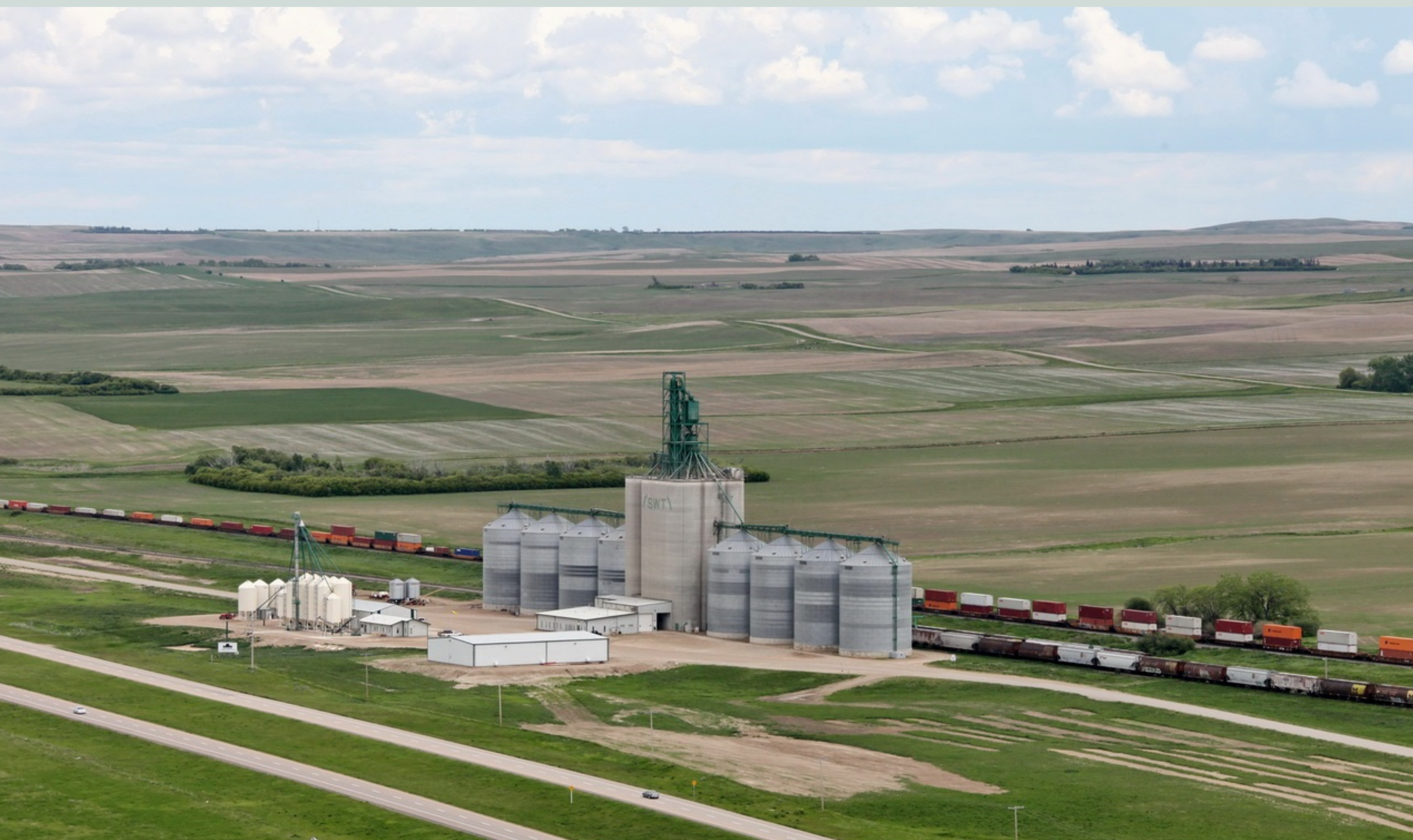
2011-2012

18th ANNUAL REPORT



SOUTH WEST TERMINAL



Box 719
Gull Lake, SK S0N 1A0
www.swt.ca

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VISION STATEMENT

To be recognized as the most trusted, dependable and considerate grain and crop input company in providing profit making solutions to producers in South West Saskatchewan.

We are proud to be a small business based in Saskatchewan.

MISSION STATEMENT

To our producers, we commit to learning about your needs and your business to enable us to present you the highest value integrated (grain/agro) solutions to give you the best chance at success.

To our staff, we commit to creating a positive, supporting and safe work environment and to invest in your knowledge, skill and personal development to make us the employer of choice in this province.

To our communities, we commit to being a responsible and considerate corporate citizen, being vigilant to community needs and proactive in ones concerns and stewardship regarding safety of people and the environment.

To our suppliers, we commit to being honest and open in our relationship and are true to our word. We are committed to helping our mutual businesses grow as we work together to make producers and shareholders more profitable.

To our end-user customers, we commit to making and keeping promises in quality, timeliness, documentation and safety. We also commit to strive for mutual benefit in all our dealings.

And to our shareholders, we commit to prudent responsible governance of the company and continual growth in share value.

STATEMENT OF PURPOSE

South West Terminal was formed to fill a producer need for grain logistics and crop inputs services in south west Saskatchewan.

South West Terminal, along with our shareholders and partner Cargill, is demonstrating that south west Saskatchewan is great farming country, with great producers, great communities, great people to draw on for staff and great values.

We exist to provide grain producers with innovative, strategic and profit making solutions tailor made for each producer. We understand the challenge and risks of growing crops in the region and we will work side by side with our customers to ensure mutual benefit.

We also exist to give our shareholders high rate of return on their investment with full expectations that we are in this business long term. We exist to provide fulfilling, exciting and rewarding work opportunities for staff. We take pride in the fact our staff work and live in the communities we serve and support the enrichment of all those associated with SWT and our people.

