ANNUAL REPORT 2007

SOCO

SASKATCHEWAN OPPORTUNITIES CORPORATION

LETTER OF TRANSMITTAL

April 28, 2007

To His Honour
The Honourable Dr. Gordon Barnhart
Lieutenant Governor of the Province of Saskatchewan

Dear Sir:

I have the honour to submit the Annual Report of Saskatchewan Opportunities Corporation for the year ended December 31, 2007, including the financial statements duly certified in accordance with *The Saskatchewan Opportunities Corporation Act*.

Respectfully submitted,

Lyle Stewart
Minister Responsible for Saskatchewan Opportunities Corporation

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MESSAGE FROM THE PRESIDENT

2007 was an exciting year for Saskatchewan. Strong economic growth created an atmosphere of optimism and confidence not seen in the province for some time. This excitement, optimism and confidence was also evident within our company. Construction was completed on the first new building in Saskatoon in over five years. Construction commenced on a new building in Regina for the first time in over seven years. The Saskatchewan Disease Control Laboratory also commenced construction in our Regina park. This advanced analytical laboratory will provide critical health services for Saskatchewan residents.

Our economic growth mirrored that of the province. The economic impact from tenants approached $600 million. In total Innovation Place clients now employ over 3,700 people after an addition of close to 250 people during the year.

The growth in the economy has created a dynamic change in the real estate industry. Construction costs and rental rates are increasing rapidly. Change generally results in both challenges and opportunities and our market conditions present many of both. The construction conditions put added pressure on design and project management to generate high quality buildings at the best possible price. Rapidly changing rental rates put strain on tenants to manage their own growth. A balance must be struck that protects both our corporate interests and those of our tenants.

For the third straight year we were ranked as one of Canada's Best Small and Medium Employers by Queen's University and Hewitt Consulting. Having high employee engagement levels translates into high client satisfaction levels. Over 99 percent of our clients said they would recommend our facilities to colleague companies.

It appears the excitement of 2007 will continue in 2008. Our employees are enthusiastically looking forward to the challenges that await our company. We are dedicated to maximizing the potential these conditions offer to Saskatchewan.

Douglas Tastad
President and Chief Executive Officer

CORPORATE GOVERNANCE

Authority

Saskatchewan Opportunities Corporation (SOCO, or the Corporation) is a Crown corporation governed by *The Saskatchewan Opportunities Corporation Act*, and subject to the provisions of *The Crown Investments Corporation Act, 1993*.

Through the Chair the Board of Directors is accountable to the Minister Responsible for SOCO. The Minister Responsible for SOCO is the key communications link between the Corporation, CIC, Cabinet, the Legislature and the public.

The Chair is an independent Director and has a written Terms of Reference.

Board Appointments

The Lieutenant Governor in Council appoints members of the Board and designates the Chair. Directors are appointed for a fixed term and their appointments can be renewed at expiry. Appointments are governed by the CIC Board of Directors Appointment Policy, which ensures the principles of objectivity, inclusivity, transparency and consistency are adhered to.

Key Accountabilities

The Board of Directors is responsible for supervising the management and affairs of the Corporation. While focusing on the strategic leadership of the Corporation, the Board delegates day-to-day operations to management and holds them accountable for the Corporation's performance.

The Board has adopted a written Terms of Reference, which outlines the scope, duties and responsibilities for the stewardship of the Corporation.

The Board discharges its responsibilities directly, by delegation to management and through committees of the Board. The SOCO Board has two committees: the Audit and Finance Committee and the Governance Committee. Both committees have written Terms of Reference and adopted work plans.

Management provides a comprehensive Reference Manual to each Board member in addition to an orientation session detailing the nature of SOCO's business. CIC provides an annual education program for directors of CIC subsidiary Crown Corporations, which focuses on the key roles and responsibilities of boards and best practices in corporate governance.

The Board must comply with CIC's Directors' Code of Conduct. SOCO has also developed a Corporate Code of Conduct which applies to the Board as well as the Officers and employees of the Corporation.

