
SECOND
QUARTER
REPORT
2007



For the six month period ended June 30, 2007

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MANAGEMENT DISCUSSION AND ANALYSIS

The following management discussion and analysis for the Saskatchewan Opportunities Corporation (SOCO; the Corporation) 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, 2007. What follows will provide the context within which the Corporation's unaudited interim financial statements should be analyzed. SOCO's Board of Directors has approved 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 SOCO's corporate direction and financial objectives. 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 provincial government through the Crown Investments Corporation. The corporate mission is to support the growth and success of Saskatchewan's technology sector. SOCO 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

SOCO 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.

SOCO 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

SOCO 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 June 30, 2007	For the Year ending December 31, 2006
Employment growth within the parks	178	252
Vacancy	3.50%	5.3%

SOCO's 2007 year end target for Employment Growth within the Parks is 249. The second quarter estimated results of 178 new employees in the parks indicates the Corporation will exceed this target. Although there can be unknown future circumstances to impact this prediction, Management is confident the current level of demand and leasing efforts will ensure this target is met.

SOCO's 2007 year end target for vacancy is 11.4%. The target of 11.4% was based on the assumption the new building in Saskatoon (121 Research Drive) would be partly vacant at the end of the year. However, leasing information to date suggests the building could be full at the end of the year. Therefore, it is likely the year end vacancy will be less than the target.

FINANCIAL RESULTS

(in thousands \$)

	Three Months Ended June 30			Six Months Ended June 30		
	2007	2006	Change	2007	2006	Change
Net Income	\$949	\$1,138	(\$189)	\$2,171	\$2,265	(94)
Operating Cash Flow	1,185	1,348	(163)	2,638	2,607	31

Revenue

(in thousands \$)

	Three Months Ended June 30			Six Months Ended June 30		
	2007	2006	Change	2007	2006	Change
Rental	\$5,666	\$5,266	\$400	\$10,954	\$10,293	\$661
Bio Processing	520	711	(191)	1,069	1,191	(122)
Other	214	182	32	404	307	97
Total Revenue	\$6,400	\$6,159	\$241	\$12,427	\$11,791	\$636

Rental Revenue

The increase in rental revenue is due to decreased vacancy in the Parks. The 3.50% vacancy percentage at June 30, 2007 is 2.58% lower than the June 30, 2006 vacancy percentage of 6.08%.

Bio Processing Centre

Processing activity in the Bio Processing Centre is lower for the three month period ending June 30, 2007 compared to the same period in 2006 resulting in decreased revenue of \$191,000.

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 June 30, 2007 is \$102,000 of interest revenue, compared to \$47,000 for the same period in the prior year.

Interest revenue for the six month period ended June 30, 2007 was \$197,000, \$126,000 higher than the prior year total of \$71,000.

Expenses

(in thousands \$)

	Three Months Ended June 30			Six Months Ended June 30		
	2007	2006	Change	2007	2006	Change
Administration	\$1,149	\$959	\$190	\$2,018	\$1,861	\$157
Rental Operations	3,498	3,297	201	6,649	6,331	318
Bio Processing Operations	521	555	(34)	1,035	992	43
Interest	47	-	47	87	-	87
Amortization	236	210	26	467	342	125
Total Expenses	\$5,451	\$5,021	\$430	\$10,256	\$9,526	\$730

Administration

Increased staffing and general wage increases have resulted in increased administration expenses of \$120,000 for the three months ended June 30, 2007, and \$172,000 for the six months ended June 30, 2007.

Consulting projects being completed in 2007 have resulted in increased expenses of \$44,000 for the three months ended June 30, 2007, and \$70,000 for the six months ended June 30, 2007.

The variance for the six month period is net of decreases in both system fees and website development expenses.

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

Contributing to the net decrease for the three month period ended June 30, 2007 is the reduction in process activity compared to the prior period. Variable cost of sales for the period decreased \$111,000 which is offset by increased labour costs of \$20,000 and increased maintenance expenses of \$21,000.

The increase of \$43,000 for the six month period ended June 30, 2007 is net of decreased variable cost of sales of \$40,000, increased labour costs of \$55,000 and increased maintenance costs of \$24,000.

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 six months of 2007 totaled \$5,069,000, with the majority of this total being related to the construction of 121 Research Drive in Saskatoon and infrastructure development in Regina.

