



TABLE OF CONTENTS

Letter of Transmittal	1
Message from the Chair	2
Report from the President	3
Balanced Scorecard	4
Management's Discussion and Analysis	11
Management's Responsibility for Financial Statements	15
Auditor's Report	16
Financial Report	17
Notes to the Financial Statements	21
Board of Directors	25
Corporate Information	25

LETTER OF TRANSMITTAL

April 26, 2005

**To Her Honour
The Honourable Lynda Haverstock
Lieutenant Governor of the Province of Saskatchewan**

Dear Madam:

I have the honour to submit the Annual Report of Saskatchewan Opportunities Corporation (SOCO) for the year ended December 31, 2004, including the financial statements duly certified in accordance with *The Saskatchewan Opportunities Corporation Act*.

Respectfully submitted,



Eric Cline, Q.C.

Minister Responsible for Saskatchewan Opportunities Corporation

MESSAGE FROM THE CHAIR

Saskatchewan Opportunities Corporation enjoyed a successful year in 2004 providing quality facilities and services to tenants of Innovation Place in Saskatoon and the Regina Research Park, and developing a first class building in Prince Albert.

The Saskatchewan Forest Centre Building in Prince Albert was constructed and the first tenants moved in just before year end. This environmentally friendly facility is serving as a showcase of Saskatchewan wood products and advanced building design.

During the year, SOCO's staff also worked to strengthen the corporation's relationships with key partners such as Saskatchewan's two universities, regional economic development authorities, and the science and technology community.

SOCO's successes in the past year are the result of the strong commitment of the staff to the corporation's vision of making Saskatchewan's research parks the best in the world.

As we look to 2005, the provincial government has confirmed its commitment to the role that research parks play in the development of the provincial economy, and SOCO is developing exciting plans for further growth and investment in the parks.

We look forward to a year of growth and celebration in 2005 as Saskatchewan celebrates its centennial, Innovation Place in Saskatoon celebrates a quarter century of achievement, the Regina Research Park marks its first five years of operations and the Saskatchewan Forest Centre Building in Prince Albert undertakes its first full year of operations.



Blair Swystun

Chair of the Board

REPORT FROM THE PRESIDENT

During 2004, SOCO experienced strong financial performance substantially exceeding budget targets for operating income and profit. The economic impact from park tenants also increased during the year. The independent study carried out at the end of 2004 states the total annual direct impact of our tenants on Saskatchewan has grown to approximately 500 million dollars.

SOCO continues to be a leader in the area of sustainable development. The corporation is pursuing Leadership in Energy and Environmental Design (LEED) gold certification for the Saskatchewan Forest Centre Building in Prince Albert, which would make it the first building in the province to receive this status. SOCO is also a partner in the Federal Energy Innovators Program and actively involved in renovating existing buildings to increase their energy efficiency. The corporation has committed to a challenging target of reducing energy consumption by 5% each year.

SOCO's research parks have always provided opportunities for the bright young graduates of the province's universities and technical institutes. Right now over 35% of employees at the parks are under the age of 35 and we intend to see that number grow as we institute new programs to attract young technology entrepreneurs. SOCO is involved in the GradWorks program sponsored by CIC and is also working with the universities, TRLabs and other organizations to ensure that our parks are the location of choice for young graduates starting new technology companies in Saskatchewan.

The financial restructuring of SOCO has ensured that the corporation can be profitable and sustainable into the future. This financial stability is critical at this time as the parks enter a period of renewed growth opportunities. New buildings are in the planning stages for both Regina and Saskatoon.

We start 2005 and the province's centennial year with a renewed sense of optimism and a plan for further development and improvement at the parks. We are here to serve our tenants and are proud of their many accomplishments in research, technology and commercialization. Innovation Place will celebrate 25 years of innovation in 2005 because of the commitment of Saskatchewan people to the science and technology sector.



Douglas Tastad

President and CEO

BALANCED SCORECARD

Corporate Plan

The Government of Saskatchewan, as represented by the SOCO Interim Board of Directors, has provided the management of SOCO with the direction necessary to guide the 2004 corporate planning. This direction includes the corporate mission, the long term vision for the company, the historic corporate values that supplement the Crown Investments Corporation (CIC) crown sector values, and the broad goals in the four Balanced Scorecard categories.

