



Q3 REPORT 2020/21 FOR THE NINE MONTHS ENDED DECEMBER 31, 2020

SASKATCHEWAN OPPORTUNITIES CORPORATION



Helping grow
Saskatchewan's
tech sector.



TABLE OF CONTENTS

- 1** Strategic Direction
- 3** Management's Discussion and Analysis
- 5** Management's Responsibility for Financial Statements
- 6** Financial Report

STRATEGIC DIRECTION

VISION

Through partnerships and collaboration, Saskatchewan Opportunities Corporation (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 operations 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 the 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 interim financial statements and notes to those statements for the nine months ended December 31, 2020. What follows will provide the context within which the Corporation's unaudited condensed interim financial statements should be analyzed. The Board of Directors for SOCO has approved these unaudited condensed 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, 2020.

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 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)

	December 31, 2020 3 months	December 31, 2019 3 months	Change	December 31, 2020 9 months	December 31, 2019 9 months	Change
Revenue	\$ 9,116	\$ 9,570	\$ (454)	\$ 28,007	\$ 29,879	\$ (1,872)
Operating expenses	(8,836)	(8,306)	(530)	(26,152)	(25,759)	(393)
Net finance expense	(392)	(420)	28	(1,165)	(1,272)	107
Discontinued Operations	—	(180)	180	—	(401)	401
Net Income	\$ (112)	\$ 664	\$ (776)	\$ 690	\$ 2,447	\$ (1,757)

Total revenue for the nine month period ended December 31, 2020 was \$1,872 lower than the same period in the prior year due to higher vacancy and decreased parking revenue. The average vacancy for the third quarter was 13.34%, 1.03% higher than the average for the same period in the prior year. Although Innovation Place parks have remained open throughout the COVID-19 pandemic, a high percentage of our tenant employees are working from home resulting in decreases in parking revenue of \$523.

Operating expenses have increased by \$393 compared to the same period in the prior year due to timing of when the expenses will be incurred.

OUTLOOK

Net income of \$675 is forecasted at March 31, 2021, a decrease of \$862 from the \$1,537 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 of \$9,406 are forecasted for the year, \$2,466 less than originally budgeted.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying unaudited condensed 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 interim financial statements at their meeting held February 24, 2021.

On behalf of management,



BRENT SUKENIK

Acting President and Chief Executive Officer



TREVOR CROSS

Vice President, Corporate Services, and Acting Chief Financial Officer

FINANCIAL REPORT



CONDENSED INTERIM STATEMENT OF INCOME AND COMPREHENSIVE INCOME

(in thousands \$ — unaudited)

	Note	December 31, 2020 3 months	December 31, 2019 3 months	December 31, 2020 9 months	December 31, 2019 9 months
REVENUE					
Rental		\$ 8,727	\$ 9,189	\$ 26,857	\$ 28,756
Other		389	381	1,150	1,123
		9,116	9,570	28,007	29,879
EXPENSES					
Administration	4	997	1,006	2,879	2,989
Rental operations	4	7,839	7,300	23,273	22,770
		8,836	8,306	26,152	25,759
RESULTS BEFORE THE FOLLOWING					
		280	1,264	1,855	4,120
Finance income		53	107	179	308
Finance expenses		(445)	(527)	(1,344)	(1,580)
NET FINANCE EXPENSE					
		(392)	(420)	(1,165)	(1,272)
Net loss from discontinued operations		—	(180)	—	(401)
NET INCOME					
		(112)	664	690	2,447
OTHER COMPREHENSIVE INCOME / (LOSS)					
Items that are or may be reclassified to net income					
Debt retirement fund - market value adjustment		(21)	(43)	139	73
TOTAL OTHER COMPREHENSIVE INCOME / (LOSS)					
		(21)	(43)	139	73
TOTAL COMPREHENSIVE INCOME					
		\$ (133)	\$ 621	\$ 829	\$ 2,520

(see accompanying notes)

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

(in thousands \$)

	At December 31, 2020 unaudited	At March 31, 2020 audited
ASSETS		
Current		
Cash and cash equivalents	\$ 16,651	\$ 16,246
Trade and other receivables	539	1,101
Inventory	108	53
Prepaid expenses	151	366
	17,449	17,766
Property, plant and equipment	867	925
Right-of-use assets	1,047	1,355
Investment property	164,739	169,240
Debt retirement fund	5,412	4,802
Other assets	1,017	980
	\$ 190,531	\$ 195,068
LIABILITIES AND PROVINCE'S EQUITY		
Current		
Trade and other payables	\$ 2,557	\$ 4,226
Notes payable	18,550	19,639
Dividends payable	110	994
Lease liabilities	416	415
Deferred revenue	993	1,951
	22,626	27,225
Lease liabilities	633	944
Long-term debt	36,684	36,684
	59,943	64,853
PROVINCE OF SASKATCHEWAN'S EQUITY		
Retained earnings	34,796	34,562
Accumulated other comprehensive income	292	153
Equity advances	95,500	95,500
	130,588	130,215
	\$ 190,531	\$ 195,068