SOUTH WEST TERMINAL LTD. RECOGNITION

2011 SASKBUSINESS TOP 100

Year 2011 Go

Rank	Company	Location	CEO	Employees	Major Shareholders
61	Innovation Credit Union	Swift Current	Susan Woods	389	Member Owned
62	CAA Saskatchewan	Regina	Fred Titanich	251	Member Owned
63	Westridge Group of Companies	Regina	Leon Friesen	120	Leon Friesen, Craig Phillips
64	South West Terminal Ltd.	Gull Lake	Monty Reich	38	Widely Held
65	Millsap Fuel Distributors	Saskatoon	Gus Millsap	65	Gus Millsap
66	Access Communications Co-operative Ltd.	Regina	Jim Deane	240	Member Owned

September 2011 South West Terminal Ltd. was listed among the Top 100 Companies in Saskatchewan.
South West Terminal Ltd. ranked #64.

BOARD OF DIRECTORS

RHETT ALLISON	CHAIRMAN	RON TAYLOR	
BRETT MEINERT	VICE-CHAIR	GENE BUSSE	
RHONDA UNDSETH	PRESIDENT	DAREN CASWELL	
ROLAND MONETTE	VICE-PRESIDENT	WAYNE OBERLE	
ERROLL CASTLE	SECRETARY	SHANE LACASSE	
MURRAY SMITH		RICHARD BERGMANN	CARGILL

MEET THE STAFF

SENIOR MANAGEMENT TEAM	
MONTY REICH	GENERAL MANAGER
JEFF KIRWAN	CROP INPUTS MANAGER
ROBERT CHAPMAN	GRAIN MANAGER
TRACY COWARD	CONTROLLER
GRAIN SALES AND PROCUREMENT	
WARREN MARESCHAL	SALES MANAGER
RON COTE	FARM MARKETING REP
HEATHER CAMPHAUG	FARM MARKETING REP
STACEY BREEN	FARM MARKETING REP
AMANDA WARD	FARM MARKETING REP
ARLENE DANIEL	MERCHANDISING ASSISTANT
JUNE WETHERELT	ADMINISTRATIVE ASSISTANT
STEPHANIE STUSRUD	ADMINISTRATIVE ASSISTANT
GRAIN PLANT OPERATIONS	
KENDELL RADTKE	PLANT MANAGER
JUSTIN ISHERWOOD	ASSISTANT PLANT MANAGER
KEVIN BAUMANN	PLANT OPERATOR
TONY MANDEL	PLANT OPERATOR
TAYLOR DUTTON	PLANT OPERATOR
JORDAN RETZLAFF	PLANT OPERATOR
CROP INPUTS – ANTELOPE	
DAVE ELVISS	LOCATION MANAGER
RYAN SERVICE	FARM MARKETING REP
KELSEY DUTTON	CROP INPUTS SALES AND MKTG
JOEL BUTTS	LOCATION ASSISTANT
BLAKE NELSON	LOCATION ASSISTANT
BRAD WHITE	P.Ag – AGROLOGIST
CARLA BENJAMIN	ASSISTANT ACCOUNTANT
CORINNA GIBSON	ADMINISTRATIVE ASSISTANT

CROP INPUTS – HAZENMORE	
CHEYENNE ARNTSEN	LOCATION MANAGER
BILL WILSON	FARM MARKETING REP
BRODY LOVERIN	FARM MARKETING REP
JEFF DASH	LOCATION ASSISTANT
CROP INPUTS – CABRI	
CAM WILLIAMSON	LOCATION MANAGER
AL WARD	FARM MARKETING REP
BARRY McGUIGAN	LOCATION ASSISTANT
KARA SHAW	ADMINISTRATIVE ASSISTANT
CROP INPUTS – SHAUNAVON	
JAMES BATEMAN	LOCATION MANAGER
KYLE BOLTON	LOCATION ASSISTANT
WADE CODERRE	LOCATION ASSISTANT
KATHY WILKINS	ADMINISTRATIVE ASSISTANT
MAINTENANCE	
DEVON LEDUC	MAINTENANCE OPERATOR
TYLER FLYNN	MAINTENANCE OPERATOR
FINANCE AND HUMAN RESOURCES	
SHANNON ARMSTRONG	HUMAN RESOURCE ASSISTANT
DENISE ANDERSON	ASSISTANT ACCOUNTANT
DRAKE MAY	ASSISTANT ACCOUNTANT
HEALTH, SAFETY AND QUALITY	
CARMEN MOEN	E,H & S QUALITY COORDINATOR

REPORT FROM THE GM

To the shareholders of SWT:

It is with great pride we deliver an annual report which once again informs of South West Terminal Ltd. having achieved the best financial result in the Company's history. Special thanks go to the producers who continue to support this Company year after year. The growth we have achieved is a testament to the benefits which can be realized by producers supporting the communities in which they live. We believe very strongly in the south west corner of Saskatchewan - it is the best place in the province to conduct business.

We made great strides this past year in continuing the growth of SWT's grain and crop inputs businesses. The strong results of this past year can be attributed in large part to rising crop inputs sales, with a year-over-year increase of 57% leading to total 2012 sales of over $60 million. With four fully functioning crop inputs locations, our products and services have never been more accessible. We are extremely happy to support producers and their growing need for crop nutrients and crop protection products.

Grain handlings continued to grow as a renewed focus in this area resulted in yearly volumes increasing by 27%, for a total of 381,000 metric tonnes. This segment of the Company's business however, will be subject to some major changes occurring in the environment within which the industry operates. The beginning of August will see the end of the Canadian Wheat Board's monopoly on wheat, durum and malt barley. This will result in change for SWT, our producers and other industry participants and stakeholders. We are nonetheless confident there will be some tremendous opportunities which will accompany this change. Preparations have long since been underway to survive and thrive in this new world of grain marketing, and we are unwavering in our resolve to provide competitive market access to our customers.

