



Helping grow
Saskatchewan's
tech sector.

THIRD QUARTER REPORT 2021/22

For the nine months ended December 31, 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 nine months ended December 31, 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 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.

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, 2021 3 months | December 31, 2020 3 months | Change | December 31, 2021 9 months | December 31, 2020 9 months | Change |
|---------------------|--|--|---------------|--|--|---------------|
| Revenue | \$ 9,307 | \$ 9,116 | \$ 191 | \$ 27,633 | \$ 28,007 | \$ (374) |
| Operating expenses | (8,183) | (8,836) | 653 | (25,036) | (26,152) | 1,116 |
| Net finance expense | (395) | (392) | (3) | (1,181) | (1,165) | (16) |
| Net income | \$ 729 | \$ (112) | \$ 841 | \$ 1,416 | \$ 690 | \$ 726 |

Total revenue for the nine month period ended December 31, 2021 was \$374 lower than the same period in the prior year due to higher vacancy. The average vacancy for the third quarter was 14.68%, 1.34% higher than the average for the same period in the prior year.

Operating expenses have decreased by \$1,116 compared to the same period in the prior year mainly due to salary savings (vacancies), decreased property tax as 2021 was a re-assessment year and decreased amortization expense.

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 \$895 is forecasted at March 31, 2022, an increase of \$832 from the \$63 originally budgeted. The increase in net income is mainly due to salary savings (vacancies), lower financing expenses, travel and training due to the pandemic and a delay in maintenance work due to contractors not having the capacity to complete the work.

Capital expenditures of \$6,524 are forecasted for the year, \$6 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 on February 23, 2022.

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 | December 31, 2021 3 months | December 31, 2020 3 months | December 31, 2021 9 months | December 31, 2020 9 months |
|---|------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Revenue | | | | | |
| Rental | | \$ 8,918 | \$ 8,727 | \$ 26,507 | \$ 26,857 |
| Other | | 389 | 389 | 1,126 | 1,150 |
| | | 9,307 | 9,116 | 27,633 | 28,007 |
| Expenses | | | | | |
| Administration | 4 | 824 | 997 | 2,729 | 2,879 |
| Rental operations | 4 | 7,359 | 7,839 | 22,307 | 23,273 |
| | | 8,183 | 8,836 | 25,036 | 26,152 |
| Results before the following | | 1,124 | 280 | 2,597 | 1,855 |
| Finance income | | 51 | 53 | 152 | 179 |
| Finance expense | | (446) | (445) | (1,333) | (1,344) |
| Net finance expense | | (395) | (392) | (1,181) | (1,165) |
| Net loss from discontinued operations | | — | — | — | — |
| Net income | | 729 | (112) | 1,416 | 690 |
| Other comprehensive income / (loss) | | | | | |
| Items that are or may be reclassified to net income | | | | | |
| Debt retirement fund - market value adjustment | | 49 | (21) | 62 | 139 |
| Total other comprehensive income / (loss) | | 49 | (21) | 62 | 139 |
| Total comprehensive income | | \$ 778 | \$ (133) | \$ 1,478 | \$ 829 |

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

(in thousands \$)

| | At December 31, 2021 <i>unaudited</i> | At March 31, 2021 <i>audited</i> |
|--|---|-------------------------------------|
| Assets | | |
| Current | | |
| Cash and cash equivalents | \$ 16,165 | \$ 17,078 |
| Trade and other receivables | 1,779 | 668 |
| Inventory | 133 | 33 |
| Prepaid expenses | 186 | 520 |
| | 18,263 | 18,299 |
| Property, plant and equipment | 825 | 962 |
| Right-of-use assets | 679 | 982 |
| Investment property | 163,505 | 166,126 |
| Debt retirement fund | 5,643 | 5,134 |
| Other assets | 824 | 995 |
| | \$ 189,739 | \$ 192,498 |
| Liabilities and Province's Equity | | |
| Current | | |
| Trade and other payables | \$ 2,546 | \$ 5,291 |
| Notes payable | 17,565 | 18,550 |
| Dividends payable | 322 | 101 |
| Lease liabilities | 342 | 410 |
| Deferred revenue | 1,832 | 1,772 |
| | 22,606 | 26,124 |
| Lease liabilities | 337 | 572 |
| Long-term debt | 36,684 | 36,684 |
| | 59,627 | 63,380 |
| Province of Saskatchewan's Equity | | |
| Retained earnings | 35,556 | 34,624 |
| Accumulated other comprehensive income | 56 | (6) |
| Equity advances | 94,500 | 94,500 |
| | 130,112 | 129,118 |
| | \$ 189,739 | \$ 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 | \$ 34,462 | \$ 130,114 |
| Net income for the year | — | — | 619 | 619 |
| Other comprehensive income for the year | — | (159) | — | (159) |
| Dividends | — | — | (456) | (456) |
| Equity repayment | (1,000) | — | — | (1,000) |
| Balance at March 31, 2021 | 94,500 | (6) | 34,624 | 129,118 |
| Net income for the period | — | — | 1,416 | 1,416 |
| Other comprehensive income for the period | — | 62 | — | 62 |
| Dividends declared for the period | — | — | (484) | (484) |
| Balance at December 31, 2021 | \$ 94,500 | \$ 56 | \$ 35,556 | \$ 130,112 |

