

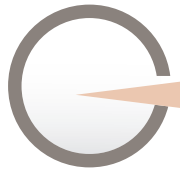
Growth



2005
SECOND QUARTER
FINANCIAL REPORT



SASKATCHEWAN GOVERNMENT GROWTH FUND
MANAGEMENT CORPORATION



SASKATCHEWAN GOVERNMENT GROWTH FUND
MANAGEMENT CORPORATION

Introduction	1
Management's Discussion and Analysis	2
Consolidated Financial Statements for the six months Ended June 30, 2005	3
Notes to the Consolidated Financial Statements	6



Introduction

Mandate

The Saskatchewan Government Growth Fund Management Corporation (SGGF MC) was established in 1989 under Order-in-Council to create and manage investment funds that have been accepted as government administered venture capital funds under the Federal government's Immigrant Investor Program.

Vision

SGGF MC envisions the creation of economic wealth and diversification through investment of immigrant investor capital in Saskatchewan.

Mission

The mission of SGGF MC is to participate in the Federal government's Immigrant Investor Program for the purpose of acquiring relatively low cost capital for investment in the Saskatchewan economy on commercial terms, thereby creating wealth and diversification, while ensuring a return of capital and nominal investment income to the immigrant investor.

Profile

SGGF MC participates in the Federal government's Immigrant Investor Program (IIP). This program acquires lower cost capital for the commercial investment in Saskatchewan, providing small and medium-sized businesses with capital to grow and prosper, and thereby facilitating long-term economic growth and development for the Province.

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. In 2003, the fund companies were closed to new deposits and all investors were required to pay their subscriptions in full by December 15, 2003. 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);
Saskatchewan Government Growth Fund VIII Ltd. (SGGF VIII).

SGGF fund companies have provided an important source of venture capital financing in Saskatchewan to assist economic development in the Province.



Second Quarter Results

SGGF MC's consolidated loss for the six months ending June 30, 2005 of \$13 thousand declined from the same period in 2004 (earnings of \$75 thousand). The loss is primarily due to lower investment income (\$77 thousand lower) related to the divestiture of an investment in 2004, lower management fee revenue (\$30 thousand lower net of Fund manager fee expenses), partially offset by lower legal expenses (\$25 thousand lower).

Management fee revenue for the first six months of the year of \$1,044 thousand were down \$147 thousand from the same period in 2004. Management fee revenue consists of two components. The first component is a recovery of investment management fees. The second component is a modest mark-up on these management fees used to fund administrative expenditures that are not charged to Fund Companies. Investment manager fees declined \$118 thousand between the two reporting periods, resulting in a commensurate decline in management fee revenue. Management fees are declining due to a decrease in the asset base on which the Fund manager fee is calculated. As SGGF Fund Companies begin to wind down operations and management expenses are reduced, SGGF MC will continue to experience revenue reductions in future reporting periods. Higher 2004 investment revenues reflect the Corporation's sale of its shares of Prairie Plant Systems Inc for \$332 thousand in the second quarter of that year. The Corporation had previously fully allowed for its investment in Prairie Plant Systems Inc.

In addition to declining Fund manager fee expense, legal and professional fees of \$244 thousand were \$25 thousand lower than the comparative period expenses in 2004 primarily due to reduced volume of investment management activities.

Outlook

Forecasted earnings for 2005 are expected to be lower than 2004 due to the declining management fee revenues combined with relatively steady administrative costs (legal, director, and general). Actual results will be dependant upon the sale of any investments that may occur in the year.

SGGF MC will continue to closely monitor its costs to maximize net earnings. SGGF operates primarily on a cost-recovery basis and hence operates at or near break-even.

Key Factors Affecting Performance

- Ability of the fund companies to liquidate their investment portfolios at values and in the timeframe necessary to provide for full repayment of investor capital at maturity.
- Ability of the fund companies to recover their costs of operation from the revenues earned on investment funds under management.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (unaudited)
As At

	June 30 2005	December 31 2004
Assets		
Current Assets		
Cash and short-term deposits	\$ 2,622,381	\$ 1,316,235
Funds in trust	1,200,000	1,200,000
Accounts receivable	40,637	247,373
Note receivable	-	1,184,469
	3,863,018	3,948,077
Investments	107,057	178,070
Investments in Fund companies	8,000	8,000
	\$ 3,978,075	\$ 4,134,147
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 125,183	\$ 267,843
Commissions payable	58,050	58,050
	183,233	325,893
Province of Saskatchewan's Equity		
Equity advances	1,031	1,031
Retained earnings	3,793,811	3,807,223
	3,794,842	3,808,254
	\$ 3,978,075	\$ 4,134,147

CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS (unaudited)
For the Period Ended

	2005		2004	
	April 1 To June 30	January 1 To June 30	April 1 To June 30	January 1 To June 30
Revenue				
Management fees	\$ 538,385	\$ 1,043,863	\$ 614,320	\$ 1,191,084
Interest and other income	15,259	37,982	28,732	58,316
Investment income	-	1,302	72,335	77,833
	553,644	1,083,147	715,387	1,327,233
Expenses				
Fund manager fees	409,837	822,411	452,259	939,985
General administration	358	632	1,887	2,870
Legal fees and professional fees	133,811	243,781	204,844	268,799
Amortization expense	-	-	521	1,043
Directors fees and expenses	19,891	29,735	21,413	39,581
	563,897	1,096,559	680,924	1,252,278
Net (loss) earnings	\$ (10,253)	(13,412)	\$ 34,463	74,955
Retained earnings, beginning of period		3,807,223		3,267,176
Retained earnings, end of period		\$ 3,793,811		\$ 3,342,131

CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)
For the Period Ended

	2005		2004	
	April 1 To June 30	January 1 To June 30	April 1 To June 30	January 1 To June 30
Operating activities				
Net (loss) earnings	\$ (9,984)	\$ (13,412)	\$ 34,454	\$ 74,955
Items not affecting cash from operations:				
Amortization expense	-	-	522	1,043
Net change in non-cash balances related to operations	160,871	1,248,545	14,322	(25,643)
Cash provided by operating activities	150,887	1,235,133	49,298	50,355
Investing activities				
Proceeds on sale of investment	-	71,013	-	-
Net increase in cash during the period	150,887	1,306,146	49,298	50,355
Cash position, beginning of period	2,471,494	1,316,235	730,150	729,093
Cash position, end of period	\$ 2,622,381	\$ 2,622,381	\$ 779,448	\$ 779,448



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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 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, 2005.

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.

3. Comparative figures

Certain comparative figures have been reclassified to conform with the current presentation.