We have recently invested a very large amount of capital back into the Company. Over the past year, approximately $4 million was expended to create new processing efficiencies within the Company's grain terminal and to address normal depreciation; a new crop inputs location at Shaunavon and various other capital investment projects required an injection of $2 million. This upcoming year we are planning on expanding the main office at Gull Lake to meet the requirements of our growing business. SWT is focused on investing in our facilities to ensure customers are treated professionally, efficiently and comfortably.

This organization has many people who deserve special recognition for the work they do on your behalf. The Board, management and staff work tirelessly to ensure producers and customers are treated with the utmost respect, benefit from our knowledge, and give us their trust. Without this great team of people, SWT would not be the Company it is today.

Again, my thanks go out to you – the shareholders, producers and customers who support SWT. With your support, our company continues to grow as one of the strongest agri-businesses in the south west. Together, we will continue to improve and ensure that SWT maintains a strong presence in this corner of the province.

Best regards,

Monty Reich
General Manager

A U D I T O R S   R E P O R T

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
South West Terminal Ltd.

We have audited the accompanying consolidated financial statements of South West Terminal Ltd., which comprise the consolidated statements of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of South West Terminal Ltd. as at March 31, 2012, March 31, 2011, and April 1, 2010 and its financial performance and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with International Financial Reporting Standards.

SASKATOON, SASKATCHEWAN

Ernst & Young LLP

June 15, 2012

Chartered Accountants

ERNST & YOUNG

A member firm of Ernst & Young Global Limited

BALANCE SHEET

SOUTH WEST TERMINAL LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2012

	March 31, 2012	March 31, 2011	April 1, 2010
ASSETS			
Current assets			
Deferred cash tickets held in trust	$ 1,524,232	$ 158,194	$ 587,468
Accounts receivable (Note 5)	6,542,087	6,422,296	4,396,954
Inventory (Note 6)	18,267,188	11,699,045	8,817,725
Prepaid expenses	6,611,198	3,868,174	5,289,283
	32,944,705	22,147,709	19,091,430
Long-term investments (Note 7)	1,126,300	1,126,500	1,126,500
Capital assets (Note 8)	16,570,933	12,930,372	12,531,656
Goodwill	140,000	140,000	140,000
	$ 50,781,938	$ 36,344,581	$ 32,889,586
LIABILITIES			
Current liabilities			
Bank indebtedness (Note 9)	$ 4,426,554	$ 4,967,793	$ 254,991
Accounts payable (Note 10)	15,048,417	7,660,400	7,884,706
Income taxes payable	693,387	573,535	749,214
Current portion of long-term debt (Note 11)	424,556	409,976	424,838
	20,592,914	13,611,704	9,313,749
Long-term debt (Note 11)	4,327,213	1,752,056	5,131,135
Deferred revenue (Note 12)	493,692	106,824	192,170
Deferred income taxes (Note 13)	550,053	604,688	639,749
	25,963,872	16,075,272	15,276,803
Contingencies (Note 15)			
Commitments (Note 16)			
SHAREHOLDERS' EQUITY			
Share capital (Note 17)	182,690	182,690	309,022
Retained earnings	24,635,376	20,086,619	17,303,761
	24,818,066	20,269,309	17,612,783
	$ 50,781,938	$ 36,344,581	$ 32,889,586

Approved by the Board

Murray E Smith Director   Rhonda Undseth Director

ERNST & YOUNG

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STATEMENT OF RETAINED EARNINGS

SOUTH WEST TERMINAL LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEAR ENDED MARCH 31, 2012

	2012	2011
Revenue		
Sales	$ 90,708,222	$ 70,784,197
Other	3,631,141	2,733,672
	94,339,363	73,517,869
Cost of sales	80,870,862	63,935,446
Gross profit	13,468,501	9,582,423
Expenses		
Amortization	974,780	937,759
General and administrative	5,770,646	4,378,993
Interest on long-term debt	18,287	51,209
	6,763,713	5,367,961
Income before income taxes	6,704,788	4,214,462
Income tax (recovery) (Note 18)		
Current	1,831,669	1,214,001
Future	(54,634)	(35,061)
	1,777,035	1,178,940
Total comprehensive income	**$ 4,927,753**	**$ 3,035,522**
Basic and diluted income per share (Note 19)	156.03	96.11

STATEMENT OF CHANGES IN EQUITY

SOUTH WEST TERMINAL LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED MARCH 31, 2012

	Share capital	Retained Earnings	Total
Balance, April 1, 2010	$ 309,022	$ 17,303,761	$ 17,612,783
Net and comprehensive income	-	3,035,522	3,035,522
Return of capital	(126,332)	-	(126,332)
Balance, March 31, 2011	182,690	20,086,619	20,269,309
Net and comprehensive income	-	4,927,753	4,927,753
Balance, March 31, 2012	**$ 182,690**	**$ 24,635,376**	**$ 24,818,066**

STATEMENT OF CASH FLOW

SOUTH WEST TERMINAL LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEAR ENDED MARCH 31, 2012

