



Helping grow  
Saskatchewan's  
tech sector.

# SASKATCHEWAN OPPORTUNITIES CORPORATION

**Q3 REPORT 2019/20**

FOR THE NINE MONTHS ENDED DECEMBER 31, 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 SOCO should be read in conjunction with the Corporation's unaudited condensed consolidated interim financial statements and notes to those statements for the nine months ended December 31, 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."<sup>1</sup> 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.

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<sup>1</sup> 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 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)

	<b>December 31, 2019</b> 3 months	<b>December 31, 2018</b> 3 months	<b>Change</b>	<b>December 31, 2019</b> 9 months	<b>December 31, 2018</b> 9 months	<b>Change</b>
Revenue	\$ 9,570	\$ 9,390	\$ 180	\$ 29,879	\$ 29,370	\$ 509
Operating expenses	(8,306)	(7,945)	(361)	(25,759)	(25,086)	(673)
Net finance expense	(420)	(445)	25	(1,272)	(1,291)	19
Discontinued operations	(180)	(120)	(60)	(401)	(303)	(98)
Net Income	\$ 664	\$ 880	\$ (216)	\$ 2,447	\$ 2,690	\$ (243)

Total revenue for the nine month period ended December 31, 2019 was \$509 higher than the same period in the prior year due to higher recoverable occupancy cost revenue. Operating expenses have increased by \$673 due to higher utility rates for power, water / sewer, natural gas, recoverable park network equipment, and salaries and benefits. 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 higher cash balance.

## OUTLOOK

Net income of \$2,528 is forecasted at March 31, 2020, a decrease of \$300 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 \$6,346 at March 31, 2020, a decrease of \$753 from the \$7,099 originally 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 February 20, 2020.

On behalf of management,



**S.P. (VAN) ISMAN**

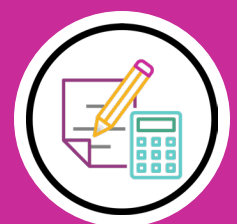
President and Chief Executive Officer



**BRENT SUKENIK, CPA, CA**

Chief Financial Officer

# FINANCIAL REPORT



## CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME AND COMPREHENSIVE INCOME

(in thousands \$ – Unaudited)

	Note	December 31, 2019 3 months	December 31, 2018 3 months	December 31, 2019 9 months	December 31, 2018 9 months
<b>Revenue</b>					
Rental		\$ 9,189	\$ 9,014	\$ 28,756	\$ 28,249
Other		381	376	1,123	1,121
		9,570	9,390	29,879	29,370
<b>Expenses</b>					
Administration	5	1,006	966	2,989	2,837
Rental operations	5	7,300	6,979	22,770	22,249
	4	8,306	7,945	25,759	25,086
<b>Results before the following</b>		1,264	1,445	4,120	4,284
Finance income		107	86	308	261
Finance expense	5	(527)	(531)	(1,580)	(1,552)
<b>Net finance expense</b>		(420)	(445)	(1,272)	(1,291)
Discontinued operations – Food Services	6	(180)	(120)	(401)	(303)
<b>Net income</b>		664	880	2,447	2,690
<b>Other comprehensive income / (loss)</b>					
Items that are or may be reclassified to net income					
Debt retirement fund – market value adjustment		(43)	31	73	(24)
<b>Total other comprehensive income / (loss)</b>		(43)	31	73	(24)
<b>Total comprehensive income</b>		\$ 621	\$ 911	\$ 2,520	\$ 2,666

(see accompanying notes)



# CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(in thousands \$)

	Note	At December 31, 2019 unaudited	At March 31, 2019 audited
<b>Assets</b>			
Current			
Cash and cash equivalents		\$ 14,058	\$ 12,185
Trade and other receivables		643	1,442
Inventory		90	106
Prepaid expenses		80	341
		14,871	14,074
Property, plant and equipment	5	2,425	2,698
Investment property		169,570	174,023
Debt retirement fund		4,727	4,201
Other assets		922	828
		\$ 192,515	\$ 195,824
<b>Liabilities and Province's Equity</b>			
Current			
Trade and other payables	5	\$ 3,173	\$ 3,957
Dividends payable		604	1,119
Notes payable		19,790	20,700
Deferred revenue		550	1,300
		24,117	27,076
Lease obligation	5	1,049	1,247
Long-term debt		36,684	36,684
		61,850	65,007
<b>Province of Saskatchewan's Equity</b>			
Retained earnings		35,041	34,266
Accumulated other comprehensive income		124	51
Equity advances		95,500	96,500
		130,665	130,817
		\$ 192,515	\$ 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
<b>Balance at March 31, 2018</b>	\$ 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)
<b>Balance at March 31, 2019</b>	96,500	51	34,266	130,817
Net income for the period	–	–	2,447	2,447
Other comprehensive income for the period	–	73	–	73
Dividends declared for the period	–	–	(1,672)	(1,672)
Equity repayment	(1,000)	–	–	(1,000)
<b>Balance at December 31, 2019</b>	\$ 95,500	\$ 124	\$ 35,041	\$ 130,665

(see accompanying notes)

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

(in thousands \$ – Unaudited)

