



Helping grow
Saskatchewan's
tech sector.

SASKATCHEWAN OPPORTUNITIES CORPORATION

Q1 REPORT 2019/20

FOR THE THREE MONTHS ENDED JUNE 30, 2019

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STRATEGIC DIRECTION

VISION

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

MISSION

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

MANDATE

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

VALUES

SOCO fully subscribes to the 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

CIC provides all Crown corporations with clear direction for establishing corporate goals. Goals are required to be set in the four categories of Public Purpose, Stakeholders, Financial and Innovation. SOCO's broad corporate goals reflect the mandate and history of the parks.

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 June 30, 2019. 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 March 31, 2019.

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 adjacent to the campuses of the province's two universities in Saskatoon and Regina.

The Saskatoon campus began operations in 1980 and includes 20 buildings with 1.3 million square feet of space.

The Regina campus opened in 2000 and includes 6 buildings with 465,000 square feet of space.

CORE BUSINESS

The business model of Innovation Place is based on the typical research park concept. Although research parks are by "their nature real estate developments, the profitability and expansion of real estate holdings is a minor consideration compared to the focus on leveraging the real estate for broader innovation and economic development goals in the region."¹ The focus for Innovation Place is the growth of Saskatchewan's technology sector. What sets Innovation Place apart from real estate companies is the comprehensive nature of the working environment we provide our tenants and their employees.

¹ Battelle Technology Partnership Practice, *Driving Regional Innovation and Growth: Results from the 2012 Survey of North American University Research Parks*, August 2013: 8.

We believe that our environment must integrate five key aspects: the tenants and clusters; the technical environment; the social environment; the physical environment; and the business environment. A diverse mix of tenants, technology and service tenants, a dynamic social atmosphere and high quality facilities work together to create a community that encourages innovation, collaboration and entrepreneurship.

FINANCIAL RESULTS

RESULTS OF OPERATIONS

(in thousands \$ – Unaudited)

	June 30, 2019 3 months	June 30, 2018 3 months	Change
Revenue	\$ 11,004	\$ 10,855	\$ 149
Operating expenses	(9,617)	(9,469)	(148)
Net finance expense	(427)	(416)	(11)
Net income	\$ 960	\$ 970	\$ (10)

Total revenue for the three month period ended June 30, 2019 was \$149 higher than the same period in the prior year due to higher recoverable occupancy cost revenue. Operating expenses have increased by \$148 due to higher utility rates for power, water / sewer, natural gas; and compensation increased due to higher premiums for the benefit plans and positions that were vacant in the prior fiscal year are now staffed. The increase in net finance expense is due to higher interest rates on the notes payable offset by higher bank interest income earned due to increasing interest rates.

OUTLOOK

Net income of \$2,346 is forecasted at March 31, 2020, a decrease of \$482 from the \$2,828 originally budgeted. The decrease in net income is mainly due to vacancy changes with space budgeted as occupied is now forecasted vacant for part of or for the entire year.

Capital expenditures are forecasted at the same level as budgeted.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements of Saskatchewan Opportunities Corporation have been prepared by corporate management in accordance with International Accounting Standards 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 August 29, 2019.

On behalf of management,



S.P. (VAN) ISMAN

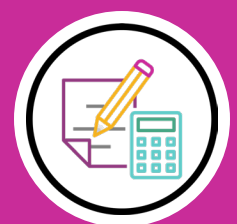
President and Chief Executive Officer



BRENT SUKENIK, CPA, CA

Chief Financial Officer

FINANCIAL REPORT



CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME AND COMPREHENSIVE INCOME

(in thousands \$ – Unaudited)