	2012	2011
Cash flows from operating activities		
Total comprehensive income	$ 4,927,753	$ 3,035,522
Items not affecting cash		
Amortization	974,780	937,759
Future income taxes	(54,634)	(35,061)
Net change in non-cash working capital items:		
Deferred cash tickets held in trust	(1,366,038)	429,274
Accounts receivable	(119,791)	(2,025,342)
Inventory	(6,568,143)	(2,881,320)
Prepaid expenses	(2,743,024)	1,421,109
Accounts payable	7,388,017	(224,305)
Income taxes payable	119,852	(175,679)
Deferred revenue	386,868	(85,346)
	2,945,640	396,611
Cash flows from investing activities		
Return of capital on long-term investments	200	-
Purchase of capital assets	(4,685,809)	(1,400,205)
Proceeds on disposal of capital assets	70,468	63,729
	(4,615,141)	(1,336,476)
Cash flows from financing activities		
Repayment of long-term debt	(410,264)	(393,941)
Proceeds (repayment) of term loan	3,000,000	(3,000,000)
Reduction of stated capital on shares	-	(126,332)
Dividends	(378,996)	(252,664)
	2,210,740	(3,772,937)
Net increase (decrease) in cash during the year	541,239	(4,712,802)
Bank indebtedness, beginning of year	(4,967,793)	(254,991)
Bank indebtedness, end of year	**$ (4,426,554)**	**$ (4,967,793)**

F I N A N C I A L   S T A T E M E N T S

SOUTH WEST TERMINAL LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2012

1. Nature of operations

South West Terminal Ltd. (the "company") was incorporated on April 4, 1994, under the laws of the Province of Saskatchewan, for the purpose of developing, constructing and operating an inland grain terminal near Antelope, Saskatchewan. Grain operations commenced in February 1997. The company also sells crop inputs from its locations at Antelope, Hazenmore, Shaunavon and Cabri, Saskatchewan.

The company is subject to an agreement with Cargill Limited ("Cargill") which impacts operations. Pursuant to this 25-year investment and operating agreement, Cargill will be consigned all of the company's grain destined to British Columbia and to the Port of Thunder Bay. This includes grain sold subject to the exclusive marketing rights of the Canadian Wheat Board ("Board Grain"), as well as grains not sold subject to the exclusive marketing rights of the Canadian Wheat Board ("Non-Board Grain"). In addition, Cargill has a right of first refusal to handle all of the company's Non-Board Grain. The company also agrees to conform to certain plans and to consult with Cargill on certain operational issues.

2. Adoption of new accounting standards

a) Adopted in 2012

International Financial Reporting Standards
The company has elected to report under International Financial Reporting Standards (IFRS) for its 2012 fiscal year with comparative figures presented for 2011.

b) First-time adoption of IFRS

In preparing these financial statements, the company has elected to apply the following transitional arrangements permitted by IFRS 1 First-time Adoption of International Financial Reporting Standards:

- The company has elected not to use fair value as the deemed cost at the date of transition for all items of property, plant and equipment. All property plant and equipment are measured using the cost model;
- The company has elected not to apply IFRS 3 retrospectively to past business combinations. Accordingly, the company has not restated business combinations that occurred prior to April 1, 2010; and,
- The company has elected not to apply IAS 23 Borrowing Costs retrospectively. As at the date of transition, the company did not have any qualifying assets.

In preparing these financial statements, the company has determined that there are no adjustments necessary to the amounts reported in financial statements previously prepared under Canadian GAAP. Therefore, no adjustments were made to equity as at April 1, 2010 upon transition to IFRS.

SOUTH WEST TERMINAL LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2012

3. Significant accounting policies

These financial statements are prepared in accordance with International Financial Reporting Standards. The significant policies are detailed as follows:

Basis of presentation

These financial statements include the accounts of the company, as well as the proportionate consolidation of the company's investment in a joint venture agreement for a car loading facility at Glenbain, Saskatchewan. Under this method, the company's 50% share of the Joint Venture's assets, liabilities, revenue and expenses are included in these financial statements.

These financial statements represent the first annual financial statements of the company prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). The company adopted IFRS in accordance with IFRS1, First-time Adoption of International Financial Reporting Standards. The first date at which IFRS was applied was April 1, 2010. In accordance with IFRS, the company has:

- provided comparative financial information;
- applied the same accounting policies throughout all periods presented;
- retrospectively applied all effective IFRS standards as of March 31, 2012, as required; and,
- applied certain mandatory exceptions as applicable for first time IFRS adopters.

The company's financial statements were previously prepared in accordance with accounting principles generally accepted in Canada (“Canadian GAAP”). Canadian GAAP differs in some areas from IFRS.

These financial statements were prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through the income statement.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

The financial statements are presented in Canadian dollars, which is the company’s functional currency.

Cash

Cash consists of deposit accounts held in financial institutions.

Deferred cash tickets held in trust

This relates to cash held in trust by the Canadian Wheat Board ("CWB") to cover the company's deferred grain cheques for Board Grain.

F I N A N C I A L S T A T E M E N T S

SOUTH WEST TERMINAL LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2012

3. Significant accounting policies (continued)

Accounts receivable
Accounts receivable includes grain held for the account of the CWB and CWB prepayment advances. The grain held for the account of the CWB is valued at the CWB's initial prices less freight, handling, and cleaning tariffs.

Inventory
Inventory of Non-Board Grains is valued on the basis of closing market quotations, less freight and handling. Inventory also reflects accrued gains and losses on open purchase and sales contracts.

The company enters into derivative contracts, primarily exchange-traded futures, with the objective of managing exposure to adverse price movements in agricultural commodities. The unrealized gains and losses for commodity futures are recognized in income in the period in which they occur. The company does not use derivative financial instruments for speculative trading purposes.

Crop input inventory is valued at the lower of cost and net realizable value. Cost is determined using the first in, first out ("FIFO") method.

Investments
Investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recorded at cost. Dividends from these investments are included in income with returns of capital from these investments shown as a reduction in the carrying value. The company does not have a significant influence in these investments.

Capital assets
Capital assets are stated at cost less accumulated amortization and any impairment losses. The cost of an item of capital assets comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after items of capital assets have been put into operation, such as repairs and maintenance, are normally charged to the statement of income in the period in which they are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of capital assets, and where the cost of the item can be measured reliably, the expenditure is capitalized as an additional cost or as a replacement.