The following Balanced Scorecard links the 2004 and 2005 objectives and measures; as such some of the wording may be slightly revised from the 2004 Balanced Scorecard.

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 SOCO 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 representative workforce

Economic Development

Objectives	Measures	2004 Target	2004 Actual	2005 Target	Discussion
Job Creation	Employment growth within the Parks for new employees	75	273	120	Employment growth exceeded expectations in 2004. In Regina existing tenants accounted for the increase whereas in Saskatoon the increase came about primarily from new tenants.
	Total employment within the Parks	2875	3000	2960	
	Total external employment supported by the Parks	3600	3529	3700	
Sufficient Inventory for Demand	Available inventory necessary to meet demand	10%	25.2%	50%	This extremely low ratio indicates that development at the Parks would assist with meeting future demand.
Maximize Economic Impact	Independent analysis of the economic impact of research park tenants	\$400M	\$500.4M	\$475M	The impact from tenants was dramatically higher than expected in 2004, exceeding the target by \$100 million. Increases in employment during the year helped create this higher impact. The 2005 target was established prior to finalizing the 2004 actual.
	The total cost to government for supporting the Parks as a % of direct economic impact of the Parks	New	New	1.35%	This is a new measure we will begin monitoring in 2005. Continuing to measure the cost to government even though the costs are not reflected in SOCO's performance is the only way to truly determine the cost/benefit of the Parks to the Province.
	New tenants for the Parks locating from outside the province	New	New	4	This is a new measure we will begin monitoring in 2005. Attracting tenants from outside the province is a clear measure of the Park's effectiveness in increasing economic impact in the province.
	New start-up companies locating in the Parks	New	New	5	This is a new measure we will begin monitoring in 2005. Tracking the number of new technology companies is a measure of the Parks' success in encouraging the formation of these companies and meeting our mission to grow the technology sector in Saskatchewan.

Stakeholder Satisfaction

Objectives	Measures	2004 Target	2004 Actual	2005 Target	Discussion
Client Satisfaction	Percentage of CEO's that would recommend the Parks to colleagues	82%	99.1%	99%	The survey result indicates that SOCO has significantly exceeded its 2004 target. Management attributed the exceptionally high approval rating to the hard work of staff ensuring tenants are responded to quickly and treated fairly.
	Percentage of client's employees that state "they enjoy coming to work at the Parks"	90%	97.85%	99%	
Employee Satisfaction	Positive responses to a range of employee satisfaction questions put to SOCO staff	85%	92%	90%	Management attributes the high employee satisfaction to the working conditions and environment at the Corporation. The majority of employees 'agree or strongly agree' that they are proud to tell others they work at the Parks.
Stakeholder Satisfaction	Provincial taxes paid by clients	20.2M	22.98M	22.5M	Based on the increased employee headcount at the Parks and corresponding increased gross payroll, the estimated Provincial taxes paid by clients has increased from 2003 and has surpassed the target of \$20.2 million. The 2005 target was established prior to finalizing the 2004 actual.
A Well Trained Workforce	Percentage of annual gross salaries devoted to staff training	New	New	3%	This is a new measure we will begin monitoring in 2005. A well trained workforce will serve clients better and perform more productively. The amount of money spent on training represents a measure that can be managed and compared to other Crown corporations.
Public Awareness	The general public is aware of the Parks	30%	49.2%	60%	Although the target for 2004 has been greatly exceeded, the omnibus survey results noted that rural Saskatchewan is much less aware of the parks than urban Saskatchewan. During 2005, a number of activities will be carried out to address this.
Public Support for SOCO's Mandate	Percentage of the general public that are aware of the Parks, support the Parks' policy mandate	70%	94.1%	95%	

Financial Performance

Objectives	Measures	2004 Target	2004 Actual	2005 Target	Discussion
Asset Efficiency	Net income per square foot	New	New	\$5.00	This new measure will monitor the revenue generated from assets.
	Operating Income as a percentage of Book Value	New	New	7%	This new measure defines operating income as gross revenue less the actual cash costs of day to day operations.
	Net Income as a percentage of Book Value	4.39%	4.79%	4%	This measure monitors the return on the dollars invested in assets under management. SOCO's year-end results are higher than expected due to slightly higher operating results than budgeted.

