ 1,005	\$ 1,022	\$ (17)
Rental operations	4,192	3,444	748
Bio Processing operations	430	590	(160)
Interest	289	102	187
Amortization	510	342	168
Total Expenses	\$ 6,426	\$ 5,500	\$ 926

### Rental Operations

This increase is due to additional operating costs for 121 Research Drive and general increases for utilities, property taxes and janitorial expenses.

### Bio Processing Operations

The decrease in Bio Processing operations expense is due to decreased processing activity for the three month period ended March 31, 2009.

### Capital Expenditures

Capital expenditures for the first three months of 2009 totaled \$1,941,000 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 2009, 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 strong economic growth in the province is counterbalanced by the financial difficulties facing the global economy. As such, the outlook for Innovation Place varies depending on the industry sector. Tenants of Innovation Place sell their products and services internationally so we are cautious that falling demand for goods and services is may limit some tenants' growth. Some sectors appear to be less effected by the economic crisis, particularly mining and agriculture, and therefore management is reconsidering development plans to address the demand for space from these sectors. SOCO will continue to work closely with its clients to ensure their facility needs are matched to their business prospects including any new development plans.

The Bio Processing Centre's clients have been impacted by the global economic crisis and as such management have reduced our revenue expectations for the year.

The 2009 first quarter forecast represents a \$331,000 unfavourable variance from the 2009 budgeted net income of \$5,007,000, primarily due to decreases in Bio Processing revenue.

Total capital expenditures for 2009 are forecasted to be \$16,349,000 representing a \$1,281,000 increase from the 2009 budget of \$15,068,000. The increase in capital budget relates mainly to the timing of completion of the 2 Research Drive redevelopment project in Regina.

# 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, 2009 (000s)	March 31, 2008 (000s)
<b>ASSETS</b>		
Cash	\$ 10,290	\$ 10,734
Accounts receivable	3,408	3,224
Prepaid expenses	637	285
Property, plant and equipment	53,017	41,268
	<b>\$ 67,352</b>	<b>\$ 55,511</b>
<b>LIABILITIES AND PROVINCE'S EQUITY</b>		
Accounts payable and accrued liabilities	\$ 4,990	\$ 4,376
Deferred revenue	654	528
Notes payable	13,859	31,844
Long term debt	23,684	-
	<b>\$ 43,187</b>	<b>\$ 36,748</b>
Province of Saskatchewan's Equity		
Retained earnings	24,165	18,763
	<b>\$ 67,352</b>	<b>\$ 55,511</b>

## Consolidated Statement of Operations and Comprehensive Income

UNAUDITED (in thousands \$)

	Three months ended March 31, 2009 (000s)	Three months ended March 31, 2008 (000s)
<b>REVENUE</b>		
Rental	\$ 7,328	\$ 5,784
Bio Processing	298	519
Interest	29	106
Other	87	81
	<b>\$ 7,742</b>	<b>\$ 6,490</b>
<b>EXPENSES</b>		
Administration	\$ 1,005	\$ 1,022
Rental operations	4,192	3,444
Bio Processing operations	430	590
Interest	289	102
Amortization	510	342
	<b>\$ 6,426</b>	<b>\$ 5,500</b>
	1,316	990
Other Comprehensive Income	-	-
<b>COMPREHENSIVE INCOME</b>	<b>\$ 1,316</b>	<b>\$ 990</b>

## Consolidated Statement of Retained Earnings

UNAUDITED (in thousands \$)

	Three months ended March 31, 2009 (000s)	Three months ended March 31, 2008 (000s)
Retained earnings, beginning of year	\$ 22,849	\$ 17,773
Net Income	1,316	990
Retained earnings, end of year	<b>\$ 24,165</b>	<b>\$ 18,763</b>

# Consolidated Statement of Cash Flows

UNAUDITED (in thousands \$)

	<b>Three months ended March 31, 2009 (000s)</b>	<b>Three months ended March 31, 2008 (000s)</b>
<b>OPERATING ACTIVITIES</b>		
Net Income	\$ 1,316	\$ 990
Add non cash item:		
Amortization	510	342
	1,826	1,332
Change in non cash operating items:		
Accounts receivable	1,241	193
Prepaid expenses	(271)	(83)
Accounts payable and accrued liabilities	(294)	730
Deferred revenue	(67)	98
Cash provided by operating activities	2,435	2,270
<b>INVESTING ACTIVITIES</b>		
Change in accounts payable for capital	(1,275)	(1,022)
Purchases of property, plant and equipment	(1,941)	(2,356)
Cash used in investing activities	(3,216)	(3,378)
<b>FINANCING ACTIVITIES</b>		
Proceeds from notes payable	3,000	3,000
<b>NET CHANGE IN CASH DURING THE PERIOD</b>	<b>2,219</b>	<b>1,892</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>8,071</b>	<b>8,842</b>
<b>CASH, END OF PERIOD</b>	<b>10,290</b>	<b>10,734</b>
<b>Supplementary Information:</b>		
Interest paid	596	293

# Notes to Consolidated Financial Statements

March 31, 2009

## **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.

## **4. Future Changes in Accounting Policies**

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises, including the Corporation, will be required to adopt International Financial Reporting Standards (IFRS) in place of Canadian GAAP for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior period. The Corporation developed an IFRS conversion plan and will be completing conversion procedures throughout fiscal 2009. The impact on the Corporation's future financial position and results on operations is not reasonably determinable.



**Corporate Office**

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

306.933.6295  
saskatoon@innovationplace.com  
www.innovationplace.com