



SASKATCHEWAN GOVERNMENT GROWTH FUND ▼ LTD.



2003 Annual Report



Creating economic wealth and diversification through investment
of immigrant investor capital in Saskatchewan



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FUND PROFILE

Saskatchewan Government Growth Fund V (1997) Ltd. (“SGGF V” or the “Fund”) is a government-administered venture capital fund pursuant to the Immigration Regulations, 1978 (Canada), as amended. It was formed to enable immigrant investors to invest in businesses operating in Saskatchewan and facilitate the investors’ qualification as Canadian permanent residents under the Immigrant Investor Program.

FINANCIAL HIGHLIGHTS

- SGGF V incurred a loss of \$1.2 million in 2003, resulting in an accumulated deficit of \$1.3 million.
- Since SGGF V’s inception in 1998, investments made by the Fund total \$35.2 million, of which \$15.7 million has been invested in infrastructure loans and \$19.5 million has been invested in small and medium-sized enterprises.
- Income from investments for the year was \$2.0 million, compared with \$1.3 million in 2002.
- The principal repayment at maturity of Notes was set at \$190,000, with additional payments to be made as cash becomes available on the liquidation of investments.

MESSAGE TO INVESTORS

The priority of Saskatchewan Government Growth Fund V (1997) Ltd. in 2003 was the management of investments with the objectives of supporting investees in the development of their businesses, maximizing returns to the Fund, and generating sufficient cash to satisfy payments due on Notes at maturity, scheduled to commence in 2004.

Several of the Fund's investees in the small and medium-sized enterprise ("SME") sector encountered financial difficulty during 2003. These business failures reflect the relatively higher risk associated with SME investments. In addition, the low interest rate environment has had a negative effect on returns available from portfolio investments and infrastructure loans. As a result of these factors, the Fund incurred a loss of \$1.2 million in 2003. The accumulated deficit of the Fund is \$1.3 million at December 31, 2003. Given the accumulated deficit, it is unlikely that the SGGF V will be able to repay the full principal amount of the Note obligations to investors.

Prior to the maturity of Notes, the Fund prepares cash flow projections to estimate whether timing differences exist between planned liquidations of investments and scheduled payments to Noteholders. SGGF V has determined that the investment losses referred to above, and timing differences which arise primarily because of the absence of an active market for investments in SMEs, require that the payment to Noteholders on maturity of their Notes be set at \$190,000. This will ensure that all Noteholders are treated equally. Twenty Notes are scheduled to mature in 2004. The cash flow projections are reviewed periodically and payments adjusted accordingly. If the assumptions underlying current forecasts prove to be correct, payment of additional amounts may be possible late in 2004 and in 2005.

In 2004, SGGF V will continue to focus on maximizing the returns from its investments. The Fund will explore opportunities to improve returns over the period leading up to the maturity of investor Notes, while at the same time taking a cautious approach to credit risk.



Joanne Forer
Chair



Alan M. Rowe
President

February 25, 2004

INVESTMENT PROFILES

The following are profiles of investments held by SGGF V during 2003 including the principal amount invested as at December 31, 2003 and a description of the companies' operations. The date of the initial investment in each company is noted in parentheses.

FarmGro Organic Foods Inc. (September 1999)

FarmGro Organic Foods, located near Regina, is an organic flour milling, cleaning and bagging facility for organic grains, specialty crops and seeds. In 2002, the Company defaulted on its loan and a receiver was appointed. No further recovery is expected on this investment.

Flatland Exploration Ltd. (May 2001)

\$1,041,667 loans

Flatland Exploration is a Regina-based company involved in the exploration, development and production of oil and natural gas. During 2002, the Company was sold to Bulldog Energy Inc. and an additional loan was advanced.

Master Manufacturing Inc. (June 1999)

\$1,605,066 loans

Master Manufacturing, located in Moose Jaw, Saskatchewan, manufactured a broad range of pre-engineered all-steel buildings and building components. In 2003, the Company defaulted on its loan and a trustee in bankruptcy was appointed. The trustee is in the process of disposing of the Company's assets.

Parkland Strawboard (1998) Inc. (June 2001)

\$803,803 loans

Parkland Strawboard manufactured strawboard by a process of compressing wheat straw with a resin to create high-quality, moisture-resistant board used in both the furniture and construction industries. The Company is located in Kamsack, Saskatchewan. In December 2002, the Company discontinued production. In 2003, the Company defaulted on its loan and a trustee in bankruptcy was appointed. The trustee is in the process of disposing of the Company's assets.

Pelorus Navigation Systems Inc. (September 2000)

Pelorus was a Saskatoon-based Company that developed advanced airport navigation landing systems using the global positioning system (GPS). It marketed its product to airports around the world. In 2003, the Company ceased operations and a receiver was appointed. No further recovery is expected on this investment.