Community Leadership

Objectives	Measures	2004 Target	2004 Actual	2005 Target	Discussion
Reduced Landfill Waste	The amount of waste sent to the landfill from the Parks per square foot of building area	.31 kg/ft ²	.30 kg/ft²	.30 kg/ft ²	SOCO participates in several initiatives to reduce landfill waste including recycling white paper, cardboard, tin cans, plastics, cell phones, computer parts and printer inkjet cartridges. In addition, architectural consultants have been instructed to reuse building materials when feasible.
Energy Efficient Buildings	Design all new buildings to achieve a 30% reduction in energy use	Ongoing	Ongoing	Dropped	The Saskatchewan Forest Centre, the newest facility, will be incorporated into the 2005 Energy Report. It was constructed utilizing an advanced building design methodology. Specifications, design criteria and reporting are outlined in the Model National Energy Code for Buildings 1997. With this design, the Saskatchewan Forest Centre Building's energy target should yield a 40% reduction in energy use when compared to reference buildings.
Reduced Energy Consumption	Mega joules of energy per square foot of buildings within the Parks used for heating, cooling and lighting	212 MJ/ft ²	205 MJ/ft²	210 MJ/ft ²	SOCO participates in the federal government program that funds projects directly aimed at reducing the amount of energy consumption of facilities. The 5 year objective is to reduce the energy consumption by 20% or 9 MJ/ft ² per year. The 2005 target was established prior to finalizing the 2004 actual.
Improve the Perception of Saskatchewan	People in national and international delegations hosted by the Park's management	50	40	200	For the first time in 2004, the client survey asked for the number of national and international visitors that the clients hosted at the Parks. As no historical data existed, a target of 1000 was established for 2004. The 2004 results suggest that over 2500 people visited the research parks in 2004.
	People in national and international delegations visiting the clients in the Parks	1000	2666	1000	
A Well Trained Workforce	Percentage of employees receiving training	100%	73%	Dropped	SOCO did not meet its 2004 target to ensure 100% of staff received job related training. However, it did exceed the 2003 results of 63.6%. SOCO's management continues to focus on ensuring staff receive cost effective job related training and believes that the percentage of annual gross salaries devoted to staff training is a more accurate measure, consistent with other crowns' measurements, and accordingly this measure has been dropped for 2005.
A Diverse Workforce	Percentage of aboriginal employees	4.69%	7.32%	7%	The actual results exceed targets due mainly to staff self declaring their inclusion into the categories.
	Percentage of women employees	40%	39%	46%	
	Percentage of employees who have a disability	3.13%	4.88%	5%	
	Percentage of employees who are a visible minority	1.56%	3.66%	3.6%	

MANAGEMENT'S DISCUSSION AND ANALYSIS – 2004

The following management discussion and analysis for the Saskatchewan Opportunities Corporation (SOCO) should be read in conjunction with the audited financial statements and notes to those statements for the year ended December 31, 2004. What follows will provide the context within which the corporation's financial statements should be analyzed.

Corporate Overview

SOCO is a Crown corporation with a direct reporting relationship to the provincial government through the Crown Investments Corporation (CIC). The corporate mission is to support the growth and success of Saskatchewan's technology sector through the development and operation of research parks.

The 2004 fiscal year saw the resolution of SOCO's capital structure issues. On April 1st, 2004 as part of the Province's 2004-05 budget, SOCO's research park assets were transferred to the General Revenue Fund (GRF) in exchange for the cancellation of SOCO's debt held by the GRF. Prior to that, SOCO received an annual operating allocation from the GRF, paid interest on all its debt advances from the GRF and recorded amortization expense on the research park assets.

Following April 1st, SOCO ceased to record interest expense and amortization on the transferred research park assets and ceased to receive an operating grant from the GRF. As a CIC Crown, SOCO continues to act as property manager and developer of the research park assets on behalf of the province. This arrangement was formalized in a management agreement between the Province in Right of her Majesty through the Department of Industry and Resources and SOCO.

SOCO continues to lease high-quality space and provide 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. The research park concept affords tenants with the opportunity and capability to share information with others resulting in synergies and innovation.

