



Helping grow
Saskatchewan's
tech sector.

SECOND QUARTER REPORT 2021/22

For the six months ended September 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 six months ended September 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)

	September 30, 2021 3 months	September 30, 2020 3 months	Change	September 30, 2021 6 months	September 30, 2020 6 months	Change
Revenue	\$ 8,837	\$ 9,021	\$ (184)	\$ 18,326	\$ 18,891	\$ (565)
Operating expenses	(8,353)	(8,547)	194	(16,853)	(17,316)	463
Net finance expense	(386)	(382)	(4)	(786)	(773)	(13)
Net income	\$ 98	\$ 92	\$ 6	\$ 687	\$ 802	\$ (115)

Total revenue for the six month period ended September 30, 2021 was \$565 lower than the same period in the prior year due to lower rental revenue and recovery of occupancy costs. The average vacancy for the second quarter was 15.13%, 1.12% higher than the average for the same period in the prior year.

Operating expenses have decreased by \$463 due to a combination of timing of when the expenses will be incurred, salary savings due to vacancies and lower recovery costs due to lower property taxes.

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 \$360 is forecasted at March 31, 2022, an increase of \$297 from the \$63 originally budgeted. The increase in net income is mainly due to salary savings due to vacancies and a decrease in administrative expenditures.

Capital expenditures of \$6,483 are forecasted for the year, equal to the original budget.

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 on November 23, 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	September 30, 2021 3 months	September 30, 2020 3 months	September 30, 2021 6 months	September 30, 2020 6 months
Revenue					
Rental		\$ 8,467	\$ 8,646	\$ 17,589	\$ 18,130
Other		370	375	737	761
		8,837	9,021	18,326	18,891
Expenses					
Administration	4	966	975	1,905	1,882
Rental operations	4	7,387	7,572	14,948	15,434
		8,353	8,547	16,853	17,316
Results before the following		484	474	1,473	1,575
Finance income		60	66	101	126
Finance expense		(446)	(448)	(887)	(899)
Net finance expense		(386)	(382)	(786)	(773)
Net loss from discontinued operations		—	—	—	—
Net income		98	92	687	802
Other comprehensive income					
Items that are or may be reclassified to net income					
Debt retirement fund - market value adjustment		(75)	(34)	13	160
Total other comprehensive income		(75)	(34)	13	160
Total comprehensive income		\$ 23	\$ 58	\$ 700	\$ 962

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

(in thousands \$)

	At September 30, 2021 <i>unaudited</i>	At March 31, 2021 <i>audited</i>
Assets		
Current		
Cash and cash equivalents	\$ 13,503	\$ 17,078
Trade and other receivables	1,461	668
Inventory	142	33
Prepaid expenses	1,281	520
	16,387	18,299
Property, plant and equipment	851	962
Right-of-use assets	773	982
Investment property	164,869	166,126
Debt retirement fund	5,567	5,134
Other assets	893	995
	\$ 189,340	\$ 192,498
Liabilities and Province's Equity		
Current		
Trade and other payables	\$ 3,292	\$ 5,291
Notes payable	17,915	18,550
Dividends payable	48	101
Lease liabilities	359	410
Deferred revenue	973	1,772
	22,587	26,124
Lease liabilities	413	572
Long-term debt	36,684	36,684
	59,684	63,380
Province of Saskatchewan's Equity		
Retained earnings	35,149	34,624
Accumulated other comprehensive income	7	(6)
Equity advances	94,500	94,500
	129,656	129,118
	\$ 189,340	\$ 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	\$ 152	\$ 34,562	\$ 130,214
Net income for the year	—	—	619	619
Other comprehensive income for the year	—	(158)	—	(158)
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	—	—	687	687
Other comprehensive income for the period	—	13	—	13
Dividends declared for the period	—	—	(162)	(162)
Balance at September 30, 2021	\$ 94,500	\$ 7	\$ 35,149	\$ 129,656

CONDENSED INTERIM STATEMENT OF CASH FLOWS

(in thousands \$ — unaudited)

	September 30, 2021 3 months	September 30, 2020 3 months	September 30, 2021 6 months	September 30, 2020 6 months
Operating Activities				
Net income	\$ 98	\$ 92	\$ 687	\$ 802
Non-cash adjustments:				
Amortization of property, plant and equipment	62	63	125	125
Amortization of right-of-use assets	102	103	208	205
Amortization of investment property	2,035	2,137	4,076	4,225
Finance income	(60)	(66)	(101)	(126)
Finance expense	446	448	897	899
	2,683	2,777	5,882	6,130
Working capital adjustments:				
Trade and other receivables	(160)	727	(793)	375
Inventory	(109)	(50)	(109)	(80)
Prepaid expenses	1,054	1,183	(760)	(965)
Trade and other payables, excluding interest	(204)	(3)	(1,994)	(1,848)
Deferred revenue	(308)	(351)	(799)	(878)
Cash provided by operating activities	2,956	4,283	1,427	2,734
Investing Activities				
Purchase of property, plant and equipment	1	(10)	—	(61)
Purchase of investment property	(1,251)	(461)	(2,832)	(761)
Interest received	21	22	48	48
Change in other assets	67	40	101	(86)
Cash used in investing activities	(1,162)	(409)	(2,683)	(860)
Financing Activities				
Repayment of notes payable	(415)	(330)	(635)	(759)
Debt retirement fund installments	(237)	(237)	(367)	(367)
Payment of lease liabilities	(105)	(100)	(210)	(203)
Interest paid	(568)	(566)	(892)	(894)
Dividends paid	(114)	(346)	(215)	(1,340)
Cash used in financing activities	(1,439)	(1,579)	(2,319)	(3,563)
Net change in cash and cash equivalents for the period	355	2,295	(3,575)	(1,689)
Cash and cash equivalents, beginning of period	13,148	12,262	17,078	16,246
Cash and cash equivalents, end of period	\$ 13,503	\$ 14,557	\$ 13,503	\$ 14,557

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 six months ended September 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 November 23, 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:

	September 30, 2021 3 months	September 30, 2020 3 months	September 30, 2021 6 months	September 30, 2020 6 months
Employee benefits	\$ 2,271	\$ 2,322	\$ 4,520	\$ 4,573
Utilities	1,419	1,356	2,609	2,553
Grants in lieu of property taxes	886	1,076	2,292	2,820
Amortization	2,199	2,303	4,409	4,555
Other	1,578	1,490	3,023	2,815
	\$ 8,353	\$ 8,547	\$ 16,853	\$ 17,316



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