INVESTMENT PROFILES (continued)

CAJON Leasing (December 2001)

\$7,355,003 loans

CAJON, located in Regina, leases vehicles and other assets to Saskatchewan Crown corporations and other government-related entities.

R & R Leasing (July 2000)

\$4,677,867 loans

R&R is based in Saskatoon and leases buildings, equipment and vehicles to Saskatchewan Crown corporations, other government-related entities and private enterprises.

Background

Saskatchewan Government Growth Fund V (1997) Ltd. ("SGGF V" or the "Fund") is an immigrant investor fund which operates in accordance with the regulations of the federal Immigrant Investor Program (the "IIP"). The Fund began commercial operations in 1998 when it accepted its first subscription deposits. The Fund is financed by subscriptions received from immigrant investors. The objective of SGGF V is to invest the proceeds of subscriptions in eligible businesses in Saskatchewan for a five year period as required by the IIP. This allows the immigrant investor to satisfy the investment requirements of the IIP for a Canadian-resident visa.

Obligations to investors

SGGF V's activities are financed by immigrant investors who have subscribed for unsecured, subordinated promissory notes ("Notes") offered through an Offering Memorandum. The interest rate for a Note is determined at the time the full subscription is received, and remains constant over the term of the Note. Obligations under the Notes are subordinate to all other liabilities of SGGF V and repayment is dependent on the proceeds on liquidation of investments and all other available liquidity in excess of other liabilities.

The Notes mature five years from the date of issue. The IIP requires that the maturity date of a Note be extended if, and for so long as, less than 70% of the amount of the Note is invested in the active business operations of eligible businesses in Saskatchewan.

SGGF V was closed to new subscription applications on December 31, 1998. During 2003, the Fund required subscribers to fully pay any outstanding subscription amounts, and subscribers who did not do so, forfeited their right to participate in the Fund.

At December 31, 2003, obligations to investors totalled \$27.75 million, comprised of 111 Notes (2002 - \$25.5 million; 102 Notes). During 2003, 11 Notes were issued following receipt of full subscription amounts and completion of investments in eligible businesses, and two Notes were redeemed as a result of the exercise of rescission rights by investors who were refused Canadian-resident visas by the federal immigration authorities. Based on information available to the Fund, it is estimated that holders of seven Notes have not received their visas and therefore retain their right of rescission. Obligations to investors mature over the period from 2004 to 2008.

The IIP requires that 70% of each subscription be invested in eligible businesses within nine months of the receipt of the full subscription amount. As a result of delays in finding suitable investments in prior years, the federal regulator which oversees the IIP had extended this deadline for SGGF V. During 2003, the Fund completed the investment of amounts received from subscribers in eligible businesses.

Obligations to investors (continued)

The Fund has prepared cash flow projections which indicate that timing differences may exist between planned liquidations of investments and scheduled investor repayments as Notes become due in 2004 and later. In order to treat all investors equally, the payments on Notes at maturity have been set at \$190,000. The payment of any amount in addition to the initial payment at maturity is dependent on the liquidation of investments, many of which are in private companies as required by the IIP. These investments typically have more risk than other types of investments. Any forecast of when such investments will be liquidated reflects a best judgment based on current information, and involves a number of risks and uncertainties and other factors that may cause actual results to differ materially from the forecast. If the assumptions underlying current forecasts prove to be correct, payment of additional amounts may be possible late in 2004 and in 2005; however, based on current forecasts, it is unlikely that SGGF V will be able to repay the full principal amount of the Note obligations to investors. SGGF V continues to actively manage its remaining investments with a view to achieving for investors the best liquidation proceeds available in the prevailing circumstances.

Interest expense includes an additional payment to investors to compensate them for the period from nine months after receipt of the full subscription amount until such amount was invested in eligible businesses.

Total interest expense on obligations to investors and subscription deposits in 2003 was \$461,000(2002 - \$443,000).

Investments

The investment policy of SGGF V reflects the requirements imposed by both the IIP and the Offering Memorandum through which Notes were offered to investors. To meet these requirements, SGGF V has established a target initial investment allocation consisting of:

- a maximum of 30% invested in small and medium-sized enterprises (“SMEs”) in Saskatchewan;
- 50% invested in loans to support infrastructure projects of the Province of Saskatchewan, and its agencies, municipalities and similar institutions; and,
- the balance invested in cash or liquid debt securities.

As investments are divested over time, the actual portfolio mix changes. Investments in SMEs and loans to support infrastructure qualify as “eligible businesses” for purposes of the IIP.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Investments (continued)

The following table sets out the investments of the Fund by type at December 31 in each year:

	2003			2002		
	<u>No.</u>	<u>\$ millions</u>	<u>%</u>	<u>No.</u>	<u>\$ millions</u>	<u>%</u>
Small and medium-sized enterprises						
Debt investments	3	3.5	12.5	5	5.4	19.3
Equity investments	-	-	-	-	-	-
Total*	3	3.5	12.5	5	5.4	19.3
Infrastructure loans	4	12.0	43.5		10.1	36.3
Cash and portfolio investments		12.2	44.0		12.3	44.4
		27.7	100.0		27.8	100.0
Provisions for losses		(1.8)			(0.8)	
Net book value		25.9			27.0	
Fair value		26.5				

*Note: The total number of SME investments represents the total number of companies. In some cases, an investment in both debt and equity instruments of the same company may have been made.