By the end of 2004, the construction of the Saskatchewan Forest Centre Building in Prince Albert was essentially completed and SOCO will manage this facility on behalf of the province. SOCO also operates the Bio Processing Centre at Innovation Place. This facility supports the bio-products industry by providing custom, toll processing on a contract basis primarily for the functional foods industry.

Business Strategy

Strategic and financial planning for the research parks became a corporate wide endeavor in 2003 and this practice continued in 2004. SOCO staff at all levels are continually challenged to evaluate and suggest improvements for all aspects of the research park operations. The SOCO Balanced Scorecard provides the structure for this process. Staff has consistently risen to this challenge and the result has been a widely understood corporate mission and teams that are committed to continuous improvement and the other corporate goals.

The corporate mission to foster growth in the technology sector can only be achieved by SOCO through the growth of the research parks. The corporation's success in that mission is evidenced by the fact that the research parks have helped their clients generate approximately \$500 million of direct economic impact for the Province during 2004, and this is a number that grows consistently every year. At the end of 2004, approximately 3,000 people were employed within the research parks.

The geographical location of SOCO's research parks adjacent to the province's two major universities has assisted in creating centres of technical excellence at the University of Saskatchewan and the University of Regina by supporting the research activities of those institutions. The research parks have also been successful in leveraging federal and industry investment in research and development and facilitating economic development in the province.

Business Highlights

The management of the research parks seeks to create some of the best industrial research facilities in the world through the application of new building technologies and operational methods. These efforts continued in 2004 as the Saskatchewan Forest Centre Building in Prince Albert strived to become the first LEED certified (Leadership in Energy &

Environmental Design) building in Saskatchewan. Innovative research is continuing at the pilot plant level at the Regina Research Park by the private firm, Titanium Corporation, working in partnership with the Saskatchewan Research Council.

In Saskatoon, the Canadian Light Source (CLS) was officially opened in October, 2004 and the spin-off benefits from this technology are expected to show results in the coming years. As well, the National Research Council's Plant Biotechnology Institute continues to be a major attraction for both large multi-nationals and small start-ups, many of which become residents of Innovation Place.

Financial Review

The corporation's financial performance in 2004 represents a significant improvement relative to the 2003 results. The capital restructuring that took place effective April 1, 2004 had a positive impact on the operating results of the corporation.

The following highlights accounting policies and estimates of particular importance to SOCO:

- All revenue is recognized based on the Corporation's right to revenue pursuant to its management agreement with the Province, and contracts with customers, tenants and clients using the accrual basis of accounting.
- Management makes a number of estimates and assumptions that affect reported amounts. The most significant estimates made by SOCO management include the assessment of the collectibility of accounts receivable, the recoverability of property, plant and equipment through future rental operations and amounts relating to contingencies.

The 2004 rental and development revenue exceeds the 2003 revenue as a result of increased revenue from the Bio Processing Centre. As well, #1 and #2 Research Drive, which were purchased from the University of Regina in the last quarter of 2003, contributed a full year of revenue in 2004. The 2004 operating contribution from the General Revenue Fund reflects only three months of operating contribution as this grant was discontinued as part of the capital restructuring which took place on April 1, 2004.

SOCO generates approximately 37% of its revenue from various Saskatchewan Crown corporations, government departments, agencies, boards and commissions related to the corporation by virtue of common control by the Government of Saskatchewan.

The assets that remain on SOCO's balance sheet at December 31, 2004 include construction-in-progress which relates primarily to the Saskatchewan Forest Centre Building in Prince Albert as well as pre-project costs that relate to buildings in the planning stage which are not yet under construction. When completed, all costs associated with the Saskatchewan Forest Centre Building will be transferred to the Province. Property, plant and equipment listed on SOCO's statement of financial position at December 31, 2004 also include furniture and office equipment used by SOCO staff in the performance of their duties.

Risks and Uncertainties

The risks facing the corporation fall into two general categories:

RENTAL PROPERTY VACANCY RISK

Vacancy risk is inherent in the property management business. The majority of the costs at Innovation Place and the Regina Research Park, such as property taxes and salaries, are fixed costs. As a result, the operating results of the research parks depend to a large extent on the level of occupancy achieved. Therefore, a critical risk factor related to research parks is failing to replace tenants as they leave and thus, being unable to cover fixed costs.

