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Q U A R T E R  
R E P O R T  
2008



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For the nine month period ended September 30, 2008



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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 nine months ended September 30, 2008. 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, 2007.

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. 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 September 30, 2008	2008 Target
Employment growth within the parks	449	279
Vacancy	4.12%	5.9%

**Employment growth within the parks**

The growth in the third quarter surpasses the growth targeted for the year by 60%. The current increase is attributed to growth of existing tenants and to several new tenants locating to Innovation Place.

**Vacancy**

Demand levels remain high for space in Regina and Saskatoon. We anticipate most of the office space will be leased during the year and will continue to target clients for our specialty space.

## FINANCIAL RESULTS

(in thousands \$)

	Three Months Ended September 30			Nine Months Ended September 30		
	2008	2007	Change	2008	2007	Change
Net income	\$ 1,635	\$ 596	\$ 1,039	\$ 4,042	\$ 2,767	\$ 1,275
Operating cash flow	2,093	831	1,262	5,290	3,469	1,821

## Revenue

(in thousands \$)

	Three Months Ended September 30			Nine Months Ended September 30		
	2008	2007	Change	2008	2007	Change
Rental	\$ 6,863	\$ 5,808	\$ 1,055	\$ 19,550	\$ 16,762	\$ 2,788
Bio Processing	695	171	524	1,879	1,240	639
Other	190	210	(20)	562	614	(52)
<b>Total Revenue</b>	<b>\$ 7,748</b>	<b>\$ 6,189</b>	<b>\$ 1,559</b>	<b>\$ 21,991</b>	<b>\$ 18,616</b>	<b>\$ 3,375</b>

### Rental Revenue

The Corporation's newest building, 121 Research Drive in Saskatoon, was transferred to rental assets effective April 1, 2008. The building generated \$803,000 of revenue for the three month period ended September 30, 2008, and \$1,487,000 of revenue for the nine month period ended September 30, 2008.

External maintenance projects has increased in 2008 with associated revenue increasing \$223,000 for the three month period ended September 30, 2008 and \$426,000 for the nine month period ended September 30, 2008.

The remaining increase in rental revenue is due to decreased vacancy in the parks and increased revenue from the provision of food services at Innovation Place in Saskatoon. While the net impact of these items is minimal for the three month period ended September 30, 2008, the impact for the nine month period ended September 30, 2008 amounts to \$875,000.

### Bio Processing Centre Revenue

Processing activity was higher in the third quarter of 2008 compared to the same period in the prior year resulting in increased revenue of \$524,000 for the three month period ended September 30, 2008 and \$639,000 for the nine month period ended September 30, 2008.

## Expenses

(In thousands \$)

	Three Months Ended September 30			Nine Months Ended September 30		
	2008	2007	Change	2008	2007	Change
Administration	\$ 1,006	\$ 1,277	\$ (271)	\$ 3,240	\$ 3,295	\$ (55)
Rental operations	3,768	3,555	213	11,183	10,204	979
Bio Processing operations	564	473	91	1,715	1,508	207
Interest	317	53	264	563	140	423
Amortization	458	235	223	1,248	702	546
<b>Total Expenses</b>	<b>\$ 6,113</b>	<b>\$ 5,593</b>	<b>\$ 520</b>	<b>\$ 17,949</b>	<b>\$ 15,849</b>	<b>\$ 2,100</b>

### Administration

Vacant positions in the third quarter have resulted in decreased administration expenses of \$222,000 for the three month period ended September 30, 2008. The impact on the nine month period is offset by salary increases with the total salary cost increasing by \$75,000 for the nine month period.

Consulting costs for 2008 have decreased from 2007 as fewer projects are being undertaken. The decrease of the three month period ended September 30, 2008 is minimal, but total expenses for the nine month period ended September 30 has decreased \$64,000.

### Rental Operations

Expenses related to the operation of 121 Research Drive in Saskatoon totalled \$228,000 for the three month period ended September 30, 2008 and \$480,589 for the nine month period ended September 30, 2008.