Board Remuneration and Expenses

The Remuneration Schedule and Expense Guidelines for the SOCO Board of Directors are approved by the Crown Management Board and set out as follows:

Member Retainer:	$5,000
Member Meeting Fee:	$500
Chair Retainer:	$6,500
Chair Meeting Fee:	$600
Committee Chair Meeting Fee:	$550

Corporate Governance Practices

Crown Investments Corporation (CIC) Chairs Forum has requested that Saskatchewan Crown Corporations use the Canadian Securities Administrators (CSA) Corporate Governance Guidelines and Governance Disclosure Rules to standardize the reporting and benchmarking of governance practices. The CSA guidelines have superseded the Toronto Stock Exchange guidelines previously used.

STRATEGIC DIRECTION

Crown Investments Corporation has provided direction to all Crown Corporations through the Crown Sector Strategic Plan. This plan sets out the mission, vision and values applied to all crown corporations. It also outlines the government's policy objectives and priorities. It establishes the mandated categories for each crown's balanced scorecard.

The Board of SOCO has provided further direction to management through their approval of a corporate vision, values and broad goals specific to SOCO.

The Business Strategy contained in this document is subject to annual review and monitoring by the Board of SOCO.

Mission

To support the growth and success of the Saskatchewan technology sector through the development and operation of research parks.

SOCO's Mission affects the Corporation's future in the following two key ways:

- Growth of the technology sector is primarily achieved through the implementation of strategies which then contribute to the growth of the research parks. To accommodate growth adequate space must be available within the parks.

- To compete internationally, Saskatchewan companies and institutions need research infrastructure equal in quality to their competitors and an attractive work environment that supports their recruitment and marketing efforts.

Vision

Saskatchewan's research parks will be the best in the world.

Tenants of the research parks compete in a world wide marketplace for employees, investors and clients. To adequately support them, the Corporation must be prepared to compete with the best alternative locations throughout the world.

The Corporation's vision is intended to inspire its employees towards excellence in their everyday work and it is intended to act as a lens through which they make decisions. The vision affects every part of the Corporation's operations, administration and development.

Values

SOCO fully subscribes to the mandated Crown Sector Values of honesty, integrity, fairness and respect, and social and environmental responsibility. In addition, the following values have naturally grown within SOCO and differentiate us from others in our industry:

Innovation:	Innovation in all our business activities.
Collaboration:	Open and accountable in all our partnerships.
Excellence:	The pursuit of excellence in design, operations and administration.

Goals

Crown Investments Corporation provides all Crown Corporations with clear direction for establishing corporate goals. The four required goal categories are Public Purpose, Customers and Community, Financial and Accountability, and Innovation and Growth. SOCO's broad corporate goals reflect the mandate and history of the parks.

Public Purpose

> Grow Saskatchewan's technology sector by contributing to the growth of the parks' clients, supporting the establishment of new technology companies and attracting new science and technology activity to the province.

Customers and Community

> Make it easy for all stakeholders to successfully accomplish their objectives in an environment of fairness, transparency and well being.

Financial and Accountability

> Maintain profitability at a level that supports the growth of our parks by prudently managing expenditures and enhancing revenues while providing superior value to our clients.

Innovation and Growth

> Through our efforts and by the example we set, enhance the performance of our industry, our environment and the people we serve.

1. Public Purpose

Objective	Measure / Calculation	2007 Target	2007 Actual	**2008 Target**
Job Creation	1. Employment growth within the parks	249	247	**279**
Maximize Economic Impact	2. Independent analysis of the economic impact of the research park tenants	$589M	$592M	**$655M**
	3. Number of new tenants in the parks locating from outside the province	4	3	**3**
	4. Number of start-up companies locating in the parks	5	8	**5**

2. Customers and Stakeholders

Objective	Measure / Calculation	2007 Target	2007 Actual	**2008 Target**
Client Satisfaction	5. Percentage of CEOs that would recommend the parks to their colleagues	95%	99%	**95%**
Employee Satisfaction	6. Percentage of employees fully engaged in their work	70%	72%	**70%**
Public Support for Mission	7. Percentage of the general public that are aware of Innovation Place (SOCO's research parks) and have a positive opinion of the parks	90%	99%	**90%**
Well Trained Workforce	8. Percentage of annual gross salaries devoted to employee training	2.5%	1.44%	**1.5%**

