Saskatchewan Opportunities Corporation

FIRST QUARTER REPORT 2015

For the Three Months Ended March 31, 2015

CONTENTS

STRATEGIC DIRECTION

MISSION

To support and facilitate the advancement and success of Saskatchewan's technology and key growth sectors through the development and operations of research parks.

VISION

Through partnerships and collaboration, Saskatchewan Opportunities Corporation (SOCO) is providing the foundation for innovation, research and technology that supports Saskatchewan's economic prosperity.

VALUES

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

Public Purpose

To create awareness, attract and support the development of new technology opportunities by providing world class scientific and social infrastructure that promotes collaboration growth and innovation.

Stakeholders

To enhance innovation and partnerships thereby allowing engagement of stakeholders to achieve their goals and objectives. SOCO recognizes our key stakeholders include: tenants, post secondary education institutions, industry associations, business communities, government and our employees.

Financial

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

Innovation

SOCO will promote and utilize innovation practices to empower our stakeholders to stimulate high performing commercial successes.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The following management's discussion and analysis for Saskatchewan Opportunities Corporation (SOCO or the Corporation) should be read in conjunction with the Corporation's unaudited condensed consolidated interim financial statements and notes to those statements for the three months ended March 31, 2015. What follows will provide the context within which the Corporation's unaudited condensed consolidated interim financial statements should be analyzed. The Board of Directors for SOCO has approved these unaudited condensed consolidated interim financial statements. For additional information relative to the operations and financial position of SOCO, refer to the Annual Report for the year ended December 31, 2014.

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, actual results could differ materially from those anticipated.

CORPORATE OVERVIEW

SOCO operates under the business name Innovation Place. The corporate mission is to support the growth and success of Saskatchewan's technology and key growth sectors. Innovation Place fulfills this mission through the development and operation of technology 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.

The Saskatoon campus began operations in 1980 and presently is home to 118 tenants that occupy approximately 1.2 million square feet in 17 separate buildings. The Regina campus, opened in 2000, consists of 5 buildings housing 30 tenants and totaling approximately 465,000 square feet. The building in Prince Albert, opened in 2004, is 115,000 square feet and houses 21 tenants. The number of people working in Innovation Place facilities totals 4,190 spread proportionately through the three locations.

CORE BUSINESS

Innovation Place manages specialized buildings primarily for technology companies and the service organizations that support them. Building specialization includes research greenhouses, laboratory buildings and industrial pilot plants. Specialized infrastructure includes laboratory utilities such as pure water and steam, process utilities such as high pressure steam and chilled water as well as a high performance data network.

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. Historical vacancy within buildings is approximately five percent. Major categories of operating costs include utilities, municipal property 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.

OPERATIONAL HIGHLIGHTS

	For the Three Months ending March 31, 2015	2015 Target
Employment within Innovation Place	4,190	4,280
Vacancy	7.6%	8.3%

Employment within Innovation Place

This metric is below target due to one tenant in Regina decreasing their employee base. Saskatoon's population showed modest growth while Prince Albert's tenant employee population remained unchanged. Based on the projected leasing activities throughout the year, SOCO estimates that the target will be met by year end.

Vacancy

The overall vacancy rate remained relatively unchanged from the fourth quarter of 2014. This rate is expected to fluctuate in the second and third quarters as two large office tenants in Regina relocate into new spaces. Depending on the timing of leasing these tenant's former spaces, the vacancy rate may increase. A similar situation is expected in Saskatoon as a large project will affect several spaces during 2015 and 2016.

We are also seeing some effects of the current state of the resource sector on existing tenants as they implement conservative approaches to their space requirements. Despite these fluctuations, SOCO believes the year end target will be met.

FINANCIAL HIGHLIGHTS

Results of Operations

(in thousands $)

	Three Months ended March 31, 2015	Three Months ended March 31, 2014	Change
Revenue	$ 9,193	$ 10,149	$ (956)
Operating expenses	(8,126)	(8,305)	179
Net finance expense	(233)	(329)	96
Net loss from discontinued operations	–	(16)	16
Net income	$ 834	$ 1,499	$ (665)

Results for rental operations for the first quarter of 2015 are lower when compared to the same period in the prior year as the vacancy rate is higher in the current year.

Operating expenses are lower in the first quarter of 2015 when compared to the same period in 2014. This is primarily due to the timing of expenses which is expected to reverse by the end of 2015.

The Bio Processing Centre (discontinued operations) was leased to a third party effective April 1, 2014, thus there is no loss for it for the first three months of 2015.

Financial Position

(in thousands $)

	As at March 31, 2015	As at December 31, 2014	Change
Total assets	$ 191,305	$ 191,080	$ 225
Total liabilities	41,485	41,733	(248)
Equity	149,820	149,347	473

Total assets have increased mainly due to higher cash balance that is a result of a delay in the timing of completing both building and tenant improvements in this quarter. These projects are still planned to be completed during 2015.