Since its inception in 1998, SGGF V has invested \$19.5 million in SME investments and \$15.7 million in loans to support infrastructure.

Investment and other income in 2003 totalled \$2.0 million compared with \$1.3 million in 2002. The increase reflects a gain realized on an investment during the year.

Provisions for losses on investments totalled \$2.0 million primarily with respect to three SME investments which defaulted on their loans in 2003.

Management

SGGF V is managed by the Saskatchewan Government Growth Fund Management Corporation (SGGF MC) under a contract which provides for a management fee not to exceed 3% of the net assets of the Fund. SGGF MC has contracted administration and investment advisory services from Crown Capital Partners Inc. ("CCPI"), a private, national investment advisor based in Regina, Saskatchewan, and has retained subadvisors to provide investment advisory services. CCPI is paid a monthly fee for its services and will receive a performance fee based on the retained earnings, if any, of SGGF V after all investor obligations are repaid in full and all investments have been liquidated. The subadvisors are paid a performance fee based on the performance of the investments managed by each of them.

Administration expense for the Fund totalled \$333,000 in 2003, compared with \$355,000 in 2002. The total administration costs, excluding adjustments to accruals for future performance-based fees, represented 2.0% (2002 – 1.8%) of weighted average total assets.

Results of operations

During 2003, the Fund incurred a loss of \$1.2 million compared with a loss of \$745,000 in 2002. The loss was caused by provisions and losses on SME investments in excess of gains realized on disposal of investments. During 2003, investment returns on weighted average total assets, before provisions for losses, were 7.2%. Provisions for losses were 5.4%, interest expense was 1.7%, and all other expenses were 2.7%.

At December 31, 2003, the Fund had an accumulated deficit of \$1.3 million, compared with a deficit of \$90,000 at December 31, 2002.

Outlook and risks and uncertainties

SGGF V has now completed its fundraising and investing phase. The priority of the Fund is the management of its investment portfolio to maximize returns and to provide for liquidation of investments to satisfy the obligations to investors at maturity of their Notes. Additional investments in SMEs and loans to support infrastructure will be made only to replace investments in eligible businesses which are required to satisfy the five-year investment requirements of the IIP, to support the operations and maximize the value of existing SME investments, or to enhance the returns of the Fund.

The investment allocation of the Fund which is prescribed by the IIP and Offering Memorandum significantly influences the returns available to the Fund. Investments in SMEs, which can represent up to 30% of the Fund's investments, provide an opportunity for higher returns, but also carry a higher risk of losses than other investment types, and a greater challenge to achieving liquidity at the precise time that Notes mature. On the other hand, the balance of investments which consist of liquid securities and loans to finance infrastructure, are relatively low risk, but also provide low returns that reflect the lower risk exposure. Since the Fund was launched in 1998, interest rates in the general economy have decreased significantly, which has created a challenge to the Fund to earn sufficient returns to pay interest on Notes and administration costs.

The significant risks and uncertainties which affect the Fund relate to market risk, credit risk, interest rate risk, and liquidity risk. These risk factors are described in note 11 to the financial statements. The Fund manages these risks to the extent possible; however the factors may affect the ability of the Fund to repay its Notes at maturity. The Fund has no sources of financing the repayment of its Notes other than the proceeds received on liquidation of its investments.

Future accounting changes

Changes in generally accepted accounting principles which are to be implemented no later than fiscal years beginning July 1, 2004 will result in SGGF V carrying investments in the Statement of Financial Position at fair value. The change in fair value during the year will be recognized through the Statement of Operations. The fair value of investments as at December 31, 2003 has been reported in the notes to the financial statements, and SGGF V expects to adopt the new accounting policy in its fiscal year ending December 31, 2004.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The President and fund manager of the Saskatchewan Government Growth Fund V (1997) Ltd. are responsible for management of the Fund. The accompanying financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, and necessarily include amounts which are based on informed judgement and management estimates. Financial data presented elsewhere in this annual report is consistent with that in the financial statements.

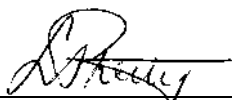
Management's responsibility includes ensuring the integrity and objectivity of financial information. Management maintains an appropriate system of internal accounting and administrative controls, policies and procedures to provide reasonable assurance that all transactions are authorized, financial records are complete and accurate, and assets are safeguarded against loss.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting. The Board has established an Audit Committee to review the Fund's accounting policies and financial statements prior to their presentation to the Board for approval. The Audit Committee also reviews the internal controls of the Fund, and meets regularly with the auditors. The Board has reviewed and approved these financial statements.