Increased occupancy and increased costs for the provision of food services in Saskatoon account for the remaining increase in rental operations expense.

### Bio Processing Operations

The increase in Bio Processing operations is the result of increased processing activity in the plant.

### Interest

The increase in interest expense relates to tenant improvement projects and parking lot construction that were debt financed in 2007. Also included in interest expense is non-capitalized interest on debt associated with new development. The amount of interest not capitalized offsets interest revenue.

### Amortization

The increase in amortization expense is due mostly to tenant improvement projects and infrastructure projects completed in 2007.

### Capital Expenditures

Capital expenditures for the first nine months of 2008 totaled \$10,352,000, with the majority of this total being related to the construction of 2 Research Drive in Regina and various tenant improvement projects.

### Notes Payable and Long Term Debt

During the first nine months of 2008, the Corporation borrowed \$8,000,000 of short term debt through the Saskatchewan Ministry of Finance. The financing is for the construction of 121 Research Drive in Saskatoon and 2 Research Drive in Regina. Upon completion of 121 Research Drive, the short term debt was repaid with \$23,684,000 of long term debt.

## OUTLOOK

Forecasted net income for 2008 is expected to be \$4,584,000, a \$879,000 increase from 2007 mainly due to improved Bio Processing Centre results for the year. The 2008 forecast represents a \$1,348,000 favourable variance from the 2008 budgeted net income of \$3,236,000 mainly due to better than anticipated core research park results and less overhead costs than budgeted.

Total capital expenditures for 2008 are forecasted to be \$17,440,000 representing a \$10,790,000 decrease from the 2008 budget of \$28,230,000 due to the slower pace of construction than anticipated. The forecast includes \$10,429,000 for the construction of 2 Research Drive in Regina, and \$961,000 for the completion of 121 Research Drive in Saskatoon.

## 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 \$)

	September 30, 2008	September 30, 2007
<b>ASSETS</b>		
Cash and cash equivalents	\$ 10,208	\$ 7,198
Accounts receivable	3,804	2,443
Prepaid expenses	932	903
Property, plant and equipment	48,358	34,236
	<b>\$ 63,302</b>	<b>\$ 44,780</b>
<b>LIABILITIES AND PROVINCE'S EQUITY</b>		
Accounts payable and accrued liabilities	\$ 4,447	\$ 4,777
Deferred revenue	496	324
Notes payable	12,860	22,844
Long term debt	23,684	-
	<b>41,487</b>	<b>27,945</b>
Province of Saskatchewan's Equity		
Retained earnings	21,815	16,835
	<b>\$ 63,302</b>	<b>\$ 44,780</b>

## Consolidated Statement of Operations and Comprehensive Income

unaudited (in thousands \$)

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
<b>REVENUE</b>				
Rental	\$ 6,863	\$ 5,808	\$ 19,550	\$ 16,762
Bio Processing	695	171	1,879	1,240
Other	190	210	562	614
	<u>7,748</u>	<u>6,189</u>	<u>21,991</u>	<u>18,616</u>
<b>EXPENSES</b>				
Administration	1,006	1,277	3,240	3,295
Rental operations	3,768	3,555	11,183	10,204
Bio Processing operations	564	473	1,715	1,508
Interest	317	53	563	140
Amortization	458	235	1,248	702
	<u>6,113</u>	<u>5,593</u>	<u>17,949</u>	<u>15,849</u>
<b>NET INCOME</b>	<u>1,635</u>	<u>596</u>	<u>4,042</u>	<u>2,767</u>
Other comprehensive income	-	-	-	-
<b>COMPREHENSIVE INCOME</b>	<u>\$ 1,635</u>	<u>\$ 596</u>	<u>\$ 4,042</u>	<u>\$ 2,767</u>

## Consolidated Statement of Retained Earnings

unaudited (in thousands \$)