The decrease in liabilities is due to lower dividend payable at March 31, 2015. The figures used to calculate the dividend payment for this quarter is based on the annual budgeted net income and do not include the projected gain on the sale of the Forest Centre.

Outlook

Net income is forecasted to December 31, 2015 to be $7,105, essentially unchanged from the $7,142 originally budgeted. Higher than average vacancy is expected to continue throughout 2015 with an anticipated decrease to more historical levels during 2016; however, the timing of filling certain vacant space has changed which will generate higher vacancy losses for the year. The overall impact on net income is offset by an additional three months of revenue for the Prince Albert property. The original budget reflected a July 1, 2015 sale date which has been moved to October 1, 2015 in the forecast.

Total capital expenditures for the year are forecasted to be $6,784, reflecting a decrease of $670 when compared to the amount originally budgeted. Two larger tenant improvements projects were scaled down after the budget was prepared.

The cash balance forecasted at year end is $9,740, $1,611 higher than originally budgeted.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements of the Saskatchewan Opportunities Corporation have been prepared by corporate management in accordance with International Accounting Standards (IAS) 34, *Interim Financial Reporting*, 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 condensed consolidated interim financial statements at their meeting held May 20, 2015.

On behalf of management,

S.P. (Van) Isman
President and Chief Executive Officer

Brent Sukenik, CPA, CA
Chief Financial Officer

FINANCIAL REPORT

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(in thousands $ - Unaudited)

	Note	**March 31, 2015** (3 months)	**March 31, 2014** (3 months)
REVENUE			
Rental		$ 9,105	$ 10,091
Other		88	58
		9,193	10,149
EXPENSES	*7*		
Administration		977	1,134
Rental operations		7,149	7,171
		8,126	8,305
RESULTS BEFORE THE FOLLOWING		1,067	1,844
Finance income		196	100
Finance expenses		(429)	(429)
NET FINANCE EXPENSE		(233)	(329)
Profit from continuing operations		834	1,515
Loss on discontinued operations	*5*	–	(16)
NET INCOME AND TOTAL COMPREHENSIVE INCOME		$ 834	$ 1,499

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(in thousands $ - Unaudited)

	Note	At March 31, 2015	At December 31, 2014
ASSETS			
Current			
Cash and cash equivalents		$ 11,291	$ 10,347
Trade and other receivables		3,486	3,195
Inventory		118	159
Prepaid expenses		295	55
Assets held-for-sale	6	6,090	6,090
		21,280	19,846
Trade and other receivables		255	252
Property, plant and equipment		1,245	1,321
Investment property		165,208	166,401
Debt retirement fund		2,407	2,244
Other assets		910	1,016
		$ 191,305	$ 191,080
LIABILITIES AND PROVINCE'S EQUITY			
Current			
Trade and other payables		$ 3,601	$ 3,637
Dividends payable		361	535
Deferred revenue		839	877
		4,801	5,049
Long term debt		36,684	36,684
		41,485	41,733
PROVINCE OF SASKATCHEWAN'S EQUITY			
Retained earnings		31,133	30,660
Equity advances		118,687	118,687
		149,820	149,347
		$ 191,305	$ 191,080

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(in thousands $ - Unaudited)

	Equity advances	Retained earnings	Total equity
BALANCE AT DECEMBER 31, 2013	$ 120,687	$ 30,327	$ 151,014
Net income for the year	–	2,312	2,312
Dividends declared for the year	–	(1,979)	(1,979)
Equity repayment	(2,000)	–	(2,000)
BALANCE AT DECEMBER 31, 2014	$ 118,687	$ 30,660	$ 149,347
Net income for the period	–	834	834
Dividends declared for the period	–	(361)	(361)
BALANCE AT MARCH 31, 2015	$ 118,687	$ 31,133	$ 149,820

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

(in thousands $ - Unaudited)

	March 31, 2015 (3 months)	March 31, 2014 (3 months)
OPERATING ACTIVITIES		
Net income	$ 834	$ 1,499
Non-cash adjustments:		
Amortization of property, plant and equipment	88	125
Amortization of investment property	1,976	1,815
Finance income	(196)	(100)
Finance expense	429	429
	3,131	3,768
Working capital adjustments:		
Trade and other receivables	(291)	(71)
Inventory	41	37
Prepaid expenses	(240)	(247)
Trade and other payables, excluding interest	93	(1,792)
Deferred revenue	(38)	6
Cash provided by operating activities	2,696	1,701
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(12)	(25)
Purchase of investment property	(783)	(840)
Interest received	30	34
Increase in other assets	106	62
Cash used in investing activities	(659)	(769)
FINANCING ACTIVITIES		
Interest paid	(558)	(558)
Dividends paid	(535)	–
Cash used in financing activities	(1,093)	(558)
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	944	374
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	10,347	11,312
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 11,291	$ 11,686

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousands $ - Unaudited)

1. General Information

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 has been designated a subsidiary of Crown Investments Corporation (CIC), a provincial Crown corporation. The financial results of the Corporation are included in the consolidated financial statements of CIC. As a provincial Crown corporation, the Corporation is subject to neither federal nor provincial income tax.

