
T H I R D
Q U A R T E R
R E P O R T
2007



For the nine month period ended September 30, 2007

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MANAGEMENT DISCUSSION AND ANALYSIS

The following management discussion and analysis for Saskatchewan Opportunities Corporation (the Corporation) should be read in conjunction with the Corporation's unaudited interim financial statements and notes to those statements for the nine months ended September 30, 2007. 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 has not yet had the opportunity to approve 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 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 business 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.

Innovation Place 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 September 30, 2007	For the Year ending December 31, 2006
Employment growth within the parks	319	252
Vacancy	3.03%	5.3%

The Corporation has already exceeded the year end target for Employment Growth of 249. Although there can be unknown future circumstances that may impact the current results, Management is confident that the target will continue to be exceeded at year end.

Although the year-to-date vacancy percentage is 3.03%, the forecasted vacancy at year end is expected to be 6.24%. This increase is due to the completion of 121 Research Drive. It will be partially occupied by December 31, 2007 and is included in the year end calculation. The forecasted results of 6.24% vacant is more favourable than the annual target of 11.4%.

FINANCIAL RESULTS

(in thousands \$)

	Three Months Ended September 30			Nine Months Ended September 30		
	2007	2006	Change	2007	2006	Change
Net Income	\$596	\$1,686	(\$1,090)	\$2,767	\$3,951	(\$1,184)
Operating Cash Flow	831	1,863	(1,032)	3,469	4,470	(1,001)

Revenue

(in thousands \$)

	Three Months Ended September 30			Nine Months Ended September 30		
	2007	2006	Change	2007	2006	Change
Rental	\$5,808	\$5,029	\$779	\$16,762	\$15,322	\$1,440
Bio Processing	171	806	(635)	1,240	1,997	(757)
Other	210	148	62	614	455	159
Total Revenue	\$6,189	\$5,983	\$206	\$18,616	\$17,774	\$842

Rental Revenue

The increase in rental revenue is due to decreased vacancy in the parks. The 3.03% vacancy percentage at September 30, 2007 is 3.17% lower than the September 30, 2006 vacancy percentage of 6.20%.

Bio Processing Centre

Processing activity in the Bio Processing Centre is lower for the three month period ending September 30, 2007 compared to the same period in 2006 resulting in decreased revenue of \$635,000. Total variance for the nine month period is \$757,000.

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 September 30, 2007 is \$95,000 of interest revenue, compared to \$45,000 for the same period in the prior year.

Interest revenue for the nine month period ended September 30, 2007 was \$292,000, \$175,000 higher than the prior year total of \$117,000.

Expenses

(in thousands \$)

	Three Months Ended September 30			Nine Months Ended September 30		
	2007	2006	Change	2007	2006	Change
Administration	\$1,277	\$866	\$411	\$3,295	\$2,727	\$568
Rental Operations	3,555	2,730	825	10,204	9,061	1,143
Bio Processing Operations	473	522	(49)	1,508	1,514	(6)
Interest	53	2	51	140	2	138
Amortization	235	177	58	702	519	183
Total Expenses	\$5,593	\$4,297	\$1,296	\$15,849	\$13,823	\$2,026

Administration

Increased staffing and general wage increases have resulted in increased administration expenses of \$322,000 for the three months ended September 30, 2007, and \$494,000 for the nine months ended September 30, 2007.

The cost of consultants, to assist management in completing projects during 2007, have resulted in increased expenses of \$15,000 for the three months ended September 30, 2007, and \$86,000 for the nine months ended September 30, 2007.

Training, conferences and related expenditures were \$33,000 higher for the three month period ended September 30, 2007. The increase is due to timing of training as the variance for the nine month period ended September 30, 2007 is nil.

Rental Operations

The increase in rental operations expense relates primarily to increased occupancy in the parks and general increases such as repairs and maintenance, and salaries.

Bio Processing Centre

Due to the primary fixed nature of costs for the Bio Processing Centre, the decrease in revenue does not result in significant decreases in expenses. Variable cost of sales for the three month period ended September 30, 2007 decreased \$122,000 but was offset by increased labour costs of \$98,000. Variable cost of sales for the nine month period ended September 30, 2007 decreased \$162,000 but was offset by increased labour costs of \$152,000.

Interest

The increase in interest expense relates to 2006 tenant improvement projects that were debt financed. Also included in interest expense is non-capitalized interest on debt associated with new development. The amount of interest not capitalized is offset by interest revenue.

Capital Expenditures

Capital expenditures for the first nine months of 2007 totaled \$10,534,000 with the majority of this total being related to the construction of 121 Research Drive in Saskatoon, construction of 2 Research Drive in Regina and infrastructure development in Regina.

Notes Payable

During the first nine months of 2007 the Corporation borrowed \$6,000,000 of short-term debt through the Saskatchewan Department of Finance. The financing is for the construction of 121 Research Drive in Saskatoon and 2 Research Drive in Regina. Upon completion of the new buildings, the short-term debt will be repaid through a combination of long-term debt and cash flow from operations.

