



SASKATCHEWAN GOVERNMENT GROWTH FUND
MANAGEMENT CORPORATION

2007

September 30

Quarter Three Financial Report

Introduction	1
Management's Discussion and Analysis	2
Consolidated Financial Statements for the nine months ended September 30, 2007	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 also 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 five 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 fund companies have provided an important source of venture capital financing in Saskatchewan to assist in economic development in the Province.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Third Quarter Results

SGGF MC's consolidated loss for the nine months ending September 30, 2007 of \$123.3 thousand has decreased from its comparative period in 2006 (net loss of \$191.1 thousand) by \$67.8 thousand. The decrease in net loss is due to a decrease in operating expenditures as the funds continue to wind down. SGGF MC continues to experience decreases in management revenue as assets in the fund companies continue to be disposed.

Management fee revenue for the first nine months of 2007 was \$623.7 thousand, down \$359.2 thousand from the same period in 2006. 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 SGGF MC administrative expenditures that are not charged back to the Fund companies. Based on a designed plan to reduce costs to the Fund companies as they continue to wind down, the markup on management fees was reduced from 4% to 2% effective January 1, 2007.

Fund manager fees declined by \$320.1 thousand in 2007, over the same period in 2006, 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 management fee is calculated. As SGGF Fund companies continue to wind-down operations, SGGF MC will continue to experience revenue reductions.

In addition to declining Fund manager fee expense, legal and professional fees of \$316.2 thousand were \$2.8 thousand lower than the comparative period expenses in 2006 primarily due to reduced volume of investment management activities.

Outlook

SGGF MC expects to have a small loss in 2007, consistent with the corporation's goal to use some of its cash resources to achieve an effective wind down of its Fund companies.

SGGF MC will continue to closely monitor its costs to ensure appropriate cash resources to meet financial obligations as the Funds continue to wind down operations.

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.
- SGGF operates primarily on a cost-recovery basis and hence operates at or near break-even.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION (unaudited)
As at

	September 30 2007	December 31 2006
Assets		
Current		
Cash and short-term deposits	\$ 2,975,450	\$ 3,327,435
Accounts receivable	<u>25,289</u>	<u>54,921</u>
	3,000,739	3,382,356
Investments – held for trading (Note 3)	159,010	96,182
Investments in Fund companies	<u>8,000</u>	<u>8,000</u>
	<u>\$ 3,167,749</u>	<u>\$ 3,486,538</u>
Liabilities and Province's Equity		
Current		
Accounts payable and accrued liabilities	\$ 282,744	\$ 478,204
Site restoration liability	<u>200,000</u>	<u>200,000</u>
	<u>482,744</u>	<u>678,204</u>
Province of Saskatchewan's Equity		
Equity advances	1,031	1,031
Retained earnings	<u>2,683,974</u>	<u>2,807,303</u>
	<u>2,685,005</u>	<u>2,808,334</u>
	<u>\$ 3,167,749</u>	<u>\$ 3,486,538</u>

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

	2007		2006	
	July 1 to September 30	Year to Date	July 1 to September 30	Year to Date
Revenue				
Management fees	\$ 170,425	\$ 623,704	\$ 269,195	\$ 982,897
Interest and other income	<u>27,720</u>	<u>158,862</u>	<u>25,355</u>	<u>70,386</u>
	<u>198,145</u>	<u>782,566</u>	<u>294,550</u>	<u>1,053,283</u>
Expenses				
Fund manager fees	147,257	534,197	235,803	854,269
General administration	3,344	5,803	1,133	2,766
Legal fees and professional fees	134,844	316,224	124,977	319,010
Directors fees and expenses	<u>9,652</u>	<u>49,671</u>	<u>23,480</u>	<u>68,346</u>
	<u>295,097</u>	<u>905,895</u>	<u>385,393</u>	<u>1,244,391</u>
Net loss	(96,952)	(123,329)	(90,843)	(191,108)
Retained earnings, beginning of period	<u>2,780,926</u>	<u>2,807,303</u>	<u>3,616,428</u>	<u>3,716,693</u>
Retained earnings, end of period	<u>\$ 2,683,974</u>	<u>\$ 2,683,974</u>	<u>\$ 3,525,585</u>	<u>\$ 3,525,585</u>