The Corporation's mandate is to create, encourage and facilitate business opportunities in the Saskatchewan technology sector, primarily through the development and operation of technology parks.

The Corporation's head office is located at 114 – 15 Innovation Boulevard in Saskatoon, Saskatchewan.

2. Basis of Preparation

a) Statement of compliance

The condensed consolidated interim financial statements for the three months ended March 31, 2015 have been prepared in accordance with the recognition and measurement requirements of IFRS and the presentation and disclosure requirements of International Accounting Standards 34, *Interim Financial Reporting*. The condensed consolidated interim financial statements do not include all of the information required for a full annual financial statements, and accordingly should be read in conjunction with the December 31, 2014 audited consolidated financial statements.

The unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 20, 2015.

b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for held-for-trading financial instruments which are measured at fair value.

c) Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant items subject to estimates and assumptions include the carrying amounts of property, plant and equipment and investment property, and the underlying estimations of useful lives, capitalization of interest, disposal of long-lived assets, asset retirement obligations, and labour and directly attributable overhead; provision for unpaid claims; the carrying amounts of accounts receivable, inventory and investments.

Areas of judgments in applying accounting policies that have the most effect on the amounts recognized in these condensed consolidated interim financial statements include the accounting for special purpose entities and the determination of cash generating units.

3. Significant Accounting Policies

The accounting policies applied by the Corporation in these condensed consolidated interim financial statements are consistent with those disclosed by the Corporation in its December 31, 2014 audited consolidated financial statements.

4. Finance Income and Expense

IFRS 9, *Financial Instruments*

IFRS 9 was issued by the IASB on November 12, 2009 and will replace IAS 39, *Financial Instruments: Recognition and Measurement*. The standards are to be applied prospectively.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. Under IFRS 9, financial assets will generally be measured initially at fair value plus particular transaction costs, and subsequently at either amortized cost or fair value. In October 2010, the IASB issued additions to IFRS 9 relating to accounting for financial liabilities. Under the new requirements, an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's credit risk in other comprehensive income, rather than within net earnings. This standard is effective for annual periods beginning on or after January 1, 2018. The Corporation does not intend to early adopt this standard but is reviewing it to determine the potential impact, if any, on the consolidated financial statements.

IFRS 15, *Revenue from Contracts with Customers*

On May 28, 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. The new standard establishes principles to record revenues from contracts for the sale of goods or services, unless the contracts are in the scope of other IFRS standards. Under IFRS 15, revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer, applying a new five step model.

The new standard also provides guidance relating to contract costs and for the measurement and recognition of gains and losses on the sale of certain nonfinancial assets such as property and equipment. Additional disclosures will also be required under the new standard. IFRS 15 must be adopted for annual periods beginning on or after January 1, 2017 using either a full retrospective approach for all periods presented in the period of adoption or a modified retrospective approach. The Corporation is in the process of assessing the impact of the adoption of the standard on the consolidated financial statements.

5. Discontinued Operations

Effective April 1, 2014, the Corporation entered into an agreement with a third party that resulted in the transfer of Bio Processing operations to that party. As part of this agreement, all processing equipment and inventory was sold to the third party while the Corporation retained ownership of the building housing the processing facility. The building was leased to the third party through a long term lease arrangement.

The results of discontinued operations are as follows:

	March 31, 2015 (3 months)	March 31, 2014 (3 months)
Bio Processing revenue	$ –	$ 501
Administration salaries and expenses	–	(68)
Bio Processing operating expenses	–	(449)
Net loss from discontinued operations	$ –	$ (16)

The assets of discontinued operations are as follows:

	At March 31, 2015	At March 31, 2014
Inventory	$ –	$ 50
Property plant and equipment	–	284
Assets held for sale	$ –	$ 334

The statement of cash flows includes the following amounts relating to discontinued operations:

	March 31, 2015 (3 months)	March 31, 2014 (3 months)
Cash provided by operating activities	$ –	$ (16)
Net cash from discontinued operations	$ –	$ (16)

6. Assets Held-For-Sale

At the end of 2014, the Corporation committed to a plan to sell the building located in Prince Albert during 2015. These assets have been classified as Assets Held-For-Sale and are no longer depreciated. They are measured at carrying value, which is lower than the fair value less costs to sell.

7. Operating and Administration Expenses

Total operating and administration expenses, excluding discontinued operations, were as follows:

	March 31, 2015 (3 months)	March 31, 2014 (3 months)
Employee benefits	$ 1,849	$ 2,561
Utilities	1,164	1,324
Grants in lieu of property taxes	763	728
Amortization	1,892	1,906
Inventory consumed in the provision of services	139	139
Other	2,319	1,647
	$ 8,126	$ 8,305

Corporate Office

Innovation Place
114 - 15 Innovation Boulevard
Saskatoon, Saskatchewan
S7N 2X8

306.933.6295
saskatoon@innovationplace.com
www.innovationplace.com