CONDENSED INTERIM STATEMENT OF CASH FLOWS

(in thousands \$ — unaudited)

| | December 31, 2021 3 months | December 31, 2020 3 months | December 31, 2021 9 months | December 31, 2020 9 months |
|---|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Operating Activities | | | | |
| Net income | \$ 729 | \$ (112) | \$ 1,416 | \$ 690 |
| Non-cash adjustments: | | | | |
| Amortization of property, plant and equipment | 62 | 60 | 187 | 185 |
| Amortization of right-of-use assets | 89 | 103 | 297 | 308 |
| Amortization of investment property | 2,019 | 2,226 | 6,095 | 6,451 |
| Finance income | (51) | (53) | (152) | (179) |
| Finance expense | 446 | 445 | 1,333 | 1,344 |
| | 3,294 | 2,669 | 9,176 | 8,799 |
| Working capital adjustments: | | | | |
| Trade and other receivables | (318) | 108 | (1,111) | 483 |
| Inventory | 9 | 25 | (100) | (55) |
| Prepaid expenses | 1,095 | 1,180 | 335 | 215 |
| Trade and other payables, excluding interest | (861) | 46 | (2,855) | (1,802) |
| Deferred revenue | 858 | (80) | 59 | (958) |
| Cash provided by operating activities | 4,077 | 3,948 | 5,504 | 6,682 |
| Investing Activities | | | | |
| Purchase of property, plant and equipment | (35) | (66) | (35) | (127) |
| Purchase of investment property | (656) | (1,188) | (3,488) | (1,949) |
| Payments on long-term receivable | — | — | — | — |
| Interest received | 23 | 26 | 71 | 74 |
| Change in other assets | 69 | 49 | 170 | (37) |
| Cash used in investing activities | (599) | (1,179) | (3,282) | (2,039) |
| Financing Activities | | | | |
| Repayment of notes payable | (350) | (330) | (985) | (1,089) |
| Debt retirement fund installments | — | — | (367) | (367) |
| Payment of lease liabilities | (87) | (28) | (297) | (231) |
| Interest paid | (331) | (317) | (1,223) | (1,211) |
| Equity repayment | — | — | — | — |
| Dividends paid | (48) | — | (263) | (1,340) |
| Cash used in financing activities | (816) | (675) | (3,135) | (4,238) |
| Net change in cash and cash equivalents for the period | 2,662 | 2,094 | (913) | 405 |
| Cash and cash equivalents, beginning of period | 13,503 | 14,557 | 17,078 | 16,246 |
| Cash and cash equivalents, end of period | \$ 16,165 | \$ 16,651 | \$ 16,165 | \$ 16,651 |

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 nine months ended December 31, 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 February 23, 2022.

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, the underlying estimations of useful lives, capitalization of interest, disposal of long-lived assets, asset retirement obligations, 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:

| | December 31, 2021 3 months | December 31, 2020 3 months | December 31, 2021 9 months | December 31, 2020 9 months |
|----------------------------------|---|---|---|---|
| Employee benefits | \$ 2,143 | \$ 2,256 | \$ 6,663 | \$ 6,829 |
| Utilities | 1,382 | 1,310 | 3,991 | 3,863 |
| Grants in lieu of property taxes | 974 | 992 | 3,266 | 3,812 |
| Amortization | 2,170 | 2,389 | 6,579 | 6,944 |
| Other | 1,514 | 1,889 | 4,537 | 4,704 |
| | \$ 8,183 | \$ 8,836 | \$ 25,036 | \$ 26,152 |

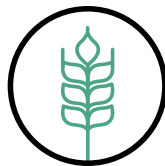


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