

## MANAGEMENT DISCUSSION AND ANALYSIS

The mission of Saskatchewan Government Growth Fund Management Corporation (SGGF MC) is to participate in the Federal government's Immigrant Investor Program (IIP) for the purpose of acquiring relatively low cost capital for investment in the Saskatchewan economy on commercial terms. Investment of this capital creates economic wealth and diversification, while also ensuring a return of capital and nominal investment income to the immigrant investor.

The ability of SGGF MC to raise additional funds under the IIP ended on March 31, 1999, when a new Federal program was launched and SGGF MC declined to participate. The capital currently under management and from the three funds launched in 1999 will require administration for at least the next six years.

SGGF MC manages eight government-administered venture capital funds under the old IIP, specifically:

*Saskatchewan Government Growth Fund Ltd. (SGGF I);  
Saskatchewan Government Growth Fund II Ltd. (SGGF II);  
Saskatchewan Government Growth Fund III Ltd. (SGGF III);  
Saskatchewan Government Growth Fund IV Ltd. (SGGF IV);  
Saskatchewan Government Growth Fund V (1997) Ltd. (SGGF V);  
Saskatchewan Government Growth Fund VI Ltd. (SGGF VI);  
Saskatchewan Government Growth Fund VII Ltd. (SGGF VII); and,  
Saskatchewan Government Growth Fund VIII Ltd. (SGGF VIII).*

SGGF MC's first quarter consolidated earnings of \$40 thousand improved significantly over the same period in 2003 (\$19 thousand net loss). Earnings of SGGF MC reflect the margin earned from ongoing management expenses less administrative and legal expenses.

The operating revenues of SGGF MC are based on its expenditure levels as ongoing management expenses are charged to the Fund Companies at a modest mark-up. Management fee revenue in the first quarter of \$575 thousand is down \$154 thousand from the same period in 2003 due to a decrease in the asset base on which the management fee is calculated. Investment manager fees declined \$106 thousand between the two reporting periods. As SGGF Fund Companies begin to wind down operations and management expenses are reduced, SGGF MC will see revenue reductions in future reporting periods.

In addition to declining management fee expense, legal and professional fees of \$54 thousand were \$102 thousand lower than the first quarter expenses in 2003 primarily due to reduced investment management and timing of expenditures.

### Outlook

Forecasted earnings for 2004 are expected to be significantly lower than 2003 due to a gain on the sale of an investment realized in 2003. Excluding the gain on sale of the investment, 2004 earnings will be slightly lower than 2003 due to the diminishing asset base on which management revenues are earned. SGGF MC will continue to closely monitor its costs to maximize net income.



## SASKATCHEWAN GOVERNMENT GROWTH FUND MANAGEMENT CORPORATION

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

## 2004

First Quarter Report  
For the Three Months Ended  
March 31, 2004

### 2004 First Quarter Report

- Management Discussion and Analysis
- Financial Statements for the Three Months Ended March 31, 2004
- Notes to the Financial Statements



Saskatchewan Government Growth Fund  
Management Corporation

**Head Office:**  
#400 – 2400 College Avenue  
Regina, Saskatchewan S4P 1C8  
Phone: (306) 787-6851 Fax: (306) 787-0294  
<http://sggfmc.com/>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (unaudited)**

	March 31, 2004	December 31, 2003
	(in thousands of dollars)	
<b>Assets</b>		
Cash and short-term deposits	\$ 730	\$ 729
Funds in trust, net of provision	1,200	1,200
Accounts receivable	90	80
Loan receivable	1,035	1,035
Fixed assets (net)	1	2
Equity in funds	8	8
Investments	427	427
<b>Total assets</b>	<b>\$ 3,491</b>	<b>\$ 3,481</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 25	\$ 155
Cash surplus/profit sharing	100	-
Commissions payable	58	58
<b>Total liabilities</b>	<b>183</b>	<b>213</b>
<b>Province of Saskatchewan's Equity</b>		
Equity advance	1	1
Retained earnings	3,307	3,267
<b>Total equity</b>	<b>3,308</b>	<b>3,268</b>
<b>Total liabilities and equity</b>	<b>\$ 3,491</b>	<b>\$ 3,481</b>

**CONSOLIDATED STATEMENT OF OPERATIONS AND  
RETAINED EARNINGS (unaudited)  
For the Three Months Ended March 31**

	2004	2003
	(in thousands of dollars)	
<b>Revenues</b>		
Management fees	\$ 575	\$ 729
Interest and other income	30	35
Dividend	6	4
	<u>611</u>	<u>768</u>
<b>Expenses</b>		
Investment manager fees	488	594
Administration	14	9
Legal and professional	54	156
Directors fees and expenses	15	28
	<u>571</u>	<u>787</u>
<b>Net income (loss)</b>	<b>40</b>	<b>(19)</b>
<b>Retained earnings, beginning of period</b>	<b>3,267</b>	<b>2,898</b>
<b>Retained earnings, end of period</b>	<b>\$ 3,307</b>	<b>\$ 2,879</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)  
For the Three Months Ended March 31**

	2004	2003
	(in thousands of dollars)	
<b>Operating activities</b>		
Net income (loss)	\$ 40	\$ (19)
Items not affecting cash from operations:		
Amortization of capital assets	1	1
Net change in non-cash balances related to operations	<u>(40)</u>	<u>(249)</u>
Cash provided by (used in) operating activities	<u>1</u>	<u>(267)</u>
<b>Financing activities</b>		
Dividend to the General Revenue Fund	-	(800)
Cash provided by financing activities	<u>-</u>	<u>(800)</u>
<b>Net increase (decrease) in cash during the period</b>	<b>1</b>	<b>(1,067)</b>
<b>Cash position, beginning of period</b>	<b>729</b>	<b>1,655</b>
<b>Cash position, end of period</b>	<b>\$ 730</b>	<b>\$ 588</b>

**Notes to Financial Statements**
**1. Status of the Corporation**

Saskatchewan Government Growth Fund Management Corporation (the Corporation) was established for the purpose of creating and managing fund companies that have been accepted as government administered venture capital funds under the Federal government's Immigrant Investor Program.

These consolidated financial statements include the accounts of the Corporation and its subsidiary, Saskatchewan Government Growth Fund Ltd. (SGGF I). All inter-company transactions have been eliminated on consolidation. The statements are unaudited.

**2. Summary of significant accounting policies**

The interim financial statements (interim financial statements) do not include all of the disclosures included in the Corporation's annual consolidated financial statements. Accordingly, these interim financial statements should be read in conjunction with the Corporation's most recent annual consolidated financial statements released on April 26, 2004.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The timely preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Actual results could differ from those estimates which may impact the actual transactions and events reported in future periods.

The accounting policies used in the preparation of these interim financial statements conform with those used in the Corporation's most recent annual consolidated financial statements.