Deloitte & Touche LLP, the Fund's independent auditors, have examined the financial statements of the Fund. Their responsibility is to conduct an independent and objective audit and to report on the fairness of presentation of the Fund's financial position, results of operations and cash flows as shown in the financial statements. The Auditors' Report outlines the scope of their examination and their opinion.



Alan M. Rowe, C.A.
President



Lori K. Pretty, C.M.A.
Crown Capital Partners Inc.

February 25, 2004

AUDITORS' REPORT

To the Shareholder of Saskatchewan Government Growth Fund V (1997) Ltd.:

We have audited the statement of financial position of Saskatchewan Government Growth Fund V (1997) Ltd. as at December 31, 2003, and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Regina, Saskatchewan
February 10, 2004

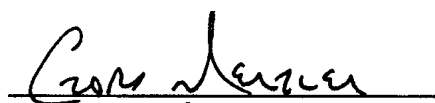
FINANCIAL STATEMENTS

Saskatchewan Government Growth Fund V (1997) Ltd.
(Incorporated under *The Business Corporations Act* of Saskatchewan)
Statement of Financial Position
As at December 31

	2003	2002
Assets		
Cash	\$ 1,806,135	\$ 2,068,822
Portfolio investments (Note 4)	10,373,499	10,272,647
Accounts receivable and accrued income	136,560	134,367
Investments (Note 5)	13,664,536	14,683,619
Deferred costs (Note 6)	<u>687,406</u>	<u>1,101,776</u>
	<u>\$26,668,136</u>	<u>\$28,261,231</u>
Liabilities and Shareholder's Deficiency		
Accounts payable and accrued liabilities (Note 7)	\$ 11,814	\$ 237,893
Commissions payable	175,000	262,500
Accrued interest payable to investors	-	55,136
Subscription deposits (Note 8)	10,042	2,295,091
Obligations to investors (Note 9)	<u>27,750,000</u>	<u>25,500,000</u>
	<u>27,946,856</u>	<u>28,350,620</u>
Share capital (Note 10)	1,000	1,000
Deficit	<u>(1,279,720)</u>	<u>(90,389)</u>
	<u>(1,278,720)</u>	<u>(89,389)</u>
	<u>\$26,668,136</u>	<u>\$28,261,231</u>

See accompanying notes to the financial statements.

On behalf of the Board:



Gordon Mertler
Director



Lloyd Boutilier
Director

FINANCIAL STATEMENTS

Saskatchewan Government Growth Fund V (1997) Ltd.
Statement of Operations and Deficit
For the Year Ended December 31

	2003	2002
Revenues		
Interest from cash and portfolio investments	\$ 455,505	\$ 439,435
Income from investments	1,540,990	779,647
Other income	<u>-</u>	<u>32,268</u>
	1,996,495	1,251,350
Provision for credit losses	<u>1,977,723</u>	<u>793,750</u>
Net revenue	<u>18,772</u>	<u>457,600</u>
Expenses		
Administration (Note 12)	332,829	355,067
Interest on subscription deposits	12,205	31,233
Interest on obligations to investors	448,699	411,765
Amortization of deferred costs	<u>414,370</u>	<u>404,226</u>
	1,208,103	1,202,291
Net loss	(1,189,331)	(744,691)
(Deficit) retained earnings, beginning of year	<u>(90,389)</u>	<u>654,302</u>
Deficit, end of year	<u>\$(1,279,720)</u>	<u>\$(90,389)</u>

See accompanying notes to the financial statements.

FINANCIAL STATEMENTS

Saskatchewan Government Growth Fund V (1997) Ltd.
Statement of Cash Flows
For the Year Ended December 31

	2003	2002
Cash flows from operating activities		
Net loss	\$(1,189,331)	\$ (744,691)
Adjustments:		
Amortization of deferred costs	414,370	404,226
Provision for credit losses	1,977,723	793,750
Amortization of premium and discount on bonds	28,847	9,503
Net change in non-cash balances related to operations (Note 13)	<u>(370,908)</u>	<u>(480,066)</u>
Cash flows from operating activities	<u>860,701</u>	<u>(17,278)</u>
Cash flows from investing activities		
Purchase of portfolio investments	(4,694,989)	(10,282,151)
Sale of portfolio investments	4,565,290	3,500,000
Disbursements on investments	(4,433,649)	(8,787,741)
Repayments from investments	<u>3,475,009</u>	<u>1,120,634</u>
Cash flows from investing activities	<u>(1,088,339)</u>	<u>(14,449,258)</u>
Cash flows from financing activities		
Repayment of note subscriptions	<u>(35,049)</u>	<u>(289,500)</u>
Cash flows from financing activities	<u>(35,049)</u>	<u>(289,500)</u>
Net decrease in cash	(262,687)	(14,756,036)
Cash, beginning of year	<u>2,068,822</u>	<u>16,824,858</u>
Cash, end of year	<u>\$ 1,806,135</u>	<u>\$ 2,068,822</u>
Interest paid during the year	<u>\$ 521,331</u>	<u>\$ 423,401</u>