Directly related to rental property vacancy risk is clients' 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. In the past, downturns in the agriculture and telecommunications/internet sectors have negatively impacted research parks results.

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

RISK OF ACCESS TO ADEQUATE CAPITAL FOR RESEARCH PARK GROWTH

SOCO's mission to support the growth and success of the Saskatchewan technology sector through the development and operation of research parks is dependent on access to adequate capital. SOCO can only affect growth of the technology sector through the growth of the research parks and this growth must be financed through capital. Previously, the corporation relied exclusively on debt financing to fund research park growth.

A new capital financing structure will be adopted that allows for sustainable growth and development of new research park assets. Management anticipates that future growth will be financed through a combination of cash from operations and debt from third parties.

Outlook

As we move into 2005, we expect to see greater activity in Regina in the health and environmental sciences sector. In Saskatoon, the Canadian Light Source and the expansion of the Industrial Liaison Office on the University of Saskatchewan campus will create additional opportunities for Innovation Place to assist in growing the technology sector. As well, the strong performance of the Innovation Place Bio Processing Centre is expected to continue in 2005 as this particular industry grows and more clients look for opportunities in the area of value-added agriculture.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying 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 annual report is consistent with that in the financial statements.

The corporation's independent auditors, KPMG LLP, have examined the financial statements of the corporation. The scope of their examination and their opinion on whether these financial statements present fairly the corporation's financial position and operating results are given in the auditor's report.

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 financial statements. The entire interim Board acts as an audit and finance committee and meets periodically with management. The interim Board met with the auditors and management to discuss internal accounting controls, audit results and accounting principles and practices.

On behalf of management,



Douglas Tastad

President & Chief Executive Officer



Glenda Bruce

Vice President & Chief Financial Officer

AUDITORS' REPORT

**To the Members of the Legislative Assembly
Province of Saskatchewan**

We have audited the statement of financial position of the Saskatchewan Opportunities Corporation as at December 31, 2004, and the statements of operations and retained earnings (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2004, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Regina, Saskatchewan

March 11, 2005

FINANCIAL REPORT

Statement of Financial Position

as at December 31, 2004

	2004 (000s)	2003 (000s)
ASSETS		
Cash	\$ 3,071	\$ 2,641
Accounts Receivable and Prepaid Expenses	3,361	3,227
Property, Plant and Equipment (Notes 1 and 3)	6,303	151,641
	<u>\$ 12,735</u>	<u>\$ 157,509</u>
LIABILITIES AND EQUITY		
Accounts Payable and Accrued Liabilities	\$ 4,029	\$ 4,154
Deferred Revenue (Note 1)	613	4,800
Due to General Revenue Fund (Note 1)	4,673	-
Notes Payable (Note 1)	-	25,800
Long-Term Debt (Note 1)	-	125,399
	<u>9,315</u>	<u>160,153</u>
Province of Saskatchewan's Equity (Deficit)		
Retained Earnings (Deficit)	3,420	(2,644)
	<u>\$ 12,735</u>	<u>\$ 157,509</u>

(Commitments and Contingencies – Note 8)
(See Accompanying Notes)

On behalf of the Board



Blair Swystun
Director



Kathryn Buitenhuis
Director

Statement of Operations and Retained Earnings (Deficit)

for the year ended December 31

	2004 (000s)	2003 (000s)
REVENUE		
Rental and Development Income	\$ 21,537	\$ 19,633
Operating Contribution – General Revenue Fund	1,803	6,641
	<u>23,340</u>	<u>26,274</u>
EXPENSES		
Operating and Administration	2,750	2,216
Interest (Note 4)	1,867	7,607
Rental and Development	11,412	12,201
Amortization	1,247	4,153
Restructuring	–	295
	<u>17,276</u>	<u>26,472</u>
Net Income (Loss)	6,064	(198)
Retained Earnings (Deficit), Beginning of Year	(2,644)	1,533
Related Party Transaction Adjustment	–	(3,979)
Retained Earnings (Deficit), End of Year	<u>\$ 3,420</u>	<u>\$ (2,644)</u>

(See Accompanying Notes)

