

SASKATCHEWAN
OPPORTUNITIES
CORPORATION
SECOND
QUARTER
REPORT
2009

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MANAGEMENT DISCUSSION AND ANALYSIS

Introduction

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 six months ended June 30, 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.

Forward Looking Information

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

SOCO is a Saskatchewan Crown Corporation with a direct reporting relationship to the Minister Responsible for Saskatchewan Opportunities Corporation. SOCO operates under the business name Innovation Place. 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.

Innovation Place provides its clients with a superior working environment that contributes directly to their productivity. The quality of the environment is not only intended to enhance operating efficiency and tenant innovation but to assist tenants in employee recruitment and corporate marketing.

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. Tenant diversity is achieved by bringing together private and public, large and small, local and international organizations. Collaborations resulting from this tenant mix, together with access to specialized services and facilities not available elsewhere, bring value to Innovation Place tenants. An appropriate tenant mix is ensured by the approval process prospective tenants must go through. The Regina and Saskatoon parks each have an independent committee comprised of representatives from the local business community, university and municipal government; these committees review and approve all tenants that locate within the park facilities.

Major categories of operating costs include utilities, grants-in-lieu of taxes, building and grounds maintenance and corporate administration. In general, both revenue and expenses are not subject to rapid change. Profitability is tightly linked to local real estate market conditions. The greatest opportunities for increased revenue are from the development of new buildings and increases in rental rates.

Bio Processing Centre

Innovation Place operates the Bio Processing Centre, a contract processing centre in Saskatoon. It extracts high value compounds from plant material, primarily for cosmetic and specialized food purposes. Since 2000, approximately 20 Saskatchewan companies have used the Bio Processing Centre for their processing requirements as have a similar number from outside the province.

OPERATIONAL HIGHLIGHTS

	As at June 30, 2009	2009 Target
Employment growth within the parks	353	530
Vacancy	4.95%	3.7%

Employment growth within the parks

The growth in the second quarter represents 67% of the growth targeted for the year, as such it is expected the 2009 year end target will be achieved. The current increase is attributed to clients occupying the newest building in Regina, 2 Research Drive.

Vacancy

Demand levels remain high for space in Regina and Saskatoon. It is anticipated most of the office space will be leased during the year and clients will continue to be targeted for the specialty space.

FINANCIAL RESULTS

(in thousands \$)

	Three Months Ended June 30			Six Months Ended June 30		
	2009	2008	Change	2009	2008	Change
Net income	\$ 1,187	\$ 1,417	\$ (230)	\$ 2,503	\$ 2,407	\$ 96
Operating cash flow	1,765	1,865	(100)	3,591	3,197	394

Revenue

(in thousands \$)

	Three Months Ended June 30			Six Months Ended June 30		
	2009	2008	Change	2009	2008	Change
Rental	\$ 7,978	\$ 6,903	\$ 1,075	\$ 15,306	\$ 12,687	\$ 2,619
Bio processing	93	665	(572)	391	1,184	(793)
Interest	18	93	(75)	47	199	(152)
Other	80	92	(12)	168	173	(5)
Total Revenue	\$ 8,169	\$ 7,753	\$ 416	\$ 15,912	\$ 14,243	\$ 1,669

Rental Revenue

The 2 Research Drive redevelopment project in Regina was completed effective April 1, 2009 resulting in increased revenue of \$402,000 for the three month period ending June 30, 2009 as compared to the prior year. The Corporation's newest building in Saskatoon, 121 Research Drive, was transferred to rental assets effective April 1, 2008 and fully leased mid-way through 2008. The net impact is an increase in revenue of \$172,000 for the three month period ended June 30, 2009 and \$986,000 for the six month period ended June 30, 2009. The remaining increase in rental revenue is due to decreased vacancy in the parks and increased recovery revenue associated with increased rental operations expenses.

Bio Processing Centre Revenue

The economic situation in Central Canada and the United States has contributed to decreased processing activity resulting in decreased revenue of \$572,000 for the three month period ended June 30, 2009 and \$793,000 for the six month period ended June 30, 2009.

Expenses

(in thousands \$)

	Three Months Ended June 30			Six Months Ended June 30		
	2009	2008	Change	2009	2008	Change
Administration	\$ 1,193	\$ 1,212	\$ (19)	\$ 2,197	\$ 2,234	\$ (37)
Rental operations	4,389	3,971	418	8,583	7,415	1,168
Bio processing operations	528	560	(32)	958	1,151	(193)
Interest	294	145	149	583	246	337
Amortization	578	448	130	1,088	790	298
Total Expenses	\$ 6,982	\$ 6,336	\$ 646	\$ 13,409	\$ 11,836	\$ 1,573

Rental Operations

Increased expenses related to the completion of 2 Research Drive and increased occupancy in 121 Research Drive were \$225,000 for the three month period ended June 30, 2009 and \$598,000 for the six month period ended June 30, 2009.

The remaining increase is the result of general cost increases.

Bio Processing Operations

The decrease in Bio Processing operations is the result of decreased processing activity in the plant.

Interest

The increase in interest expense is the result of the conversion of \$23,684,000 of short term debt to long term debt in July 2008.