OUTLOOK

The 2007 forecast represents a \$652,000 unfavourable variance from the 2007 budgeted net income of \$4,217,000, primarily due to the Bio Processing Centre. The Bio Processing Centre is in a volatile business as it is subject to substantial fluctuations based on changing markets for the processed products. Fluctuations are also made even more dramatic due to the relatively early stage of the business typical of most Bio Processing Centre clients. The Bio Processing Centre has had a lower than typical utilization rate during 2007, resulting in the unfavourable variance. The future for the Bio Processing Centre is looking more favourable as several clients have already scheduled substantial processing time in 2008. The Corporation's core business of leasing is on budget and is expected to remain steady.

Total capital expenditures for 2007 are forecasted to be \$19,056,000 representing a \$10,091,000 decrease from the 2007 budget of \$29,147,000. The forecast includes \$6,475,000 for the construction of 121 Research Drive in Saskatoon, \$2,112,000 for the construction of 2 Research Drive in Regina, and \$3,873,000 for Infrastructure development in Regina. Required approvals for the construction of 2 Research Drive were obtained in June and construction commenced in July, 2007.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements of 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 not reviewed or 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 \$)

	September 30, 2007	September 30, 2006
ASSETS		
Cash and cash equivalents	\$ 7,198	\$ 4,743
Accounts receivable	2,443	4,152
Prepaid expenses	903	1,075
Property, plant and equipment	34,236	19,931
	<u>\$ 44,780</u>	<u>\$29,901</u>
LIABILITIES AND EQUITY		
Accounts payable and accrued liabilities	\$ 4,777	\$ 4,285
Deferred revenue	324	452
Notes payable	22,844	12,000
	<u>27,945</u>	<u>16,737</u>
Province of Saskatchewan's Equity		
Retained Earnings	<u>16,835</u>	<u>13,164</u>
	<u>\$ 44,780</u>	<u>\$29,901</u>

Consolidated Statement of Operations and Retained Earnings

Unaudited (in thousands \$)

	Three months ended September 30, 2007	Three months ended September 30, 2006	Nine months ended September 30, 2007	Nine months ended September 30, 2006
REVENUE				
Rental	\$ 5,808	\$5,029	\$16,762	\$15,322
Bio Processing	171	806	1,240	1,997
Other	210	148	614	455
	<u>6,189</u>	<u>5,983</u>	<u>18,616</u>	<u>17,774</u>
EXPENSES				
Administration	1,277	866	3,295	2,727
Rental operations	3,555	2,730	10,204	9,061
Bio Processing operations	473	522	1,508	1,514
Interest	53	2	140	2
Amortization	235	177	702	519
	<u>5,593</u>	<u>4,297</u>	<u>15,849</u>	<u>13,823</u>
NET INCOME	596	1,686	2,767	3,951
Retained earnings, beginning of period	16,239	11,478	14,068	9,213
Retained earnings, end of period	<u>\$ 16,835</u>	<u>\$ 13,164</u>	<u>\$16,835</u>	<u>\$13,164</u>

Consolidated Statement of Cash Flows

Unaudited (in thousands \$)

	Three months ended September 30, 2007	Three months ended September 30, 2006	Nine months ended September 30, 2007	Nine months ended September 30, 2006
OPERATING ACTIVITIES				
Net income	\$ 596	\$ 1,686	\$ 2,767	\$ 3,951
Add non-cash item:				
Amortization	235	177	702	519
Operating cash flow	831	1,863	3,469	4,470
Change in non-cash operating items:				
Accounts receivable	631	461	1,021	648
Prepaid expenses	587	28	(695)	(669)
Accounts payable and accrued liabilities	107	(1,815)	(284)	(1,626)
Deferred revenue	38	149	(134)	(102)
Cash provided by operating activities	2,194	686	3,377	2,721
INVESTING ACTIVITIES				
Change in accounts payable for capital	422	654	(30)	1,510
Purchases of property, plant and equipment	(5,465)	(7,180)	(10,534)	(12,761)
Cash used in investing activities	(5,043)	(6,526)	(10,564)	(11,251)
FINANCING ACTIVITIES				
Proceeds from notes payable	3,000	6,000	6,000	12,000
Repayment of notes payable	(156)	-	(156)	-
Cash provided by financing activities	2,844	6,000	5,844	12,000
NET CHANGE IN CASH DURING THE PERIOD	(5)	160	(1,343)	3,470
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	7,203	4,583	8,541	1,273
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 7,198	\$ 4,743	\$ 7,198	\$ 4,743
Supplementary information:				
Interest paid on notes payable	\$ 237	\$ 91	\$ 619	\$ 137

Notes to Consolidated Financial Statements

September 30, 2007

1. STATUS OF CORPORATION

Saskatchewan Opportunities Corporation (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).

On August 7, 2007, the Corporation registered the Innovation Place name under *The Business Names Registration Act*. Subsequent to that date, the Corporation operates under the brand name of Innovation Place.

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 2006 annual financial statements.

3. COMPARATIVE FIGURES

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



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