	Note	December 31, 2019 3 months	December 31, 2018 3 months	December 31, 2019 9 months	December 31, 2018 9 months
<b>Operating Activities</b>					
Net income		\$ 664	\$ 880	\$ 2,447	\$ 2,690
Non-cash adjustments:					
Amortization of property, plant and equipment	5	173	82	501	256
Amortization of investment property	5	2,141	2,241	6,499	6,735
Finance income		(107)	(86)	(308)	(261)
Finance expense	5	527	531	1,580	1,552
		3,398	3,648	10,719	10,972
Working capital adjustments:					
Trade and other receivables		(188)	899	799	243
Inventory		82	4	16	(26)
Prepaid expenses		1,038	982	261	254
Trade and other payables, excluding interest		355	(500)	(947)	(5,037)
Deferred revenue		(799)	848	(750)	220
Cash provided by operating activities		3,886	5,881	10,098	6,626
<b>Investing Activities</b>					
Purchase of property, plant and equipment		(54)	(22)	(82)	(34)
Purchase of investment property		(981)	(1,818)	(2,045)	(5,905)
Payments on long-term receivable		–	–	–	187
Interest received		80	63	222	147
Change in other assets		(25)	11	(94)	(51)
Cash used in investing activities		(980)	(1,766)	(1,999)	(5,656)
<b>Financing Activities</b>					
Repayment of notes payable	7	(260)	–	(910)	–
Debt retirement fund installments		–	–	(367)	(367)
Lease obligation paid	5, 7	(112)	(15)	(307)	(39)
Interest paid	5	(401)	(406)	(1,455)	(1,421)
Dividends paid		(432)	(578)	(2,187)	(2,631)
Equity repayment		(1,000)	–	(1,000)	–
Cash used in financing activities		(2,205)	(999)	(6,226)	(4,458)
<b>Net change in cash and cash equivalents during the period</b>		701	3,116	1,873	(3,488)
Cash and cash equivalents, beginning of period		13,357	10,328	12,185	16,932
<b>Cash and cash equivalents, end of period</b>		\$ 14,058	\$ 13,444	\$ 14,058	\$ 13,444

(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 nine months ended December 31, 2019 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 February 20, 2020.

### 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.

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#### **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, excluding discontinued operations were as follows:

	<b>December 31, 2019</b> 3 months	<b>December 31, 2018</b> 3 months	<b>December 31, 2019</b> 9 months	<b>December 31, 2018</b> 9 months
Employee benefits	\$ 2,090	\$ 2,075	\$ 6,443	\$ 6,309
Utilities	1,353	1,311	4,083	3,949
Grants in lieu of property taxes	945	667	3,708	3,174
Amortization	2,314	2,323	7,000	6,991
Other	1,604	1,569	4,525	4,663
	<b>\$ 8,306</b>	<b>7,945</b>	<b>\$ 25,759</b>	<b>25,086</b>

## 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 \$1,459. The current portion of the lease obligation is recorded in Trade and other payables of \$415 and the long-term portion is \$1,049.

Amortization of these ROU is included in Administration expenses in the condensed consolidated interim statement of income and comprehensive income of \$293 and interest expense of \$4 is include in Finance expense.

Principal paid of \$307 and interest paid of \$4 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	\$558
2020/21	\$726
2021/22	\$678
Thereafter	\$625 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 are included in Rental operations expense) with the other for multi-function printers / copiers that are leased quarterly with those lease payments included in Administration expenses.

## 6 DISCONTINUED OPERATIONS

These condensed consolidated financial statements include the accounts of the Corporation and 212822 Saskatchewan Inc. (operating as Boffins) with all significant intercompany transactions and balances, revenues and expenses being eliminated. Boffins was providing food and event services at the park in Saskatoon.

On October 4, 2019, the Corporation and Boffins entered into agreements to transfer all food service operations in the Saskatoon park to an independent third party, Eurest Dining Services, a member of Compass Group Canada. The service transfer was effective November 15, 2019 and was done for no cash consideration. The windup of 212822 Saskatchewan Inc. will continue through to the year end of the Corporation.

The impact of discontinued operations on net earnings was comprised of the following:

	<b>December 31, 2019</b> 3 months	<b>December 31, 2018</b> 3 months	<b>Change</b>	<b>December 31, 2019</b> 9 months	<b>December 31, 2018</b> 9 months	<b>Change</b>
Revenue	\$ 343	\$ 432	\$ (89)	\$ 1,301	\$ 1,331	\$ (30)
Operating expenses	(523)	(552)	29	(1,702)	(1,634)	(68)
Net loss from discontinued operations	\$ (180)	\$ (120)	\$ (60)	\$ (401)	\$ (303)	\$ (98)

Due to the nature of operations, the cash used in operating activities related to discontinued operations is reflected by the net losses.

## 7 ADDITIONAL FINANCIAL INFORMATION

Changes in liabilities arising from financing activities:

	<b>Long-term debt</b>	<b>Notes payable</b>	<b>Lease obligation</b>	<b>Retained earnings</b>	<b>Total</b>
<b>Balance at March 31, 2019</b>	\$ 36,684	\$ 20,700	\$ 1,247	\$ 34,266	\$ 92,897
Changes from financing cash flows:					
Repayment of borrowings	–	(910)	–	–	(910)
Repayment of lease obligation	–	–	(307)	–	(307)
Total changes from financing cash flows	–	(910)	(307)	–	(1,217)
Total equity related other changes	–	–	109	775	884
<b>Balance at December 31, 2019</b>	\$ 36,684	\$ 19,790	\$ 1,049	\$ 35,041	\$ 92,564








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

**INNOVATION PLACE**

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