3. Financial

Objective	Measure / Calculation	2007 Target	2007 Actual	**2008 Target**
Return on Investment	9. Cash return on investment as a percentage of cost of assets	2.72%	2.58%	**2.68%**
Debt to Equity	10. Debt to equity ratio	2.39:1	1.61:1	**2.30:1**
Operating Efficiency	11. Corporate overhead as a percentage of revenue	19%	17.82%	**18.7%**
Vacancy	12. Vacancy as a percentage of total space inventory	11.4%	10.91%	**5.9%**

4. Innovation and Growth

Objective	Measure / Calculation	2007 Target	2007 Actual	**2008 Target**
Reduce Non-renewable Energy Consumption	13. BOMA Go Green average points per building	700	783	**700**
Sufficient Inventory for Demand	14. Available inventory to meet identified demand	106.5%	42.79%	**41.1%**
Saskatchewan Procurement	15. Percentage of expenditures sourced in Saskatchewan	90%	94.89%	**90%**
Social Responsibility	16. Sponsorships as a percentage of net income	1%	0.96%	**1.49%**
Representative Workforce	17. Percentage of employees who are Aboriginal	7%	8%	**9%**
	18. Percentage of employees who are female and in under represented occupations	46%	40%	**38%**
	19. Percentage of employees with a disability	4%	5%	**5%**
	20. Percentage of employees who are a visible minority	3%	5%	**5%**

MANAGEMENT DISCUSSION AND ANALYSIS

Introduction

The following management discussion and analysis for SOCO should be read in conjunction with the audited financial statements and notes to those statements for the year ended December 31, 2007. What follows will provide the context within which the Corporation's financial statements should be analyzed.

Forward Looking Information

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 CIC. 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.

Bio Processing Centre

SOCO operates this contract 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 Bio Processing Centre for their processing requirements as have a similar number from outside the province.

Keys To Success

The key measurement of success in meeting the mission for the Corporation is the growth in number of employees working within the parks. Particular attention is paid to the growth of existing tenants, start-up companies and companies locating in the parks from outside the province. Growth of employees in the parks is directly linked to the construction of new buildings to accommodate that growth.

The primary leading indicator for growth is the level of identified demand relative to available space. The key indicator for demand is client satisfaction as most past growth has come from either existing tenants or referrals from existing tenants.

Financial

Financial success is primarily measured by cash return as a percentage of the cost of assets. Due to the fixed nature of most operating costs and the fact that revenue comes from medium term contracts within a narrow variation in rental rates, the key internal signals for future success in cash flow are vacancy levels and corporate administrative costs as a percentage of revenue. The key external impacts on future financial success are local market conditions in rental rates and construction costs.

The Bio Processing Centre has fundamentally different financial dynamics, as contracts are measured in terms of days rather than years and the industry is subject to substantial fluctuations based on changing markets for the processed products. Fluctuations also occur due to the relatively early stage of business maturity typical of most Bio Processing Centre clients. Financial performance (net income) is affected by the utilization rate of the Bio Processing Centre and the margins of each process. The main policy objective of the Bio Processing Centre is support for the Saskatchewan bioproducts industry.

Systems

Financial and operating systems have the capacity to meet any foreseeable growth.

Human Resources

At the present level, Innovation Place employees have the capacity to manage all of the operating and development requirements of the company. With relatively small additional resources capacity could be substantially expanded. The average age of employees is younger than the general workforce in Saskatchewan and succession planning is well in hand.

Capability To Deliver Success

To meet the growth needs of tenants and to accommodate new tenants, development of new buildings is necessary. During the past year a major office building was completed in Saskatoon. This building was occupied by tenants in November and additional tenants will occupy space in 2008. This new space will accommodate the short term demand for space in Saskatoon. Space availability continues to limit growth in Regina. To alleviate the pressure of the high demand in Regina, construction of one building began during 2007 and it is expected the base building will be completed by the end of 2008. Management will seek approval for the construction of a second building in Regina during 2008 with construction to commence by the third quarter of 2008.

Based on current market conditions SOCO has the financial resources to support a building program of approximately $20 million per year. Management has determined this level of construction to be well below present levels of demand for space. As such, the capacity to meet the demand is constrained by existing financial resources. The current strong and growing economy makes this situation a real concern as this pushes up construction costs. An offsetting dynamic is the recent increase in rental rates. Capitalizing on the improvement in rental rates will provide additional resources for investment in new development.