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Saskatchewan Government Growth Fund V Ltd.
December 31, 2003

1. Status of the Corporation

Saskatchewan Government Growth Fund V (1997) Ltd. ("SGGF V") was incorporated in August 1997 under *The Business Corporations Act* (Saskatchewan) and has been accepted as a government administered venture capital fund under the federal government's Immigrant Investor Program ("IIP"). Under this program, SGGF V was established to raise \$35,000,000 through a note offering. Each note is a variable rate (1.50% to 3.50%), unsecured, subordinated debt instrument with a principal amount of \$250,000, repayable in five years provided that 70% of the proceeds are invested in eligible businesses ("Notes") throughout the five year period. The marketing period for SGGF V ended on December 31, 1998. In 2003, SGGF V established December 15, 2003 as the date by which all subscribers must have fully paid any unpaid subscription amounts.

The Confidential Offering Memorandum ("Memorandum") and the IIP prescribe various conditions that qualify an investment as an eligible business, including a requirement that the business be Saskatchewan based and have assets, including assets of associated companies, of less than \$35 million.

As stated in the Memorandum, the Government of Canada and the Government of the Province of Saskatchewan offer no guarantees or assurances on the financial performance of SGGF V or of a return of an investor's original investment. Neither government will be liable for any loss or damages suffered by an investor as a result of an investment in the Notes.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are considered significant:

Measurement uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed quarterly and, as adjustments become necessary, they are reported in the Statement of Operations and Deficit in the period in which they become known.

Portfolio investments

Term Deposits and Government of Canada Treasury Bills ("T-Bills") are valued at cost. Government of Canada Bonds ("Bonds") are valued at amortized cost.

NOTES TO THE FINANCIAL STATEMENTS

Saskatchewan Government Growth Fund V Ltd.
December 31, 2003

2. Significant accounting policies (continued)

Investments

Investments include debt and equity investments in private companies. Income from debt investments is recognized as earned and income from equity investments is recognized when received.

Debt investments are carried at cost, net of provisions for credit losses.

Provisions for credit losses are established on impaired debt instruments ("loans"). A loan is considered to be impaired if, as a result of a deterioration in credit quality, there is no longer reasonable assurance of the timely collection of the full amount of principal and interest. Any loan on which contractual payments are in arrears for 90 days or more is usually assumed to be impaired. Other factors that are considered in determining whether a loan is impaired include the overall credit quality of the borrower and the fair value of the underlying security. When a loan becomes impaired, recognition of interest income ceases. A provision for specific credit losses is established for impaired loans to reduce their value to the estimated fair value of the security underlying the loan. If the credit quality of the loan subsequently improves a provision is reduced or reversed.

Investments in equities are carried at the lower of cost and, where a loss in value that is other than temporary has occurred, net realizable value. Investments that are evaluated as possibly being subject to a loss in value are assessed periodically based on appropriate criteria, including past operating results of the investee, financial outlook of the investee, recent capital transactions, and their associated value, between the investee and arm's length parties, and liquidity or going concern problems of the investee.

When a decline in the value of an equity investment is no longer considered to be temporary, the investment is written down through a provision and is carried at the written down value until disposal of the equity investment.

During the year, generally accepted accounting principles changed to limit the situations where investee companies over which an entity has significant influence are not consolidated. SGGF V continues to meet the requirements and therefore investments which SGGF V intends to dispose of in due course are not consolidated. The ability to account for investments in this manner will cease in October 2004.

Fair values for publicly-traded securities are determined with reference to quoted closing market prices. For investments which are not publicly-traded, fair values are determined by management on the basis of the expected realizable value of the investments if they were disposed of in an orderly manner over a reasonable period of time. There is no active secondary market for many investments which are not publicly-traded, and there is considerable uncertainty and a potentially broad range of outcomes with respect to the future cash flows from these investments. Valuations of such investments are subject to a number of assumptions and uncertainties that may cause actual values realized on disposal to differ materially from the fair value estimated at any particular time.

NOTES TO THE FINANCIAL STATEMENTS

Saskatchewan Government Growth Fund V Ltd.
December 31, 2003

2. Significant accounting policies (continued)

Deferred costs

Deferred costs include consulting, legal, administrative, accounting, general and printing costs associated with SGGF V's offering. Commissions paid or payable on subscriptions received have also been deferred. Deferred costs, including commissions, are amortized over five years from date of Note issuance.

Commissions payable

According to the terms of marketing agreements entered into by SGGF V, a commission is payable to the independent marketing agents selling the Notes upon receipt by SGGF V of the subscription deposit and all required documentation. The commission is subject to a holdback pending issuance of the investor's immigrant visa.