SOUTH WEST TERMINAL LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2012

3. Significant accounting policies (continued)

Capital assets (continued)
The annual amortization rates and methods are as follows:

Buildings	25 years Straight-line
Cleaners	20% Declining balance
Computer hardware and software	3 years Straight-line
Entrance roads	20 years Straight-line
Equipment	25% Declining balance
Office furniture and equipment	15% Declining balance
Plant equipment	5% Declining balance
Railway siding	20 years Straight-line
Terminal	40 years Straight-line
Vehicles	30% Declining balance

Where the components of an item of capital assets have different useful lives, the cost of that item is allocated on a reasonable basis among the components and each component is depreciated separately.

The residual values, useful lives and amortization method are reviewed, and adjusted if appropriate, at each reporting date.

An item of capital assets is unrecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss on disposal or retirement recognized in the income statement in the year the asset is unrecognized, represents the difference between the net sale proceeds and the carrying amount of the related asset.

Asset retirement obligations
The fair value of asset retirement obligations is recognized in the period in which the liability is incurred or acquired and a reasonable estimate of value can be made. The associated retirement costs are capitalized as part of the carrying amount of the capital asset and amortized over the life of the asset. At this time, the company has determined that there are no significant asset retirement obligations with respect to its assets.

SOUTH WEST TERMINAL LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2012

3. Significant accounting policies (continued)

Impairment of long-lived assets

At the end of each reporting period, the company reviews the carrying amounts of its long lived assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the the cash-generating unit ("CGU") to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU's, or otherwise they are allocated to the smallest group of CGU's for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in comprehensive income.

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of an impairment loss is recognized immediately in comprehensive income.

Goodwill

Goodwill is recorded at cost and represents the excess of the purchase price over the net identifiable assets acquired as part of the purchase of the Hazenmore, Saskatchewan crop inputs business. Goodwill is not amortized, but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. The value in use is determined by the cash flows expected to arise from the CGU discounted using a pre-tax discount rate, which reflects the current market assessments of the time value of money and asset-specific risk. Goodwill is assigned to the CGUs associated with the related acquisition. An impairment loss is recognized if the carrying amount of an asset or its CGUs exceeds its estimated recoverable amount. Impairment losses are recognized in profit and loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amount of the other assets in the CGUs.

SOUTH WEST TERMINAL LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2012

3. Significant accounting policies (continued)

Taxation

Income tax expense comprises current and deferred income tax. Income taxes are recognized in the statement of income except to the extent that it relates to items recognized directly in equity.

Current income tax

Current income tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current income tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is recognized, using the liability method, on carryforwards of unused tax losses and credits and on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts on the balance sheet. Deferred income tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets:

- are recognized to the extent it is probable that taxable profits will be available against which the unused tax losses, credits and deductible temporary differences can be utilized; and,
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax liabilities:

- are generally recognized for all temporary differences;
- are recognized for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future; and,
- are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred income tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired.

Revenue recognition

Revenue from grain sales, elevation and cleaning are recognized at the time of shipment of the grain. Crop inputs revenue is recognized when the product is delivered to customers.

Capital disclosures

In accordance with IAS 1 Presentation of Financial Statements, the company is required to disclose: i) externally-imposed restrictions on capital; ii) whether the restrictions were complied with; and, iii) the consequences if they are not complied with. The company has externally-imposed restrictions on capital and the required disclosure is presented in Note 22.

SOUTH WEST TERMINAL LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2012

3. Significant accounting policies (continued)

Financial instruments

Financial instruments are recognized when the company becomes a party to the contractual provision of the instruments. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

The company's significant financial assets and liabilities are classified and measured as outlined in the following paragraph.

Bank indebtedness, deferred cash tickets held in trust and accounts receivable are classified as loans and receivables and are recognized at their amortized cost. The company's long-term investments are classified as available-for-sale and, since these investments do not have a quoted market price in an active market, they have been measured at cost. Gains or losses from changes in fair value of available-for-sale financial instruments are recognized in comprehensive income. Accounts payable and long-term debt are classified as other financial liabilities and recognized at their amortized cost.

Fair value hierarchy

The company classifies its financial assets and liabilities at fair value using a fair value hierarchy made up of three levels, according to the inputs used in making the measurements.

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in an active market that the company can access at the measurement date.

Level 2: This category includes measurements that use, either directly or indirectly, observable inputs other than quoted prices included in level 1. Derivative instruments in this category are measured using models or other standard valuation techniques using observable market data.

Level 3: The measurements in this category depend upon inputs that are less observable, not available or for which observable inputs do not justify most of the instruments' fair value.

SOUTH WEST TERMINAL LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2012

3. Significant accounting policies (continued)

Standards issued but not yet effective

The following are new and revised accounting pronouncements that have been issued but are not yet effective:

- IAS 1 - "Presentation of financial statements"
- IAS 12 - "Income taxes"
- IFRS 7 - "Financial instruments: disclosures"
- IFRS 9 - "Financial instruments"
- IFRS 10 - "Consolidated financial statements"
- IFRS 12 - "Disclosures of interests in other entities"
- IFRS 13 - "Fair value measurement"

The company is currently evaluating the impact of the above standards on its financial performance and financial statement disclosures but expects that such impact will not be material.

4. Critical accounting estimates and judgements

The preparation of the financial statements requires management to make estimates and judgements about the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal actual results. The following discussion sets forward management's:

- most critical estimates and assumptions in determining the value of assets and liabilities; and,
- most critical judgements in applying accounting policies.

Fair value

Fair value represents point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors. The fair values of non-financial instruments are estimated using accepted methodologies such as discounted cash flows, earning multiples and prices for similar assets, whichever is most appropriate under the circumstances.