Results

The key category of growth shows an increase of 247 employees for a total of 3,744 in Innovation Place facilities during 2007, which is in line with the 2007 target. This growth resulted from the continued expansion of existing tenants. In addition, three new client companies were attracted from outside Saskatchewan and eight start-up companies located within the parks during 2007.

Direct economic impact of SOCO's clients grew to $592 million from $561 million in 2006, slightly exceeding the 2007 target.

Identified demand for space at December 31, 2007 was just under 400,000 square feet, over twice the space either vacant or under development at that time.

Client satisfaction was at its traditional level of 99 percent. For the third consecutive year SOCO is ranked as a 'Best Employer' in the Best Small and Medium Employers survey in Canada.

Net Income of $3.7 million decreased from $4.8 million in 2006.

Revenues of $25.4 million were up from $24.6 million in 2006. The core rental operations remain strong with revenue increasing by over $1.6 million in 2007. The Bio Processing Centre had fewer processes in 2007 than in 2006 resulting in a decrease in revenue by $935,000.

Expenses of $21.7 million were up from $19.7 million in 2006. This increase is primarily due to increased administrative costs, such as salaries, and rental operations expense, such as building maintenance, food services and overhead costs. Administrative expenses as a percentage of revenue were 17.82 percent, lower than the target of 19 percent. There is also a combined increase of interest and amortization of $465,000, which is directly related to increased capital investment.

Outlook

The tenant improvements in 121 Research Drive in Saskatoon will be completed in the spring of 2008, with those tenants expected to occupy their space by the summer. The construction of 2 Research Drive in Regina will continue and it is expected tenant improvements will begin late in 2008 with the first tenants moving in December.

Demand for space in SOCO's facilities remains high. In response to this demand, SOCO has developed a capital plan for the next five years that represents a potential investment of $130 million. This level of investment would accommodate as many as 2,500 additional tenant employees. The first new building approval is expected in late summer of 2008. As the Corporation's equity contribution for new capital projects is funded from operations, the execution of the capital plan will be dependent on the financial results of the Corporation.

Net income for 2008 is expected to be marginally lower than 2007; however, net cash flow from operations will increase.

Core rental operations remain strong with expected increases in net income. The addition of 121 Research Drive as an operating asset during 2008 can improve forecast results if tenants occupy sooner than anticipated. The best opportunity for improving forecasted results comes from the potential that a general increase in rental rates will occur during the next number of years. The existing inventory of approximately 1.5 million square feet provides a strong base for revenue increases in a period of rental rate escalation.

The Bio Processing Centre is anticipated to show improved financial results in 2008 but is not expected to be profitable. It is essential the Bio Processing Centre generate increased revenue to cover its fixed costs. If demand for processing increases, there is enough capacity in the plant to generate substantial net income. New marketing initiatives will be undertaken to generate higher utilization rates.

An increase in administration expenses is expected during 2008, mainly due to increased salary costs. Interest and amortization expenses are expected to increase by more than twice the level in 2007.

Risk

The primary area of risk for SOCO is the ability to meet its capital plan. There is a risk the Corporation will not generate sufficient operating cash flow to fund its equity share of each capital project. The Corporation will continue to increase operation cash flow where appropriate.

There are two elements of new construction that are largely outside of the control of management — construction costs and interest rates. If construction costs continue to rise at recent rates without a corresponding increase in market rental rates, the capital plan for the next five years will be put at risk. The same is true for interest rates. The capital plan anticipates approximately 75 percent of the capital invested in new projects will be financed by interest bearing debt.

If demand for space was to fluctuate substantially in the future, the assumptions in the capital plan will be re-evaluated. It is possible that demand could unexpectedly increase or decrease due to conditions not apparent at this time.

The nature of our longer term lease contracts and the diversity of clients lower the risk of any dramatic impact on financial return from existing buildings. New building projects must be supported by a reasonable level of lease commitments prior to the project commencement to mitigate the risk of rapid changes in demand during the construction period.

The risk associated with the Bio Processing Centre is substantially different. The main risk is a reduction in demand for processing as occurred during 2007. This demand has historically been very volatile. A continued effort to increase the number and diversity of clients will assist to manage this risk.

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, Deloitte & Touche 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 auditors' 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 Board of Directors has reviewed and approved these financial statements.