Accrued interest payable to investors

SGGF V accrues interest on its subscription deposits from the date of receipt of the full subscription amount to the date of Note issuance. Investors earn interest at a rate between a minimum of 1.50% and a maximum of 3.50% per annum. The rate is determined at the time of receipt of the full subscription amount and is calculated as 3.60% less than the then current yield on a benchmark Government of Canada bond. Interest is paid upon Note issuance.

Obligations to investors

Obligations to investors represent the Notes issued to investors of SGGF V. Their investment helps to satisfy a portion of their visa requirements under the IIP. Interest to the maturity date on Notes is accrued at an annual rate between a minimum of 1.50% and a maximum of 3.50% from the date of Note issuance until maturity. The rate is determined at the time of subscription deposit and is calculated as 3.60% less than the then current yield on a benchmark Government of Canada bond. Interest is paid annually on December 31 and at maturity; thereafter, interest is accrued on any remaining principal balance outstanding.

3. Provisions of the IIP

70% investment requirement

The terms of the IIP require that at least 70% of each subscription amount be invested in eligible businesses no later than nine months from receipt of the subscription amount. The federal regulator responsible for the IIP, Citizenship and Immigration Canada, extended the deadline for investment of subscriptions received by SGGF V prior to October 1, 2002, to June 30, 2003. As at December 31, 2003, all full subscription amounts have been invested in eligible businesses in accordance with the terms of the IIP.

NOTES TO THE FINANCIAL STATEMENTS

Saskatchewan Government Growth Fund V Ltd.
December 31, 2003

3. Provisions of the IIP (continued)

Minimum holding period and maturity of the Notes

A Note is issued to evidence receipt of the full subscription amount on the date that at least 70% of the subscription amount is invested in eligible businesses. Each Note is scheduled to mature five years from such date, provided SGGF V maintains at least 70% of the Note continuously invested in the active business operations of eligible businesses for five years following the issuance date. The IIP contains provisions that require the maturity date of a Note be extended if, and for such period that, a minimum of 70% of the Note amount ceases to be invested in the active business operations of eligible businesses.

If the subscription amount has not been at least 70% invested in eligible businesses within nine months of receipt, then, for the period from nine months after receipt until a minimum of 70% of the subscription amount has been initially invested in eligible businesses, the investor receives an additional payment as compensation for the extension of the maturity date of their Note.

4. Portfolio investments

Security	Rate %	Maturity Date	Par \$	2003 Carrying Value \$	2002 Carrying Value \$
Bond	3.50	1/6/04	2,500,000	2,492,788	2,478,365
Bond	6.00	1/9/05	3,110,000	3,185,722	3,228,992
T-Bill	2.77	2/12/04	1,020,000	993,021	-
Term Deposit	3.01	8/12/04	3,701,968	3,701,968	-
T-Bill	2.94	4/12/03	1,000,000	-	972,890
Term Deposit	3.05	6/12/03	1,539,600	-	1,539,600
Term Deposit	3.05	9/12/03	2,052,800	-	<u>2,052,800</u>
				<u>10,373,499</u>	<u>10,272,647</u>
Fair value				<u>10,493,556</u>	<u>10,400,338</u>

NOTES TO THE FINANCIAL STATEMENTS

Saskatchewan Government Growth Fund V Ltd.
December 31, 2003

5. Investments

	<u>2003</u>	<u>2002</u>
Debt instruments	\$15,483,406	\$15,477,369
Provision for credit losses	<u>(1,818,870)</u>	<u>(793,750)</u>
	<u>\$13,664,536</u>	<u>\$14,683,619</u>
Fair value	<u>\$14,200,000</u>	

Included in investments is \$2,408,870 (2002 – \$3,625,841) of impaired investments, against which the accumulated provision for credit losses is \$1,818,870 (2002 - \$793,750), upon which income is not accrued. During the year \$952,603 (2002 - \$nil) of investments and costs have been written off.

During the year, investments changed as follows:

	<u>2003</u>	<u>2002</u>
Balance, beginning of year	\$14,683,619	\$ 7,810,261
New investments	4,433,649	8,787,742
Book value of divestments	(3,475,009)	(1,120,634)
Net change in provision for credit losses	(1,025,120)	(793,750)
Investments and costs written off	<u>(952,603)</u>	<u>-</u>
Balance, end of year	<u>\$13,664,536</u>	<u>\$14,683,619</u>

6. Deferred costs

Deferred costs have been recorded net of accumulated amortization of \$1,632,527 (2002 – \$1,235,657).

7. Accounts payable and accrued liabilities

Included in accrued liabilities is a provision of \$Nil (2002 - \$217,687) for future fees payable to investment subadvisors under the terms of their respective investment services agreements. These amounts are payable to the investment subadvisors upon liquidation of their portfolio under management and upon achievement of certain performance targets.