Allowance for doubtful accounts and sales adjustments

The company must make an assessment of whether accounts receivable are collectible from customers. Accordingly, management establishes an allowance for estimated losses arising from non-payment and other sales adjustments, taking into consideration customer credit worthiness, current economic trends and past experience. If future collections differ from estimates, future earnings would be affected.

Inventory valuation

The company measures its inventories at the lower of cost and net realizable value. Given that the determination of net realizable value requires management to make estimates with respect to the selling value, the costs to make the sale and, in some cases, the cost of completion, there is a certain level of measurement uncertainty. As such, actual inventory values realized may differ from estimated carrying amounts.

SOUTH WEST TERMINAL LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2012

4. Critical accounting estimates and judgements (continued)

Capital asset
The company's capital assets represent approximately $16.6 million of total assets on the balance sheet at March 31, 2012. As part of the capitalization process, management must estimate the expected period of benefit over which capitalized costs should be amortized. The considerations which form the basis of the assumptions for these estimated useful lives include the timing of technological obsolescence and competitive pressures, as well as historical experience and internal business plans for the projected use of related assets. Given that the expected period of benefit is in fact an estimate, future results could be affected if management's current assessment of its capital asset's useful lives differs from actual performance.

Income taxes
The company computes an income tax provision in the jurisdiction in which it operates. However, actual amounts of income tax expense only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occur subsequent to the issuance of the financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred income tax assets based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable income. The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period.

5. Accounts receivable

Accounts receivable is comprised of the following:

	March 31, 2012	March 31, 2011	April 1, 2010
Accounts receivable relating to grain held on account of the CWB	$ 1,883,941	$ 439,242	$ 475,401
Trade and other receivables	4,713,602	6,003,037	4,050,247
Allowance for doubtful accounts	(55,456)	(19,983)	(128,694)
	$ 6,542,087	**$ 6,422,296**	**$ 4,396,954**

6. Inventory

	March 31, 2012	March 31, 2011	April 1, 2010
Grain	$ 2,635,604	$ 1,167,715	$ 1,320,218
Crop inputs	15,631,584	10,531,330	7,497,507
	$ 18,267,188	**$ 11,699,045**	**$ 8,817,725**

SOUTH WEST TERMINAL LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2012

6. Inventory (continued)

The amount of inventory expensed and included in cost of sales is $80,870,862 (2011 - $63,935,446)

7. Long-term investments

	March 31, 2012	March 31, 2011	April 1, 2010
Admiral Grain Co. Inc.	$ 3,800	$ 4,000	$ 4,000
Great Western Railway Ltd.	100,000	100,000	100,000
Lethbridge Inland Terminal Ltd. ("LIT")	922,500	922,500	922,500
Great Sandhills Railway Ltd.	100,000	100,000	100,000
	$ 1,126,300	**$ 1,126,500**	**$ 1,126,500**

A portion of the above investment in LIT consists of preferred shares with a cumulative dividend. As at March 31, 2012 the cumulative dividends relating to these shares amounted to $121,680 (2011 - $94,800, 2010 - $67,920). These amounts will be reported as income when these dividends are declared and received.

During the year, the company received a return of capital of $200 on its investment in Admiral Grain Co. Inc.

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SOUTH WEST TERMINAL LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2012

8. Capital assets

Gross carrying amount:

	Balance at April 1, 2010	Additions and transfers	Balance at March 31, 2011	Additions and transfers	Balance at March 31, 2012
Buildings	$ 4,262,994	$ 498,612	$ 4,761,607	$ 1,911,787	$ 6,673,394
Cleaners	1,007,704	3,545	1,011,249	2,320	1,013,569
Computer hardware and software	375,248	93,827	469,075	56,991	526,065
Entrance roads	378,707	19,865	398,572	9,318	407,890
Equipment	1,950,748	145,393	2,096,141	84,749	2,180,890
Office furniture and equipment	171,723	(523)	171,201	14,945	186,146
Plant and equipment	2,900,402	504	2,900,906	2,555,075	5,455,981
Railway siding	2,727,532	-	2,727,532	-	2,727,532
Terminal	5,616,025	251,042	5,867,067	12,004	5,879,071
Vehicles	760,884	228,143	989,027	(39,414)	949,613
	20,151,967	1,240,408	21,392,377	4,607,775	26,000,151
Land	192,972	85,088	278,060	7,563	285,624
	$ 20,344,939	**$ 1,325,496**	**$ 21,670,437**	**$ 4,615,338**	**$ 26,285,775**

SOUTH WEST TERMINAL LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2012

8. Capital assets (continued)

Accumulated amortization:

	Balance at April 1, 2010	Depreciation	Balance at March 31, 2011	Depreciation	Balance at March 31, 2012
Buildings	$ 792,840	$ 177,553	$ 970,394	$ 229,392	$ 1,199,785
Cleaners	933,620	15,171	948,791	12,741	961,532
Computer hardware and software	264,514	52,084	316,598	70,988	387,586
Entrance roads	143,988	19,432	163,420	20,162	183,581
Equipment	1,282,742	179,199	1,461,941	164,399	1,626,339
Office furniture and equipment	114,271	8,230	122,502	8,426	130,927
Plant and equipment	1,352,069	77,429	1,429,498	74,962	1,504,460
Railway siding	601,713	136,377	738,090	136,377	874,467
Terminal	1,845,127	143,539	1,988,665	146,769	2,135,435
Vehicles	482,399	117,767	600,166	110,565	710,730
	$ 7,813,283	**$ 926,781**	**$ 8,740,065**	**$ 974,781**	**$ 9,714,842**

Net book value:

	March 31, 2012	March 31, 2011	April 1, 2010
Buildings	$ 5,473,609	$ 3,791,213	$ 3,470,154
Cleaners	52,037	62,458	74,084
Computer hardware and software	138,479	152,477	110,734
Entrance roads	224,309	235,152	234,719
Equipment	554,551	634,200	668,006
Office furniture and equipment	55,219	48,699	57,452
Plant and equipment	3,951,521	1,471,408	1,548,333
Railway	1,853,065	1,989,442	2,125,819
Terminal	3,743,636	3,878,402	3,770,898
Vehicles	238,883	388,861	278,485
	16,285,309	12,652,312	12,338,684
Land	285,624	278,060	192,972
	$ 16,570,933	**$ 12,930,372**	**$ 12,531,656**

SOUTH WEST TERMINAL LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2012

8. Capital assets (continued)

At March 31, 2012, capital assets of $2,540,000 were not yet in use and therefore no amortization was recorded.