On behalf of management,

Douglas Tastad
President and Chief Executive Officer

Charlene Callander
Vice President and Chief Financial Officer

AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the consolidated statement of financial position of Saskatchewan Opportunities Corporation, operating as Innovation Place as at December 31, 2007 and the consolidated statements of operations and comprehensive income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of Innovation Place'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 consolidated financial statements present fairly, in all material respects, the financial position of Innovation Place as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Regina, Saskatchewan
February 13, 2008

FINANCIAL REPORT

Consolidated Statement of Financial Position

AS AT DECEMBER 31

	2007 (000s)	2006 (000s)
ASSETS		
Cash	$ 8,842	$ 8,541
Accounts receivable	3,417	3,464
Prepaid expenses	202	208
Property, plant and equipment (note 4)	39,254	24,404
	$ 51,715	$ 36.617
LIABILITIES AND PROVINCE'S EQUITY		
Accounts payable and accrued liabilities	$ 4,668	$ 5,091
Deferred revenue	430	458
Notes payable (note 5)	28,844	17,000
	33,942	22,549
Province of Saskatchewan's Equity		
Retained earnings	17,773	14,068
	$ 51,715	$ 36,617

(Commitments and contingencies - note 10)
(See accompanying notes)

On behalf of the Board,

Dr. Richard Florizone
Director

Mark Regier
Director

Consolidated Statement of Operations and Comprehensive Income

FOR THE YEAR ENDED DECEMBER 31

	2007 (000s)	2006 (000s)
REVENUE		
Rental	$ 22,758	$ 21,125
Bio Processing	1,811	2,746
Other	825	721
	25,394	24,592
EXPENSES		
Administration	4,540	3,877
Rental operations	13,623	12,812
Bio Processing operations	2,277	2,264
Interest (note 6)	216	35
Amortization	1,033	749
	21,689	19,737
NET INCOME	3,705	4,855
Other comprehensive income	-	-
COMPREHENSIVE INCOME	$ 3,705	$ 4,855

(See accompanying notes)

Consolidated Statement of Retained Earnings

FOR THE YEAR ENDED DECEMBER 31

	2007 (000s)	2006 (000s)
Retained earnings, beginning of year	$ 14,068	$ 9,213
Net income	3,705	4,855
Retained earnings, end of year	$ 17,773	$ 14,068

(See accompanying notes)

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED DECEMBER 31

	2007 (000s)	2006 (000s)
OPERATING ACTIVITIES		
Net income	$ 3,705	$ 4,855
Add non-cash item:		
Amortization	1,033	749
	4,738	5,604
Change in non-cash operating items:		
Accounts receivable	47	1,336
Prepaid expenses	6	198
Accounts payable and accrued liabilities	242	(1,310)
Deferred revenue	(28)	(96)
Cash provided by operating activities	5,005	5,732
INVESTING ACTIVITIES		
Change in accounts payable for capital, non-cash	(665)	2,000
Purchases of property, plant and equipment	(15,883)	(17,464)
Cash used in investing activities	(16,548)	(15,464)
FINANCING ACTIVITIES		
Proceeds from notes payable	12,000	17,000
Repayment of notes payable	(156)	-
Cash provided by financing activities	11,844	17,000
NET CHANGE IN CASH DURING THE YEAR	301	7,268
CASH, BEGINNING OF YEAR	8,541	1,273
CASH, END OF YEAR	$ 8,842	$ 8,541
Supplementary Information:		
Interest paid on notes payable	$ 888	$ 285

(See accompanying notes)

Notes to Consolidated Financial Statements

DECEMBER 31, 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Principles of consolidation

These consolidated financial statements include the accounts of the Corporation and 212822 Saskatchewan Ltd. (operating as Boffins).

As the Corporation has an obligation to absorb the expected losses of 212822 Saskatchewan Ltd., it falls under the classification of a Variable Interest Entity and is consolidated in the accounts of the Corporation.

b) Property, plant and equipment

Property, plant and equipment are recorded at the lower of cost, net of accumulated amortization and net recoverable amount. Rental assets consist of buildings at Innovation Place in Saskatoon, Regina and Prince Albert, as well as related site improvement costs, tenant improvements and equipment. Office equipment and furniture are used by the Corporation for its own use.

Notes to Consolidated Financial Statements

DECEMBER 31, 2007

Buildings and site improvement costs, net of estimated residual value, are amortized on a straight-line basis over the estimated useful life of the particular asset (15 to 40 years). 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 3 to 5 years.