Notes Payable

During the first six months of 2007 the Corporation borrowed \$3,000,000 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

Forecasted net income for 2007 is expected to be \$3,625,000, a \$1,230,000 decrease from 2006. The 2007 forecast represents a \$592,000 unfavourable variance from the 2007 budgeted net income of \$4,217,000, primarily from decreased Bio Processing revenue due to changing assumptions of plant utilization. Also contributing to the unfavourable variance is increased administration and rental operations expenditures.

Total capital expenditures for 2007 are forecasted to be \$20,952,000 representing a \$8,195,000 decrease from the 2007 budget of \$29,147,000. The forecast includes \$7,458,000 for the construction of 121 Research Drive in Saskatoon, \$2,845,000 for the construction of 2 Research Drive in Regina, and \$1,218,000 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 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 \$)

	June 30, 2007	June 30, 2006
ASSETS		
Cash	\$ 7,203	\$ 4,583
Accounts receivable	3,074	4,613
Prepaid expenses	1,490	1,103
Property, plant and equipment	29,006	12,928
	<u>\$ 40,773</u>	<u>\$23,227</u>
LIABILITIES AND EQUITY		
Accounts payable and accrued liabilities	\$ 4,248	\$ 5,446
Deferred revenue	286	303
Notes payable	20,000	6,000
	<u>24,534</u>	<u>11,749</u>
Province of Saskatchewan's Equity		
Retained Earnings	<u>16,239</u>	<u>11,478</u>
	<u>\$ 40,773</u>	<u>\$23,227</u>

Consolidated Statement of Operations and Retained Earnings

Unaudited (in thousands \$)

	Three months ended June 30, 2007	Three months ended June 30, 2006	Six months ended June 30, 2007	Six months ended June 30, 2006
REVENUE				
Rental	\$ 5,666	\$5,266	\$10,954	\$10,293
Bio Processing	520	711	1,069	1,191
Other	214	182	404	307
	<u>6,400</u>	<u>6,159</u>	<u>12,427</u>	<u>11,791</u>
EXPENSES				
Administration	1,149	959	2,018	1,861
Rental operations	3,498	3,297	6,649	6,331
Bio Processing operations	521	555	1,035	992
Interest	47	-	87	-
Amortization	236	210	467	342
	<u>5,451</u>	<u>5,021</u>	<u>10,256</u>	<u>9,526</u>
NET INCOME	949	1,138	2,171	2,265
Retained earnings, beginning of period	15,290	10,340	14,068	9,213
Retained earnings, end of period	<u>\$ 16,239</u>	<u>\$ 11,478</u>	<u>\$16,239</u>	<u>\$11,478</u>

Consolidated Statement of Cash Flows

Unaudited (in thousands \$)

	Three months ended June 30, 2007	Three months ended June 30, 2006	Six months ended June 30, 2007	Six months ended June 30, 2006
OPERATING ACTIVITIES				
Net income	\$ 949	\$ 1,138	\$ 2,171	\$ 2,265
Add non-cash item:				
Amortization	236	210	467	342
Operating cash flow	<u>1,185</u>	<u>1,348</u>	<u>2,638</u>	<u>2,607</u>
Change in non-cash operating items:				
Accounts of receivable	(139)	(520)	390	187
Prepaid expenses	(1,148)	(553)	(1,282)	(697)
Accounts payable and accrued liabilities	(556)	977	(172)	189
Deferred revenue	(82)	(192)	(391)	(251)
Cash provided by operating activities	<u>(740)</u>	<u>1,060</u>	<u>1,183</u>	<u>2,035</u>
INVESTING ACTIVITIES				
Change in accounts payable for capital	40	1,488	(452)	856
Purchases of property, plant and equipment	(2,564)	(4,353)	(5,069)	(5,581)
Cash used in investing activities	<u>(2,524)</u>	<u>(2,865)</u>	<u>(5,521)</u>	<u>(4,725)</u>
FINANCING ACTIVITIES				
Proceeds from notes payable	<u>2,000</u>	<u>3,000</u>	<u>3,000</u>	<u>6,000</u>
NET CHANGE IN CASH DURING THE PERIOD	(1,264)	1,195	(1,338)	3,310
CASH, BEGINNING OF PERIOD	8,467	3,388	8,541	1,273
CASH, END OF PERIOD	<u>\$ 7,203</u>	<u>\$ 4,583</u>	<u>\$ 7,203</u>	<u>\$ 4,583</u>
Supplementary information:				
Interest paid on notes payable	\$ 198	\$ 35	\$ 382	\$ 47

Notes to Consolidated Financial Statements

June 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).

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.



SASKATCHEWAN OPPORTUNITIES CORPORATION

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