9. Bank indebtedness

The margined RBC operating line of credit has an authorized limit of $12,000,000, bears interest at prime plus .3% and is secured by accounts receivable, inventory and a general security agreement.

In addition, the company has access to a FCC operating loan at the same rate with an authorized upper limit of $9,000,000, secured by a general security agreement. At March 31, 2012, the company was not using the demand operating loan.

10. Accounts payable

	March 31, 2012	March 31, 2011	April 1, 2010
Accrued and other liabilities	$ 6,379,171	$ 2,638,989	$ 3,341,586
Trade accounts payable	4,736,472	2,754,915	2,549,419
Crop inputs customer deposits	3,932,774	2,266,496	1,993,701
	$ 15,048,417	**$ 7,660,400**	**$ 7,884,706**

11. Long-term debt

	March 31, 2012	March 31, 2011	April 1, 2010
FCC Advancer loan, with interest at FCC's variable rate less .2%, interest only monthly payments, secured by a general security agreement, due February 2016	$ 3,000,000	$ -	$ 3,000,000
FCC term loan, with interest at FCC's variable rate less .5%, repayable in blended monthly instalments of $39,925, secured by a general security agreement, due February 2014	1,751,769	2,162,032	2,555,973
	4,751,769	2,162,032	5,555,973
Less current portion	424,556	409,976	424,838
	$ 4,327,213	**$ 1,752,056**	**$ 5,131,135**

SOUTH WEST TERMINAL LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2012

11. Long-term debt (continued)

Principal payments due in each of the next four years are as follows:

2013	$ 424,556
2014	1,327,213
2015	-
2016	3,000,000

12. Deferred revenue

The company has entered into agreements for the lease of space in the grain storage facility. The funds which have been received are being amortized to income over the primary lease term of 15 years, commencing April 1, 2012, the commencement date of the lease term.

13. Deferred income taxes

Deferred income taxes reflect the net tax effets of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the company's deferred liabilities are as follows:

	March 31, 2012	March 31, 2011	April 1, 2010
Capital assets	$ 528,117	$ 583,078	$ 618,396
Goodwill	21,936	21,610	21,353
	$ 550,053	**$ 604,688**	**$ 639,749**

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SOUTH WEST TERMINAL LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2012

14. Interest in joint venture

Beginning in 2009, the company entered into a joint venture arrangement with respect to a car loading facility at Glenbain, Saskatchewan. The company's proportionate interest in the joint venture, included in these financial statements, is the following:

	March 31, 2012	March 31, 2011	April 1, 2010
Buildings (at cost, less accumulated amortization of $9,923)	$ 56,614	$ 59,941	$ 63,268
Equipment (at cost, less accumulated amortization of $14,823)	34,566	39,668	44,298

15. Contingencies

At year end, the company held 23,368 (2011 - 23,690) tonnes of grain inventory, with a value of $2,934,286 (2011 - $4,011,971), on behalf of area producers. The company is contingently liable for the value of this grain. This grain is not included in the company's inventory.

16. Commitments

At year end, a $3,750,000 construction project to upgrade the grain facility was in progress, of which $2,500,000 has already been paid. The project will be funded by existing credit facilities and will consist of a distributor and upper spouting rebuild, plant flow upgrades and a probe station.

In addition, the company is proceeding with the construction of an office expansion at the inland terminal near Antelope, Saskatchewan. The project has an estimated cost of $400,000 and will be funded by existing credit facilities.

17. Share capital

Authorized an unlimited number of
- Class A 10% voting, non-cumulative, non-participating, preferred shares, convertible to Class B
- Class B voting, participating, common shares
- Class C non-voting, participating, common shares

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SOUTH WEST TERMINAL LTD.

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MARCH 31, 2012

17. Share capital (continued)

	March 31, 2012	March 31, 2011	April 1, 2010
Issued			
17,583 Class B shares	$ 17,406	$ 17,406	$ 87,738
14,000 Class C shares	165,284	165,284	221,284
	$ 182,690	**$ 182,690**	**$ 309,022**

During the year, the stated capital on the Class B and Class C shares was reduced by $nil (2011 - $70,332) and $nil (2011 - $56,000) respectively, by way of cash payment.

18. Income taxes

The income tax expense differs from the amount computed by applying Canadian statutory rates to income before taxes for the following reasons:

	2012	2011
Canadian federal and provincial statutory income tax rates	28.13%	29.63%
Anticipated income tax expense	$ 1,886,057	$ 1,248,745
Saskatchewan manufacturing and processing profits tax reduction	(87,732)	(45,000)
Impact of reduction in income tax rates on timing differences	(24,290)	(32,740)
Other	3,000	7,935
Income tax expense	**$ 1,777,035**	**$ 1,178,940**

19. Basic and diluted income per share

The basic and dilutive earnings per share have been calculated using the weighted average number of common shares outstanding during the year. Since there are not items of a dilutive nature, the basic and dilutive share amounts are the same.