	Note	June 30, 2019 3 months	June 30, 2018 3 months
Revenue			
Rental		\$ 10,633	\$ 10,475
Other		371	380
		11,004	10,855
Expenses			
Administration	5	1,069	948
Rental operations	5	8,548	8,521
	4	9,617	9,469
		1,387	1,386
Results before the following			
Finance income		98	88
Finance expense	5	(525)	(504)
Net finance expense		(427)	(416)
		960	970
Other comprehensive income			
Items that are or may be reclassified to net income			
Debt retirement fund - market value adjustment		98	12
Total other comprehensive income		98	12
		\$ 1,058	\$ 982

(see accompanying notes)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(in thousands \$)

	Note	At June 30, 2019 unaudited	At June 30, 2018 audited
Assets			
Current			
Cash and cash equivalents		\$ 10,254	\$ 12,185
Trade and other receivables		1,639	1,442
Inventory		132	106
Prepaid expenses		2,147	341
		14,172	14,074
Property, plant and equipment	5	2,555	2,698
Investment property		172,274	174,023
Debt retirement fund		4,453	4,201
Other assets		821	828
		\$ 194,275	\$ 195,824
Liabilities and Province's Equity			
Current			
Trade and other payables	5	\$ 2,794	\$ 3,957
Dividends payable		636	1,119
Notes payable		20,320	20,700
Deferred revenue		1,412	1,300
		25,162	27,076
Lease obligation	5	1,189	1,247
Long-term debt		36,684	36,684
		63,035	65,007
Province of Saskatchewan's Equity			
Retained earnings		34,590	34,266
Accumulated other comprehensive income		150	51
Equity advances		96,500	96,500
		131,240	130,817
		\$ 194,275	\$ 195,824

(see accompanying notes)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(in thousands \$ – Unaudited)

	Equity advances	Accumulated other comprehensive income / (loss)	Retained earnings	Total equity
Balance at March 31, 2018	\$ 97,850	\$ (45)	\$ 33,918	\$ 131,723
Net income for the year	—	—	3,467	3,467
Other comprehensive income for the year	—	97	—	97
Dividends	—	—	(3,119)	(3,119)
Equity repayment	(1,350)	—	—	(1,350)
Balance at March 31, 2019	96,500	51	34,266	130,817
Net income for the period	—	—	960	960
Other comprehensive income for the period	—	98	—	98
Dividends declared for the period	—	—	(636)	(636)
Balance at June 30, 2019	\$ 96,500	\$ 150	\$ 34,590	\$ 131,240

(see accompanying notes)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

(in thousands \$ – Unaudited)

	Note	June 30, 2019 3 months	June 30, 2018 3 months
Operating Activities			
Net income		\$ 960	\$ 970
Non-cash adjustments:			
Amortization of property, plant and equipment	5	153	87
Amortization of investment property		2,182	2,201
Finance income		(98)	(88)
Finance expense	5	525	504
		3,722	3,674
Working capital adjustments:			
Trade and other receivables		(197)	(2,143)
Inventory		(26)	(12)
Prepaid expenses		(1,806)	(1,744)
Trade and other payables, excluding interest		(1,287)	(4,861)
Deferred revenue		112	(555)
Cash provided by / (used in) operating activities		518	(5,641)
Investing Activities			
Purchase of property, plant and equipment		(18)	(5)
Purchase of investment property		(382)	(962)
Payments on long-term receivable		—	18
Interest received		75	64
Change in other assets		7	(44)
Cash used in investing activities		(318)	(929)
Financing Activities			
Net proceeds from notes payable	6	(380)	—
Debt retirement fund installments		(130)	(130)
Lease obligation paid	5, 6	(98)	(12)
Interest paid	5	(404)	(380)
Dividends paid	6	(1,119)	(1,291)
Cash used in financing activities		(2,131)	(1,813)
Net change in cash and cash equivalents during the period		(1,931)	(8,383)
Cash and cash equivalents, beginning of period		12,185	16,932
Cash and cash equivalents, end of period		\$ 10,254	\$ 8,549

(see accompanying notes)

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 of Saskatchewan (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 taxes. As well, the Corporation is not subject to provincial capital taxes.