Amortization

The increase in amortization expense is due primarily to the completion of 121 Research Drive in 2008 and 2 Research Drive in 2009.

Capital Expenditures

Capital expenditures for the first six months of 2009 totaled \$3,844,000, with the majority of this total being related to the construction of 2 Research Drive in Regina and various tenant improvement projects.

Notes Payable

During the first six months of 2009, the Corporation borrowed \$4,000,000 of short term debt through the Saskatchewan Ministry of Finance. The financing is for the construction of 2 Research Drive in Regina. Upon completion of the new buildings, the short term debt is repaid through a combination of long term debt and cash flow from operations.

OUTLOOK

Forecasted net income for 2009 is expected to be \$4,403,000, a \$673,000 decrease from 2008 mainly due to unfavourable Bio Processing Centre results for the year. The reduction in processing activity in 2009 is also the primary factor in the forecasted decrease in net income of \$604,000 when compared to the original budget of \$5,007,000.

Total capital expenditures for 2009 are forecasted to be \$14,153,000 representing a \$915,000 decrease from the 2009 budget of \$15,068,000 due to the delay in commencement of new projects.

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.

On behalf of management,



Douglas Tastad
President and Chief Executive Officer



Charlene Callander, CA
Vice President and Chief Financial Officer

FINANCIAL REPORT

Consolidated Statement of Financial Position

UNAUDITED (in thousands \$)

	June 30, 2009	June 30, 2008
ASSETS		
Cash	\$ 8,839	\$ 9,076
Accounts receivable	3,759	3,359
Prepaid expenses	1,944	1,593
Property, plant and equipment	54,342	44,369
	\$ 68,884	\$ 58,397
LIABILITIES AND PROVINCE'S EQUITY		
Accounts payable and accrued liabilities	\$ 4,523	\$ 4,043
Deferred revenue	466	330
Notes payable	14,859	33,844
Long term debt	23,684	-
	\$ 43,532	\$ 38,217
Province of Saskatchewan's Equity		
Retained earnings	25,352	20,180
	\$ 68,884	\$ 58,397

(see accompanying notes)

Consolidated Statement of Operations and Comprehensive Income

UNAUDITED (in thousands \$)

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
REVENUE				
Rental	\$ 7,978	\$ 6,903	\$ 15,306	\$ 12,687
Bio processing	93	665	391	1,184
Interest	18	93	47	199
Other	80	92	168	173
	8,169	7,753	15,912	14,243
EXPENSES				
Administration	1,193	1,212	2,197	2,234
Rental operations	4,389	3,971	8,583	7,415
Bio processing operations	528	560	958	1,151
Interest	294	145	583	246
Amortization	578	448	1,088	790
	6,982	6,336	13,409	11,836
NET INCOME	1,187	1,417	2,503	2,407
Other comprehensive income	-	-	-	-
COMPREHENSIVE INCOME	\$ 1,187	\$ 1,417	\$ 2,503	\$ 2,407

Consolidated Statement of Retained Earnings

UNAUDITED (in thousands \$)

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
Retained earnings, beginning of period	\$ 24,165	\$ 18,763	\$ 22,849	\$ 17,773
Net income	1,187	1,417	2,503	2,407
Retained earnings, end of period	\$ 25,352	\$ 20,180	\$ 25,352	\$ 20,180

(see accompanying notes)

Consolidated Statement of Cash Flows

UNAUDITED (in thousands \$)

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
OPERATING ACTIVITIES				
Net Income	\$ 1,187	\$ 1,417	\$ 2,503	\$ 2,407
Add non cash item:				
Amortization	578	448	1,088	790
	1,765	1,865	3,591	3,197
Change in non cash operating items:				
Accounts receivable	(351)	(135)	890	58
Prepaid expenses	(1,307)	(1,308)	(1,578)	(1,391)
Accounts payable and accrued liabilities	(857)	(717)	(1,151)	13
Deferred revenue	(188)	(198)	(255)	(100)
Cash provided by operating activities	(938)	(493)	1,497	1,777
INVESTING ACTIVITIES				
Change in accounts payable for capital	390	384	(885)	(638)
Purchases of property, plant and equipment	(1,903)	(3,549)	(3,844)	(5,905)
Cash used in investing activities	(1,513)	(3,165)	(4,729)	(6,543)
FINANCING ACTIVITIES				
Proceeds from notes payable	1,000	2,000	4,000	5,000
NET CHANGE IN CASH DURING THE PERIOD	(1,451)	(1,658)	768	234
CASH, BEGINNING OF PERIOD	10,290	10,734	8,071	8,842
CASH, END OF PERIOD	\$ 8,839	\$ 9,076	\$ 8,839	\$ 9,076
Supplementary Information:				
Interest paid	\$ 15	\$ 145	\$ 611	\$ 439

(see accompanying notes)

Notes to Consolidated Financial Statements

June 30, 2009

1. Status of Corporation

Saskatchewan Opportunities Corporation (the "Corporation"), which operates under the business name of Innovation Place, 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.

The mandate of Innovation Place is to create, encourage and facilitate business opportunities in the Saskatchewan technology sector, primarily through the development and operation of research 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 2008 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 Generally Accepted Accounting Principles 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