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Retained earnings, beginning of period	\$ 20,180	\$ 16,239	\$ 17,773	\$ 14,068
Net income	1,635	596	4,042	2,767
Retained earnings, end of period	<u>\$ 21,815</u>	<u>\$ 16,835</u>	<u>\$ 21,815</u>	<u>\$ 16,835</u>

## Consolidated Statement of Cash Flows

unaudited (in thousands \$)

	Three Months		Nine Months	
	Ended September 30		Ended September 30	
	2008	2007	2008	2007
<b>OPERATING ACTIVITIES</b>				
Net income	\$ 1,635	\$ 596	\$ 4,042	\$ 2,767
Add non-cash item:				
Amortization	458	235	1,248	702
	2,093	831	5,290	3,469
Change in non-cash operating items:				
Accounts receivable	(445)	631	(387)	1,021
Prepaid expenses	661	587	(730)	(695)
Accounts payable and accrued liabilities	456	107	469	(284)
Deferred revenue	166	38	66	(134)
Cash provided by operating activities	2,931	2,194	4,708	3,377
<b>INVESTING ACTIVITIES</b>				
Changes in accounts payable for capital	(52)	422	(690)	(30)
Purchases of property, plant and equipment	(4,447)	(5,465)	(10,352)	(10,534)
Cash used in investing activities	(4,499)	(5,043)	(11,042)	(10,564)
<b>FINANCING ACTIVITIES</b>				
Proceeds from notes payable	3,000	3,000	8,000	6,000
Repayment of notes payable	(23,984)	(156)	(23,984)	(156)
Proceeds from long term debt	23,684	-	23,684	-
Cash provided by financial activities	2,700	2,844	7,700	5,844
<b>NET CHANGE IN CASH DURING THE PERIOD</b>	1,132	(5)	1,366	(1,343)
<b>CASH, BEGINNING OF PERIOD</b>	9,076	7,203	8,842	8,541
<b>CASH, END OF PERIOD</b>	\$ 10,208	\$ 7,198	\$ 10,208	\$ 7,198
<b>Supplementary Information:</b>				
Interest paid on notes payable	\$ 103	\$ 237	\$ 542	\$ 619

## Notes to Consolidated Financial Statements

September 30, 2008

### 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 2007 annual financial statements.

### 3. CHANGE IN ACCOUNTING POLICIES

Effective January 1, 2008, the Corporation adopted the accounting recommendations for capital disclosures (Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535) in accordance with the transition provisions of the section. This section requires disclosure of information related to the objectives, policies and processes for managing capital, and particularly whether the Corporation has complied with externally imposed capital requirements. As this standard only addresses disclosure requirements, there is no impact on the Corporation's operating results. The new required disclosure is provided in Note 4.

Effective January 1, 2008, the Corporation adopted the accounting recommendations for financial instruments - disclosures (CICA Handbook Section 3862) and financial instruments - presentation (CICA Handbook Section 3863) in accordance with the transition provisions of the sections. These sections replace the existing disclosure and presentation recommendations contained in financial instruments - disclosure and presentation (CICA Handbook Section 3861). The new disclosure standards increase the disclosures related to financial instruments, and the nature, extent and management of the

Corporation's risks arising from financial instruments. The presentation standards carry forward unchanged the former presentation requirements. As these standards only address disclosure and presentation requirements, there is no impact on the Corporation's operating results. The new required disclosure is provided in Note 5.

Effective January 1, 2008, the Corporation adopted the accounting recommendations for inventories (CICA Handbook Section 3031). The new recommendations establish standards for the determination of the cost of inventories and the subsequent recognition as expense, including any write-down to net realizable value and reversals of previous write-downs for increases to net realizable value. Also, guidance is provided related to reclassification of inventory items as property, plant and equipment. The standard requires retrospective application with no restatement of prior years results. There was no financial impact of adopting this new standard.