Construction in progress consists of buildings and tenant improvements currently under development. Costs capitalized to assets under development include all direct and directly attributable expenditures incurred in connection with the acquisition, development, construction and operating losses during the initial predetermined leasing period. Costs directly attributable to development projects include interest and salaries and benefits of employees directly associated with the development projects. Revenue generated from the project during the development period is treated as a reduction of costs.

c) Revenue recognition

The Corporation uses the straight-line method of recognizing rental revenue whereby the total amount of contractual rent to be received from leases is accounted for on a straight-line basis over the term of the lease. Accordingly, deferred rent receivable is recorded for the difference between the straight-line rental revenue recorded and the contractual amount due from tenants.

With the exception of rental revenue, revenue is recognized as services are provided to customers, tenants and clients using the accrual basis of accounting.

Amounts received in advance of contract terms are recorded as deferred revenue.

d) Use of estimates

The preparation of financial statements in conformity with Canadian GAAP 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. Significant items subject to estimates include the carrying amounts of property, plant and equipment and underlying estimations of useful lives, certain accrued liabilities, and the carrying amounts of accounts receivable and underlying provision for bad debts. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

Notes to Consolidated Financial Statements

DECEMBER 31, 2007

3. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2007, the Corporation adopted the following new accounting standards, as issued by the Canadian Institute of Chartered Accountants (CICA):

Section 3855 – Financial Instruments Recognition and Measurement,
Section 3861 – Financial Instruments Disclosure and Presentation,
Section 1530 – Comprehensive Income,
Section 3251 – Equity, and
Section 1506 – Accounting Changes.

The implementation of these sections had no impact on the financial statements of the Corporation.

a) Financial Instruments

Section 3855, Financial Instruments - Recognition and Measurement, and Section 3861, Financial Instruments - Disclosure and Presentation, provide guidance for the recognition, measurement, presentation and disclosure of financial assets, financial liabilities, non-financial derivatives, as well as gains and losses. These standards require that all financial assets and financial liabilities be classified as held-to-maturity, held-for-trading, available-for-sale, loans and receivables, or other liabilities. In addition, the standards require all financial assets and liabilities, including all derivatives, be measured at fair value with the exception of loans and receivables, held-to-maturity investments and other financial liabilities.

Fair values are based on quoted market prices, specifically the latest bid price, where available from active markets, otherwise fair values are estimated using a variety of valuation techniques and models. Financial assets purchased and sold, where the contract requires the asset to be delivered within an established time frame, are recognized on a trade-date basis. Transaction costs are expensed as incurred for financial instruments classified or designated as held-for-trading.

After initial recognition, financial instruments are measured at fair value, amortized cost or cost, depending on the classification of the financial instrument.

The Corporation has made the following classifications:

- Cash is classified as financial assets held-for-trading and is measured at fair value.
- Accounts receivable are classified as loans and receivables and are recorded at amortized cost using the effective interest method.
- Accounts payable and notes payable are classified as other liabilities and measured at amortized cost using the effective interest method.

Notes to Consolidated Financial Statements

DECEMBER 31, 2007

As the fair value of financial assets and liabilities approximates carrying value due to their immediate or short-term nature, and there were no embedded derivatives included in any of the existing contractual arrangements, the adoption of the new standards did not have an impact on the Corporation's financial statements.

b) Comprehensive Income

Section 1530, Comprehensive Income, provides guidance for the reporting and display of comprehensive income. The Corporation does not have any items that required separate recognition outside of net income. As a result, the adoption of this section did not have an impact on the Corporation's financial statements.

c) Equity

Section 3251, Equity, establishes standards for the presentation of equity and changes in equity. The adoption of this section did not have an impact on the Corporation's financial statements.

d) Accounting Changes

Section 1506, Accounting Changes, provides guidance for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and correction of errors. The adoption of this section did not have an impact on the Corporation's financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

	Cost (000s)	Accumulated Amortization (000s)	2007 Net Book Value (000s)	2006 Net Book Value (000s)
Rental assets	$ 7,069	$ 1,536	$ 5,533	$ 4,865
Office equipment and furniture	2,964	2,313	651	636
Construction in progress	33,070	-	33,070	18,903
	$ 43,103	$ 3,849	$ 39,254	$ 24,404

In 2004 and 2005, rental assets with an original total cost of $181,828,000 were transferred to the Province of Saskatchewan's General Revenue Fund (GRF) in exchange for the GRF forgiving notes payable and long-term debt of the Corporation outstanding at April 1, 2004. Under an operating agreement with the Ministry of Industry and Resources, dated March 2, 2005, the Corporation leases the transferred assets for a nominal annual amount. Under the terms of this agreement, the Corporation has been assigned all rental revenue generated and is responsible for all costs associated with their operation.