8. Subscription deposits

Subscription deposits are reclassified to obligations to investors upon Note issuance.

NOTES TO THE FINANCIAL STATEMENTS

Saskatchewan Government Growth Fund V Ltd.
December 31, 2003

9. Obligations to investors

Notes – 1.50% to 3.50% unsecured promissory notes.

The obligation at December 31 is comprised of Notes with interest rates as follows:

	<u>2003</u>		<u>2002</u>	
	<u>Number</u>	<u>\$</u>	<u>Number</u>	<u>\$</u>
1.50%	97	24,250,000	88	22,000,000
1.75%	2	500,000	2	500,000
1.95%	1	250,000	1	250,000
2.00%	2	500,000	2	500,000
2.05%	1	250,000	1	250,000
2.20%	1	250,000	1	250,000
2.40%	2	500,000	2	500,000
2.45%	2	500,000	2	500,000
2.60%	<u>3</u>	<u>750,000</u>	<u>3</u>	<u>750,000</u>
	<u>111</u>	<u>27,750,000</u>	<u>102</u>	<u>25,500,000</u>

Obligations under the Notes are subordinate to all other liabilities of SGGF V and repayment is dependent on the proceeds on liquidation of investments and other available liquidity in excess of other liabilities. The Notes are irrevocable except in the case that (i) a visa is denied, or (ii) at least 70% of the subscription amount is not invested in eligible businesses within nine months of the date of payment of the full subscription amount.

The following is the schedule of Note maturities as at December 31, 2003:

2004	\$ 5,000,000
2005	13,250,000
2006	6,000,000
2007	1,000,000
2008	<u>2,500,000</u>
	<u>\$27,750,000</u>

As a result of differences in the timing of proceeds from investments and scheduled maturities of Notes, SGGF V has reduced repayments on each Note that matures commencing in 2005 to \$190,000. It is not known when payments subsequent to the initial payment at maturity will be made. Interest due on the remaining principal amount of each Note on which the principal is partially repaid will be accrued.

NOTES TO THE FINANCIAL STATEMENTS

Saskatchewan Government Growth Fund V Ltd.
December 31, 2003

10. Share capital

The authorized common share capital of SGGF V at December 31 is:

Class A common shares - an unlimited number of voting common shares. Holders of the Class A common shares are not entitled to receive dividends.

Class B common shares - an unlimited number of voting common shares. Holders of the Class B common shares are entitled to receive dividends.

The issued common share capital at December 31 is:

	<u>2003</u>	<u>2002</u>
1,000 Class A common shares	<u>\$1,000</u>	<u>\$1,000</u>

11. Risk management

SGGF V's primary business is the raising of capital from immigrant investors and placing these funds in new and expanding Saskatchewan businesses. This entails exposure to market risk, credit risk, interest rate risk and liquidity risk. These risk factors may impact upon SGGF V's ability to repay its Notes at maturity.

Market risk

Market risk is the risk that the fair value of an investment may be affected by the ability of an investee company to profitably distribute its products. Some of the companies in which SGGF V invests are dependent upon a single product or industry. SGGF V manages this risk through careful due diligence prior to committing funds to the investment and by diversifying its investments across various industry sectors.

Credit risk

Credit risk is the risk that an investee will fail to perform its obligations. Concentration of credit exposure may arise given that SGGF V restricts its investments to businesses operating in Saskatchewan and therefore all investments are subject to a similar general economic environment. In addition, changes in commodity prices and foreign currency exchange rates may significantly affect the financial position of some investees. SGGF V conducts thorough due diligence prior to committing to an investment and actively monitors the financial health of its investees on an on-going basis.

Interest rate risk

Interest rate risk is the risk that SGGF V's earnings will be affected by fluctuations in interest rates. SGGF V manages this risk through carefully monitoring and matching the duration of its portfolio investments and investments with the duration of its obligations to investors.

NOTES TO THE FINANCIAL STATEMENTS

Saskatchewan Government Growth Fund V Ltd.
December 31, 2003

11. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that SGGF V will encounter difficulty in liquidating its investments at the time it is required to repay Notes. Due to the nature of some of SGGF V's investments, the timing of cash flows from its investments may not exactly match the payments owing under SGGF V's Notes. SGGF V carefully monitors the duration of its investments. However, timing differences may require SGGF V to reduce or delay the payments owing on Notes at maturity.

Fair value - obligations to investors

No secondary market for the Notes exists. Due to the unique features associated with the Notes, the calculation of a fair value with appropriate reliability is impractical. The risk factors that affect the fair value of investments, as described above, also affect the fair value of obligations to investors. Repayment of these obligations at maturity is dependent upon the value and liquidity of investments at that time.