Statement of Cash Flows

for the year ended December 31

	2004 (000s)	2003 (000s)
OPERATING ACTIVITIES		
Net Income (Loss)	\$ 6,064	\$ (198)
Add non-cash item:		
Amortization	1,247	4,153
Change in non-cash operating items:		
(Increase) Decrease in Accounts Receivable and Prepaid Expenses	(623)	1,414
Increase in Accounts Payable and Accrued Liabilities	1,634	173
Decrease in Deferred Revenue	(187)	(601)
Cash Provided by Operating Activities	<u>8,135</u>	<u>4,941</u>
INVESTING ACTIVITIES		
Increase in Accounts Payable for Capital	374	1,145
Investment in Property, Plant and Equipment	(8,860)	(18,228)
Cash Used in Investing Activities	<u>(8,486)</u>	<u>(17,083)</u>
FINANCING ACTIVITIES		
Issuance of Notes Payable	1,168	10,000
Non-repayable Contributions for Capital	-	4,000
Repayment of Long-Term Debt	(387)	(1,070)
Cash Provided by Financing Activities	<u>781</u>	<u>12,930</u>
Increase in Cash Position for the Year	430	788
Cash, Beginning of Year	<u>2,641</u>	<u>1,853</u>
Cash, End of Year	<u>\$ 3,071</u>	<u>\$ 2,641</u>
Supplementary Information:		
Interest Paid on Notes Payable and Long-Term Debt	\$ 763	\$ 7,800

(See Accompanying Notes)

Notes to Financial Statements

December 31, 2004

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. TRANSFER OF ASSETS

On April 1, 2004 the Corporation transferred rental assets with a carrying value of \$152,951,000 which consisted of Saskatoon Innovation Place, Regina Research Park, and the Saskatchewan Forest Centre Building being constructed in Prince Albert, to the General Revenue Fund (GRF) in exchange for the GRF forgiving notes payable and long term debt with a carrying value of \$153,624,000. In addition, a \$4,000,000 contribution received by the Corporation from the Department of Industry and Resources during 2003 to cover a portion of the construction costs of the Saskatchewan Forest Centre Building was also transferred to the GRF.

The \$4,673,000 difference between the liabilities forgiven by the GRF and the assets transferred to the GRF has been recorded as a liability at December 31, 2004. This liability will be settled by way of a transfer of the costs incurred by the corporation subsequent to April 1, 2004 to complete the Saskatchewan Forest Centre Building. As at December 31, 2004 \$3,816,000 had been spent and is included in construction in progress. This building is expected to be completed during 2005.

Any difference between the \$4,673,000 discussed above and the actual costs to complete the Saskatchewan Forest Centre Building will be accounted for as a capital transaction in 2005.

On March 2, 2004 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 has been assigned all rental income generated and is responsible for all costs associated with their operation.

2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered to be significant:

Notes to Financial Statements

December 31, 2004

a) Property, Plant and Equipment

Property, plant and equipment are recorded at the lower of cost, net of accumulated amortization, and net recoverable amount. The cost of property, plant and equipment includes direct development costs and interest capitalized during construction. Rental assets consist of tenant improvements and equipment purchased subsequent to April 1, 2004.

Tenant improvements are amortized on a straight line basis over the term of the associated lease (5 to 10 years). Equipment and furniture are amortized on a straight line basis over three to five years.

Construction in progress consists of buildings and tenant improvements currently under development.

b) Operating Contribution

Operating Contributions were provided by the General Revenue Fund (GRF) prior to April 1, 2004 in recognition of the Corporation's economic development mandate.

c) Revenue Recognition

All revenue is recognized based on the Corporation's right to revenue pursuant to contracts with customers, tenants and clients using the accrual basis of accounting.