#### 4. CAPITAL MANAGEMENT

The Corporation's objective when managing its capital is to maintain financial viability through the effective management of cash from operations and capital structure.

The Corporation funds its capital requirements through internally generated funds and debt. As a Crown corporation, Innovation Place receives its capital funding from the Saskatchewan Ministry of Finance. By legislation, the Corporation cannot have more than \$170 million of debt outstanding at any time. In addition to this limit on total debt outstanding, by Order-in-Council, the Corporation may only have \$50 million of short term loans outstanding at any time.

The Corporation's capital consists of notes payable having a term to maturity of one year or less, long term debt, and equity, in the form of retained earnings.

The Corporation monitors capital on the basis of the debt to equity ratio. The Corporation seeks to maintain a debt to equity ratio below 3:1, which is consistent with the prior period. The ratio is calculated as follows:

	September 30, 2008 (000s)	September 30, 2007 (000s)
Notes payable	\$ 12,860	\$ 22,844
Long term debt	23,684	-
Cash available to repay debt	(7,021)	(4,650)
<b>Total net debt</b>	<b>\$ 29,523</b>	<b>\$ 18,194</b>
<b>Retained earnings</b>	<b>\$ 21,815</b>	<b>\$ 16,835</b>
<b>Debt ratio</b>	<b>1.35 : 1</b>	<b>1.08 : 1</b>

The Corporation complied with all externally imposed restrictions on its capital for the nine months ended September 30, 2008.

## 5. FINANCIAL RISK MANAGEMENT

### a) Credit risk

Credit risk is the risk of an unexpected loss if a client or third party to a financial instrument fails to meet its contractual obligations. 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. The Corporation also has established policies and procedures to assess the potential risk prior to extending credit to any client.

The maximum credit exposure is limited to the carrying amount of cash and accounts receivable. Cash is maintained with a high-credit quality financial institution and management considers the risk of non-performance to be minimal.

The following reflects an aging summary of the Corporation's accounts receivable:

	September 30, 2008 (000s)	September 30, 2007 (000s)
Current	\$ 2,175	\$ 1,578
31 - 60 days	574	70
61 - 90 days	357	143
Over 90 days	1,588	1,236
	4,694	3,027
Allowance	(890)	(584)
<b>Accounts receivable</b>	<b>\$ 3,804</b>	<b>\$ 2,443</b>

Provisions for credit losses are maintained and regularly reviewed by management. Credit losses are estimated based on an account by account review. Amounts are written off only after reasonable collection efforts have been exhausted. Details of the allowance are as follows:

	September 30, 2008 (000s)	September 30, 2007 (000s)
Allowance for doubtful accounts, beginning of period	\$ 828	\$ 570
Provision	84	117
Recoveries	(22)	-
Write-offs	-	(103)
<b>Allowance for doubtful accounts, end of period</b>	<b>\$ 890</b>	<b>\$ 584</b>

**b) Interest rate risk**

Interest rate risk is the risk of financial loss resulting from changes in market interest rates. The Corporation is exposed to interest rate risk on the maturity of its notes payable. Interest rate risk is managed through converting notes payable to long term debt with fixed interest rates.

**c) Liquidity risk**

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's cash resources are managed based on financial forecasts and anticipated cash flows.

For the following financial commitments, the Corporation has credit facilities available to refinance maturities in excess of anticipated operating cash flows. The following summarizes the contractual maturities of the Corporation's financial commitments as at September 30, 2008.

	6 Months or Less	7 - 12 Months	1 - 2 Years	3 - 5 Years	More Than 5 years
Accounts payable and accrued liabilities	\$ 4,447	\$ -	\$ -	\$ -	\$ -
Notes payable	12,860	-	-	-	-
Long term debt	-	-	-	-	23,684
Debt retirement fund investments	-	237	474	711	5,683
	<b>\$ 17,306</b>	<b>\$ 237</b>	<b>\$ 474</b>	<b>\$ 711</b>	<b>\$ 29,367</b>

**6. 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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