12. Administration

Under the terms of a management agreement, expiring in 2008, between SGGF V and Saskatchewan Government Growth Fund Management Corporation ("SGGF Management Corporation"), SGGF Management Corporation administers the assets of SGGF V with the assistance of a manager that performs fund administration and investment management together with several investment subadvisors. SGGF Management Corporation does not guarantee the financial performance of SGGF V. All services provided to SGGF V are charged on a fee for service basis. The costs billed to the fund by SGGF Management Corporation are as follows:

	<u>2003</u>	<u>2002</u>
Manager's fees	\$ 484,360	\$ 491,197
General administration	38,749	8,334
Directors' fees and expenses	8,737	10,508
Legal and professional	<u>18,670</u>	<u>21,414</u>
	550,516	531,453
Provision for manager's performance fees	-	(139,080)
Provision for investment subadvisors' performance fees	<u>(217,687)</u>	<u>(37,306)</u>
	\$ 332,829	\$ 355,067

NOTES TO THE FINANCIAL STATEMENTS

Saskatchewan Government Growth Fund V Ltd.
December 31, 2003

13. Net change in non-cash balances related to operations

	<u>2003</u>	<u>2002</u>
Accounts receivable and accrued income	\$ (2,193)	\$ (85,043)
Deferred costs	-	5,000
Accounts payable and accrued liabilities	(226,079)	(243,744)
Commissions payable	(87,500)	(207,500)
Accrued interest payable to investors	<u>(55,136)</u>	<u>51,221</u>
	<u>\$(370,908)</u>	<u>\$(480,066)</u>

14. Income taxes

A provincial Crown corporation, SGGF Management Corporation, owns all of the issued shares of SGGF V. Therefore, SGGF V is income tax exempt.

15. Related party transactions

Included in these financial statements are amounts resulting from transactions with SGGF Management Corporation pursuant to a management agreement referred to in Note 12. Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms. Total fees charged to SGGF V by SGGF Management Corporation amounted to \$550,516 (2002 - \$531,453). Total fees payable to SGGF Management Corporation at December 31, 2003, and included in the above, are \$11,814 (2002 - \$15,206).

FIVE YEAR FINANCIAL SUMMARY

Saskatchewan Government Growth Fund V (1997) Ltd.
(in thousands of dollars)

Financial Position As at December 31

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Assets					
Cash	\$ 1,806	2,069	16,825	8,831	18,877
Portfolio investments	10,373	10,273	3,500	3,500	3,500
Investments	13,665	14,684	7,810	15,557	3,603
Other assets	824	1,235	1,560	2,077	2,246
Total assets	<u>\$ 26,668</u>	<u>28,261</u>	<u>29,695</u>	<u>29,965</u>	<u>28,226</u>
Liabilities and Deficit					
Obligations to investors	\$ 27,760	27,849	28,089	27,815	26,787
Other liabilities	187	501	951	891	595
(Deficit) equity	(1,279)	(89)	655	1,259	844
Total liabilities and deficit	<u>\$ 26,668</u>	<u>28,261</u>	<u>29,695</u>	<u>29,965</u>	<u>28,226</u>

Operating Results For the years ended December 31

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Revenues					
Investment income	\$ 1,541	780	1,030	836	267
Lease revenue	-	-	885	78	-
Interest from cash and portfolio investments	456	440	525	985	1,018
Other income	-	32	52	3	148
	<u>1,997</u>	<u>1,252</u>	<u>2,492</u>	<u>1,902</u>	<u>1,433</u>
Provision for losses on investments	1,978	794	749	-	-
Net revenue	<u>19</u>	<u>458</u>	<u>1,743</u>	<u>1,902</u>	<u>1,433</u>
Expenses					
Administration	333	355	595	641	233
Financing	875	848	1,752	846	385
Total expenses	<u>1,208</u>	<u>1,203</u>	<u>2,347</u>	<u>1,487</u>	<u>618</u>
Net (loss) income	<u>\$ (1,189)</u>	<u>(745)</u>	<u>(604)</u>	<u>415</u>	<u>815</u>

CORPORATE INFORMATION

Saskatchewan Government Growth Fund V (1997) Ltd.

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Lloyd Boutillier
Businessman
Regina, Saskatchewan

Darrel Cunningham
Farmer
Lintlaw, Saskatchewan

Harwood Davies
Businessman
Watrous, Saskatchewan

Roland ("Rollie") Hardy
Businessman
Regina, Saskatchewan

Gordon Mertler
Businessman
Regina, Saskatchewan

Fund Manager

Saskatchewan Government Growth Fund
Management Corporation, which has retained
Crown Capital Partners Inc. to provide
management services.

Crown Capital Partners Inc.
Brian A. Johnson, C.F.A., Managing Partner
Alan M. Rowe, C.A., Partner Responsible for SGGF
Christopher J. Anderson, C.F.A., Partner
B. Cameron Johnson, C.A., C.F.A., C.B.V., Partner
Christopher A. Johnson, C.F.A., C.B.V., Partner
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Alan M. Rowe, President

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