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

	2007		2006	
	July 1 to September 30	Year to Date	July 1 to September 30	Year to Date
Operating activities				
Net loss	\$ (96,952)	\$ (123,329)	\$ (90,843)	\$ (191,108)
Net change in market value of investments	5,197	(62,828)	-	-
Net change in non-cash working capital balances related to operations	<u>35,338</u>	<u>(165,828)</u>	<u>(15,094)</u>	<u>15,546</u>
Cash used in operating activities	<u>(56,417)</u>	<u>(351,985)</u>	<u>(105,937)</u>	<u>(175,562)</u>
Net decrease in cash during the period	(56,417)	(351,985)	(105,937)	(175,562)
Cash position, beginning of period	<u>3,031,867</u>	<u>3,327,435</u>	<u>2,506,397</u>	<u>2,576,022</u>
Cash position, end of period	<u>\$ 2,975,450</u>	<u>\$ 2,975,450</u>	<u>\$ 2,400,460</u>	<u>\$ 2,400,460</u>

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, 2007.

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. Changes in accounting policies

Effective January 1, 2007, the Corporation adopted the following new accounting standards relating to financial instruments, as issued by the Canadian Institute of Chartered Accountants: Section 3855 Financial Instruments Recognition and Measurement; Section 3861, Financial Instruments - Disclosure and Presentation; Section 1530, Comprehensive Income; and Section 3865, Hedges. These changes in accounting policy were applied in accordance with the transitional provisions contained in each of these sections.

Financial Instruments

Section 3855, Financial Instruments - Recognition and Measurement, and Section 3861, Financial Instruments - Disclosure and Presentation, provide guidance for the recognition, measurement, presentation and disclosure of financial assets, financial liabilities and non-financial derivatives. These standards require financial assets, liabilities and derivatives to initially be recognized at fair value. After initial recognition, financial instruments are measured at fair value, amortized cost or cost, depending on the classification of the financial instrument. These standards also require the corporation to recognize and measure derivative instruments embedded in host contracts that were issued on or after January 1, 2003.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

3. Changes in accounting policies (continued)

The following is a summary of the Corporation's financial instruments, their classification and measurement basis, and the financial statement impact of adopting the new standards:

- Cash and cash equivalents are classified as held-for-trading and are measured at fair value with changes in fair value recognized in net income. This classification had no impact on the Corporation's financial statements at the time of adoption.
- Accounts receivable are classified as loans and receivables and are measured at amortized cost. This classification had no impact on the Corporation's financial statements at the time of adoption.
- Accounts payable and other short-term liabilities are classified as other liabilities and are measured at amortized cost. This classification had no impact on the Corporation's financial statements at the time of adoption.

The carrying values of cash and cash equivalents equals fair value. The carrying values of accounts receivable, accounts payable and other short-term liabilities approximate their fair values. The fair value of short-term financial instruments approximates their carrying amounts due to their short-term nature.

Comprehensive Income

Section 1530, Comprehensive Income, establishes standard for the reporting and display of comprehensive income. The Corporation's does not have any items that required separate recognition outside of net income, and, as a result, the adoption of this section did not have any impact on the Corporation's financial statements.

Hedges

Section 3865, Hedges, established standards on when and how hedge accounting may be applied. Hedge accounting under this section is optional. The Corporation did not have any outstanding hedges in place as at January 1, 2007, so the adoption of this section did not have any impact on the Corporation's financial statements.

4. Investments

Investments have been designated as held for trading. Changes in market value of investments are recorded in interest and other income in the Consolidated Statement of Operations and Retained Earnings.