Notes to Consolidated Financial Statements

DECEMBER 31, 2007

5. NOTES PAYABLE

At December 31, 2007, the Corporation had notes payable to the GRF of $28,844,000 (2006 – $17,000,000), due March 31, 2008. Short-term notes from the GRF bear interest at rates established on a quarterly basis by the Ministry of Finance. The interest rate at December 31, 2007 was 3.88%.

6. INTEREST

Interest expense consists of the following:

	2007 (000s)	2006 (000s)
Notes payable	$ 887	$ 289
Interest capitalized	(671)	(254)
	$ 216	$ 35

7. FINANCIAL RISK MANAGEMENT

a) 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.

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.

8. 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 contributions in proportion to employees' earnings. These contributions are charged to income when made. Pension expense for the year was $404,000 (2006 - $321,000).

Notes to Consolidated Financial Statements

DECEMBER 31, 2007

9. RELATED PARTY TRANSACTIONS

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, 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:

	2007 (000s)	2006 (000s)
Accounts receivable	$ 727	$ 319
Prepaid expenses	12	41
Accounts payable and accrued liabilities	305	379
Deferred revenue	142	196
Rental revenue	8,641	8,176
Rental operations expense	1,433	2,285

The Corporation pays Provincial Sales Tax to the Ministry 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.

10. COMMITMENTS AND CONTINGENCIES

The estimated cost to complete projects under construction is approximately $15,900,000 (2006 – $8,200,000).

The Corporation holds long term land leases with both the University of Saskatchewan (expires 2061) and the University of Regina (expires 2097) for research park development. The actual annual lease payments are nominal.

Notes to Consolidated Financial Statements

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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 a payable 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.

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 liability.

11. FUTURE CHANGES IN ACCOUNTING POLICIES

In 2006, the CICA issued the following Handbook Sections that will be adopted by the Corporation effective January 1, 2008.

a) Capital Disclosures – Section 1535

The new recommendations establish standards for disclosing information about the Corporation's capital (debt and equity) and how it is managed. Specifically, information should be disclosed to enable users of the financial statements to evaluate the Corporation's objectives, policies and processes for managing capital. The Corporation does not expect to be materially affected by the new recommendations.

b) Financial Instruments – Disclosures – Section 3862

The new recommendations replace the existing disclosure recommendations of financial instruments – disclosure and presentation (Section 3861). The new recommendations will result in additional disclosure to financial instruments and the nature, extent and management of risks arising from financial instruments to which the entity is exposed. The Corporation does not expect to be materially affected by the new recommendations.

c) Financial Instruments – Presentation – Section 3863

The existing recommendations of the CICA for financial instruments presentation in financial instruments – presentation and disclosure (Section 3861) are carried forward, unchanged as financial instruments – presentation (Section 3863).

CORPORATE INFORMATION

Board of Directors

Perry Erhardt
Partner
Olive, Waller, Zinkhan & Waller
Regina, SK

Lucy Pelletier
Director, Economic Development
Cowessess First Nation
Cowessess, SK

Randi Arnot
Partner
Arnot Heffernan Blenner-Hasset
Prince Albert, SK

Dr. Richard Florizone
Vice President, Finance & Resources
University of Saskatchewan
Saskatoon, SK

Glen Veikle
Acting Deputy Minister
Industry and Resources
Regina, SK

Deborah Rhodes
Vice President, Finance & Administration
Saskatoon Health Region
Saskatoon, SK

Janice Rosser
Program Manager
Farm Credit Canada
Regina, SK

Corporate Officers

Douglas Tastad
President and Chief Executive Officer

Charlene Callander
Vice President and Chief Financial Officer

Ken Loeppky
Vice President, Research Park Operations

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