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

These unaudited condensed consolidated interim financial statements for the three months ended June 30, 2018 have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards (IFRS) and the presentation and disclosure requirements of International Accounting Standards (IAS) 34, *Interim Financial Reporting*. These unaudited condensed consolidated interim financial statements do not include all of the information required for full annual financial statements, and accordingly should be read in conjunction with the March 31, 2019 audited consolidated financial statements.

The Board of Directors authorized the unaudited condensed consolidated interim financial statements for issue on August 29, 2019.

b) Basis of measurement

These unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis except for financial instruments, which are measured at fair value and reported at fair value through other comprehensive income.

c) Functional and presentation currency

These unaudited 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 that comply with IFRS requires management to make judgements, 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; and 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 unaudited 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 unaudited condensed consolidated interim financial statements are consistent with those disclosed by the Corporation in its March 31, 2019 audited consolidated financial statements except for the following:

Application of new and revised International Financial Reporting Standards

IFRS 16, Leases

IFRS 16 was issued in January 2016 and replaces IAS 17, *Leases*. The new standard has significant changes for lessees, as most leases will be recognized on-balance sheet, subject to specific exemptions for short term leases or low lease value, under a single measurement model with recorded assets and liabilities. Lessor accounting remains largely unchanged and retains the distinction between operating and finance leases but essentially removes the sale and leaseback option. As well, the definition of what is a lease has been revised, with an increased focus on who controls the leased asset.

This standard became effective for the Corporation on April 1, 2019. The Corporation adopted this standard retrospectively without restatement of prior years and also elected to use all practical expedients allowed in the standard. Upon adoption, the changes to the consolidated statement of financial position were not material.

4 OPERATING AND ADMINISTRATION EXPENSES

Total operating and administration expenses were as follows:

	June 30, 2019 3 months	June 30, 2018 3 months
Employee benefits	\$ 2,506	\$ 2,432
Utilities	1,317	1,235
Grants in lieu of property taxes	1,818	1,837
Amortization	2,335	2,288
Inventory consumed in the provision of services	147	147
Other	1,494	1,530
	\$ 9,617	\$ 9,469

5 RIGHT-OF-USE ASSETS

Leased right-of-use assets (ROU) are included with Property, plant and equipment in the condensed consolidated interim statement of financial position of \$1,569. The current portion of the lease obligation is recorded in Trade and other payables of \$385 and the long term portion is \$1,189.

Amortization of these ROU is included in Administration expenses in the condensed consolidated interim statement of income and comprehensive income of \$98 and interest expense of \$1 is include in Finance expense.

Principal paid of \$98 and interest paid of \$1 from the lease of ROU are included in the condensed consolidated interim statement of cash flows in the financing section. The lease expiration dates of the ROU range from August 2021 to January 2024 with annual cash payments of:

2019/20	\$391
2020/21	\$361
2021/22	\$328
Thereafter	\$290 per year

There are two ROU leases that are not included in the above amounts. One lease is for a vehicle as the term of this lease expires during the fiscal year (lease payments included Rental operations expense) with the other for multi-function printers / copiers that are leased quarterly with those lease payments included in Administration expenses.

6 ADDITIONAL FINANCIAL INFORMATION

	Long-term debt	Notes payable	Lease obligation	Retained earnings	Total
Balance at March 31, 2019	\$ 36,684	\$ 20,700	\$ 1,247	\$ 34,266	\$ 92,897
Changes from financing cash flows:					
Repayment of borrowings	—	(380)	—	—	(380)
Repayment of lease obligation	—	—	(98)	—	(98)
Total changes from financing cash flows	—	(380)	(98)	—	(478)
Total equity-related other changes	—	—	40	324	364
Balance at June 30, 2019	\$ 36,684	\$ 20,320	\$ 1,189	\$ 34,590	\$ 92,783








HELPING **GROW** SASKATCHEWAN'S **TECH** SECTOR

CORPORATE OFFICE

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