



Helping grow
Saskatchewan's
tech sector.

FIRST QUARTER REPORT 2021/22

For the three months ended June 30, 2021

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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 interim financial statements and notes to those statements for the three months ended June 30, 2021. 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, 2021.

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.

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.

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, 2021 3 months	June 30, 2020 3 months	Change
Revenue	\$ 9,489	\$ 9,870	\$ (381)
Operating expenses	(8,500)	(8,769)	269
Net finance expense	(400)	(391)	(9)
Net income	\$ 589	\$ 710	\$ (121)

Total revenue for the three-month period ended June 30, 2021 was \$381 lower than the same period in the prior year due to higher vacancy and lower recoveries of operating costs. The average vacancy for the first quarter was 15.1%, 1.8% higher than the average for the same period in the prior year.

Operating expenses for the three-month period decreased by \$269 due to property taxes being lower in the 2021/22 fiscal year as 2021 was a reassessment year.

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

OUTLOOK

Net income of \$509 is forecasted at March 31, 2022, reflecting a decrease of \$110 from the \$619 net income reported for the prior year. The decrease is due to a reduction in revenue from higher vacancy. Innovation Place is forecasting an average vacancy rate of 17%, 3.25% higher when compared to March 31, 2021. This is offset by forecasted higher parking revenue as tenant employees gradually return to the parks.

Capital expenditures of \$6,546 are forecasted for the year.

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 August 25, 2021.

On behalf of management,



BRENT SUKENIK, CPA, CA

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	June 30, 2021 3 months	June 30, 2020 3 months
Revenue			
Rental		\$ 9,122	\$ 9,484
Other		367	386
		9,489	9,870
Expenses			
Administration		939	907
Rental operations		7,561	7,862
	4	8,500	8,769
Results before the following		989	1,101
Finance income		41	60
Finance expense		(441)	(451)
Net finance expense		(400)	(391)
Net income		589	710
Other comprehensive income			
Items that are or may be reclassified to net income			
Debt retirement fund - market value adjustment		88	194
Total other comprehensive income		88	194
Total comprehensive income		\$ 677	\$ 904

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

(in thousands \$)

	At June 30, 2021 <i>unaudited</i>	At March 31, 2021 <i>audited</i>
Assets		
Current		
Cash and cash equivalents	\$ 13,148	\$ 17,078
Trade and other receivables	1,299	668
Inventory	33	33
Prepaid expenses	2,335	520
	16,815	18,299
Property, plant and equipment	915	962
Right-of-use assets	875	982
Investment property	165,652	166,126
Debt retirement fund	5,367	5,134
Other assets	960	995
	\$ 190,584	\$ 192,498
Liabilities and Province's Equity		
Current		
Trade and other payables	\$ 3,618	\$ 5,291
Notes payable	18,330	18,550
Dividends payable	115	101
Lease liabilities	386	410
Deferred revenue	1,281	1,772
	23,730	26,124
Lease liabilities	489	572
Long-term debt	36,684	36,684
	60,903	63,380
Province of Saskatchewan's Equity		
Retained earnings	35,098	34,624
Accumulated other comprehensive income	83	960
Equity advances	94,500	94,500
	129,681	129,118
	\$ 190,584	\$ 192,498

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

(in thousands \$ — unaudited)

	Equity advances	Accumulated other comprehensive (loss) income	Retained earnings	Total equity
Balance at March 31, 2020	\$ 95,500	\$ 153	\$ 34,562	\$ 130,215
Net income for the year	—	—	619	619
Other comprehensive income for the year	—	(159)	—	(159)
Dividends	—	—	(557)	(557)
Equity repayment	(1,000)	—	—	(1,000)
Balance at March 31, 2021	94,500	(6)	34,624	129,118
Net income for the period	—	—	589	589
Other comprehensive income for the period	—	89	—	89
Dividends declared for the period	—	—	(115)	(115)
Balance at June 30, 2021	\$ 94,500	\$ 83	\$ 35,098	\$ 129,681

CONDENSED INTERIM STATEMENT OF CASH FLOWS

(in thousands \$ — unaudited)

	June 30, 2021 3 months	June 30, 2020 3 months
Operating Activities		
Net income	\$ 589	\$ 710
Non-cash adjustments:		
Amortization of property, plant and equipment	63	62
Amortization of right-of-use assets	106	102
Amortization of investment property	2,041	2,088
Finance income	(41)	(60)
Finance expense	441	451
	3,199	3,353
Working capital adjustments:		
Trade and other receivables	(633)	(352)
Inventory	—	(30)
Prepaid expenses	(1,814)	(2,148)
Trade and other payables, excluding interest	(1,790)	(1,845)
Deferred revenue	(491)	(527)
Cash provided by / (used in) operating activities	(1,529)	(1,549)
Investing Activities		
Purchase of property, plant and equipment	(1)	(51)
Purchase of investment property	(1,581)	(300)
Interest received	27	26
Change in other assets	34	(126)
Cash used in investing activities	(1,521)	(451)
Financing Activities		
Repayment of notes payable	(220)	(429)
Debt retirement fund installments	(130)	(130)
Payment of lease liabilities	(105)	(103)
Interest paid	(324)	(328)
Dividends paid	(101)	(994)
Cash used in financing activities	(880)	(1,984)
Net change in cash and cash equivalents for the period	(3,930)	(3,984)
Cash and cash equivalents, beginning of period	17,078	16,246
Cash and cash equivalents, end of period	\$ 13,148	\$ 12,262

NOTES TO 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 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 three months ended June 30, 2021 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, 2021 audited consolidated financial statements.

The Board of Directors authorized the unaudited condensed interim financial statements for issue on August 25, 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 judgments, 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, 2021 audited consolidated financial statements.

In 2019, SOCO transferred all food service operation in Saskatoon to an independent third party. Effective April 1, 2021, SOCO's financial statements will no longer be consolidated to include food services.

4 Operating and Administration Expenses

Total operating and administration expenses were as follows:

	June 30, 2021 3 months	June 30, 2020 3 months
Employee benefits	\$ 2,249	\$ 2,251
Utilities	1,190	1,197
Grants in lieu of property taxes	1,406	1,744
Amortization	2,210	2,252
Other	1,445	1,325
	\$ 8,500	\$ 8,769



CORPORATE OFFICE

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

CONTACT US

306.933.6295
saskatoon@innovationplace.com



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