Government assistance (contributions) for rental assets is recorded as deferred revenue and amortized on the same basis as the related asset.

d) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

3. PROPERTY, PLANT AND EQUIPMENT

	Cost (000s)	Accumulated Amortization (000s)	2004 Net Book Value (000s)	2003 Net Book Value (000s)
Rental Assets	\$ 786	\$ 30	\$ 756	\$ 144,467
Land	–	–	–	1,093
Office Equipment and Furniture	1,937	1,700	237	293
Construction-in-Progress	5,310	–	5,310	5,788
	<u>\$ 8,033</u>	<u>\$ 1,730</u>	<u>\$ 6,303</u>	<u>\$ 151,641</u>

Notes to Financial Statements

December 31, 2004

4. INTEREST EXPENSE

Interest expense consists of the following:

	2004 (000s)	2003 (000s)
Notes Payable	\$ 168	\$ 502
Long Term Debt	1,710	7,164
	1,878	7,666
Interest Capitalized	(11)	(59)
	<u>\$ 1,867</u>	<u>\$ 7,607</u>

5. FINANCIAL INSTRUMENTS

a) Significant Terms and Conditions

There are no significant terms and conditions related to current assets or liabilities that may affect the amount, timing and certainty of future cash flows. Significant terms and conditions for the other financial instruments are disclosed separately in these financial statements.

b) Fair Value

Due to their short-term nature, the carrying values of cash, accounts receivable, accounts payable and accrued liabilities, and due to related party approximate their fair values.

c) Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease term commitments. Although the Corporation's policy to promote economic development leads to accepting some tenants that have higher credit risk, potential losses are mitigated by the fact that no one tenant occupies more than 10% of rentable space.

6. PENSION PLAN

All employees are members of the Capital Pension Plan, a defined contribution plan administered by CIC. The Corporation's financial obligation is limited to making regular payments in proportion to employees' earnings.

Notes to Financial Statements

December 31, 2004

7. RELATED PARTY TRANSACTIONS

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan. Non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan are also considered related parties.

Routine operating transactions with related parties are settled at agreed upon amounts under normal trade terms. These transactions and amounts outstanding at year end are as follows:

	2004 (000s)	2003 (000s)
Accounts Receivable and Prepaid Expenses	\$ 884	\$ 495
Accounts Payable and Accrued Liabilities	164	186
Deferred Revenue	351	467
Rental and Development Income	7,975	7,194
Operating Expense	3,953	10,434

Accounts payable includes \$NIL (2003 – \$1,077,000) of interest payable to the GRF.

The Corporation pays Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions and amounts due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

8. COMMITMENTS AND CONTINGENCIES

The estimated cost to complete projects under construction is approximately \$1,145,000 (2003 – \$7,795,000).

The Corporation holds long-term land leases with both the University of Saskatchewan and the University of Regina for research park development. The actual lease payments are nominal.

The Corporation continues its discussion with the City of Saskatoon regarding electrical consumption for one building at Innovation Place that was not appropriately metered for the period of 1987 to 2002. The Corporation has accrued an amount which is considered to be a reasonable estimate based on the current facts. The Corporation will account for any difference in the settlement amount in the period in which the issue is resolved.

Notes to Financial Statements

December 31, 2004

The Corporation is also the defendant in other legal suits and disputes that have arisen in the normal course of business. The Corporation does not believe that the ultimate resolution of these matters will result in any material liability.

9. COMPARATIVE FIGURES

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

CORPORATE INFORMATION

INTERIM BOARD OF DIRECTORS

Blair Swystun, Chair

Vice President and Chief Financial Officer
Crown Investments Corporation
Regina, SK

Kathryn Buitenhuis

Acting Senior Vice President
Crown Investments Corporation
Regina, SK

Glen Veikle

Assistant Deputy Minister
Department of Finance
Regina, SK

CORPORATE OFFICERS

Douglas Tastad

President and Chief Executive Officer

Glenda Bruce

Vice President and Chief Financial Officer

SENIOR MANAGEMENT

Austin Beggs

Director of Marketing and Corporate Development

Ken Loeppky

General Manager, Regina Research Park

Charlene Callander

Executive Director of Finance and Administration

Rob Trimble

Director of Client Services

Lorne Vinish

Director of Business Services

Gord Joorisity

Executive Director of Project Management

Gregg Willie

Manager, Bio Processing Centre

Contact Information

Head Office

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

Telephone: (306) 933-6295
Fax: (306) 933-8200
www.innovationplace.com
Email: info@innovationplace.com

Regina Research Park
140 – 10 Research Drive
Regina, Saskatchewan S4S 7J7

Telephone: (306) 798-7275
Fax: (306) 787-8601
Email: info@soco.sk.ca



Saskatchewan Opportunities Corporation