(see accompanying notes)

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

(in thousands \$ — unaudited)

	Equity advances	Accumulated other comprehensive income / (loss)	Retained earnings	Total equity
BALANCE AT MARCH 31, 2019	\$ 96,500	\$ 51	\$ 34,266	\$ 130,817
Net income for the year	—	—	2,962	2,962
Other comprehensive income for the year	—	102	—	102
Dividends	—	—	(2,666)	(2,666)
Equity repayment	(1,000)	—	—	(1,000)
BALANCE AT MARCH 31, 2020	95,500	153	34,562	130,215
Net income for the period	—	—	690	690
Other comprehensive income for the period	—	139	—	139
Dividends declared for the period	—	—	(456)	(456)
BALANCE AT DECEMBER 31, 2020	\$ 95,500	\$ 292	\$ 34,796	\$ 130,588

(see accompanying notes)

CONDENSED INTERIM STATEMENT OF CASH FLOWS

(in thousands \$ — unaudited)

	December 31, 2020 3 months	December 31, 2019 3 months	December 31, 2020 9 months	December 31, 2019 9 months
OPERATING ACTIVITIES				
Net income	\$ (112)	\$ 664	\$ 690	\$ 2,447
Non-cash adjustments:				
Amortization of property, plant and equipment	60	62	185	199
Amortization of right-of-use assets	103	111	308	302
Amortization of investment property	2,226	2,141	6,451	6,499
Finance income	(53)	(107)	(179)	(308)
Finance expense	445	527	1,344	1,580
	2,669	3,398	8,799	10,719
Working capital adjustments:				
Trade and other receivables	108	(188)	483	799
Inventory	25	82	(55)	16
Prepaid expenses	1,180	1,038	215	261
Trade and other payables, excluding interest	46	355	(1,802)	(947)
Deferred revenue	(80)	(799)	(958)	(750)
Cash provided by operating activities	3,948	3,886	6,682	10,098
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(66)	(54)	(127)	(82)
Purchase of investment property	(1,188)	(981)	(1,949)	(2,045)
Interest received	26	80	74	222
Change in other assets	49	(25)	(37)	(94)
Cash used in investing activities	(1,179)	(980)	(2,039)	(1,999)
FINANCING ACTIVITIES				
Repayment of notes payable	(330)	(260)	(1,089)	(910)
Debt retirement fund installments	-	-	(367)	(367)
Payment of lease liabilities	(28)	(112)	(231)	(307)
Interest paid	(317)	(401)	(1,211)	(1,455)
Equity repayment	-	(1,000)	-	(1,000)
Dividends paid	-	(432)	(1,340)	(2,187)
Cash used in financing activities	(675)	(2,205)	(4,238)	(6,226)
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD				
	2,094	701	405	1,873
Cash and cash equivalents, beginning of period	14,557	13,357	16,246	12,185
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 16,651	\$ 14,058	\$ 16,651	\$ 14,058

(see accompanying notes)

NOTES TO THE CONDENSED 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 interim financial statements for the nine months ended December 31, 2020 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 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, 2020 audited consolidated financial statements.

The Board of Directors authorized the unaudited condensed interim financial statements for issue on February 24, 2021.

B) BASIS OF MEASUREMENT

These unaudited condensed 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 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 interim financial statements include the accounting for special purpose entities and the determination of cash generating units.

E) COVID-19 IMPACT ASSESSMENT

The COVID-19 pandemic has caused material disruption to businesses and has resulted in an economic slowdown. The Corporation has assessed and continues to monitor the impact of COVID-19 on its operations. The magnitude and duration of COVID-19 is uncertain and, if it causes significant disruption for an extended period of time, the impacts to the Corporation will increase. Potential impacts include loss of revenue, supply chain disruption, challenges associated with a remote or unavailable workforce and potential asset impairment.

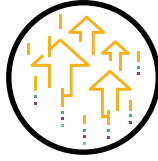
3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Corporation in these unaudited condensed interim financial statements are consistent with those disclosed by the Corporation in its March 31, 2020 audited consolidated financial statements.

4 OPERATING AND ADMINISTRATION EXPENSES

Total operating and administration expenses were as follows:

	December 31, 2020 3 months	December 31, 2019 3 months	December 31, 2020 9 months	December 31, 2019 9 months
Employee benefits	\$ 2,256	\$ 2,090	\$ 6,829	\$ 6,443
Utilities	1,310	1,353	3,863	4,083
Grants in lieu of property taxes	992	945	3,812	3,708
Amortization	2,389	2,301	6,944	6,959
Other	1,889	1,617	4,704	4,566
	\$ 8,836	\$ 8,306	\$ 26,152	\$ 25,759








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

CORPORATE OFFICE

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