20. Related party transactions

During the year, services with a value of $121,963 (2011 - $134,373) were expensed in these financial statements that related to services provided to the company by the Board of Directors. Also, the company purchased 18,117 (2011 - 13,758) tonnes of grain from directors with an aggregate value of $4,251,423 (2011 - $3,352,851) and directors purchased crop inputs in the amount of $2,117,405 (2011 - $2,035,266).

During the year, the company made sales of Non-Board Grain and received other income from Cargill, a shareholder, in the amount of $4,825,814 (2011 - $3,870,948) and made purchases of

SOUTH WEST TERMINAL LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2012

20. Related party transactions (continued)

product and services in the amount of $33,371,128 (2011 - $25,845,774) from Cargill. Included in accounts receivable is $nil (2011 - $92,612) due from Cargill, and included in accounts payable is $1,122,505 (2011 - $3,174,668) due to Cargill.

These transactions are in the normal course of operations and are measured at the exchange amount, which approximates fair value and is the amount of consideration established and agreed to by the related parties.

21. Segmented information

The company's business operations are grouped into two business segments as follows:

a) Grain handling
This segment consists of the buying, selling, cleaning and blending of grain.

b) Crop inputs
This segment consists of sales of fertilizer, crop protection products, seed and seed treatments.

Segmented information 2012

	Grain Handling	Crop Inputs	Total
Revenues	**$ 33,452,447**	**$ 60,886,916**	**$ 94,339,363**
Earnings before the undernoted	$ 6,240,753	$ 6,252,967	$ 12,493,720
General and administrative			(5,770,645)
Interest on long-term debt			(18,287)
Income taxes			(1,777,035)
Net income			**$ 4,927,753**
Amortization of capital assets	**$ 594,469**	**$ 380,311**	**$ 974,780**
Net asset additions	**$ 2,679,768**	**$ 1,935,573**	**$ 4,615,341**
Total assets	**$ 18,657,316**	**$ 32,124,622**	**$ 50,781,938**
Capital assets	**$ 11,051,760**	**$ 5,519,173**	**$ 16,570,933**
Goodwill and intangible assets	**$ -**	**$ 140,000**	**$ 140,000**

SOUTH WEST TERMINAL LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2012

21. Segmented information (continued)

Segmented information 2011

	Grain Handling	Crop Inputs	Total
Revenues	**$ 35,495,080**	**$ 38,022,789**	**$ 73,517,869**
Earnings before the undernoted	$ 3,706,675	$ 4,937,989	$ 8,644,664
General and administrative			(4,378,993)
Interest on long-term debt			(51,209)
Income taxes			(1,178,940)
Net income			**$ 3,035,522**
Amortization of capital assets	**$ 682,476**	**$ 255,283**	**$ 937,759**
Net asset additions	**$ 423,435**	**$ 913,041**	**$ 1,336,476**
Total assets	**$ 16,093,381**	**$ 20,251,200**	**$ 36,344,581**
Capital assets	**$ 8,966,461**	**$ 3,963,911**	**$ 12,930,372**
Goodwill and intangible assets	**$ -**	**$ 140,000**	**$ 140,000**

22. Capital management

The company's objectives when managing capital are to continue as a going concern, to protect its ability to meet its ongoing liabilities, and to maximize returns for shareholders over the long-term. Protecting the ability to pay current and future liabilities requires the following internally-determined capital guidelines based on risk management policies. For its own purposes, the company defines capital as the sum of bank indebtedness, mortgages and loans payable, and shareholders' equity.

The capital structure at March 31, 2012 was as follows:

Bank indebtedness	$ 4,426,554
Current portion of long-term debt	424,556
Long-term debt	4,327,213
Shareholders' equity	24,818,066
	$ 33,996,389

SOUTH WEST TERMINAL LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2012

22. Capital management (continued)

In managing the company's capital, adjustments may be made to the capital structure in light of external influences such as changing economic conditions, externally-imposed capital requirements or the presence of opportunities for further development. The amount to be paid to shareholders and the nature of financing of new assets are determinations made within the risk-based guidelines established.

There were no changes in the company's approach to capital management during the year. As of March 31, 2012, the company complied with all financial covenants and externally-imposed capital requirements.

23. Financial instruments

Financial risk management
The company is exposed to a variety of financial risks arising from interest rate fluctuations, the credit quality of its customers, and changes in foreign currency rates and commodity prices. A number of financial instruments are used to mitigate these risks. Derivatives are not used for speculative or trading purposes and their use requires adherence to established practices and parameters.

Credit risk
The risk of financial loss in the event of failure of a customer or counterparty to a financial instrument to meet its contractual obligation is defined as credit risk. The company's principal exposure to credit risk is in respect of accounts receivable.

In order to reduce the risk on its accounts receivable, the company has adopted credit policies which mandate performing an ongoing credit review of all our customers and establishing allowances for bad debts when the amounts are not collectible.

The allowance for bad debt as at March 31, 2012 was $55,456 (2011 - $19,983).

Currency risk
The company is exposed to currency risk as a certain portion of sales and expenses are incurred in U.S. dollars resulting in U.S. denominated accounts receivable and accounts payable. These balances are therefore subject to gains and losses due to fluctuations in that currency in relation to the Canadian dollar.

The company entered into foreign exchange derivative contracts to mitigate these risks. This strategy minimizes the impact of U.S. dollar fluctuations on the operating results of the company. In 2012, a foreign exchange gain of $194 (2011 - $5,955) was recognized in total comprehensive income.

SOUTH WEST TERMINAL LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2012

23. Financial instruments (continued)

Interest rate risk
Changes in the future cash flows of financial instruments and the possibility the company will be unable to refinance existing debt with similar terms represents interest rate risk. The company's principal exposure to interest rate risk is with respect to its short-term indebtedness and long-term debt, which bear interest at floating interest rates.

A 1% change in interest rates relating to the short-term indebtedness and long-term debt of the company would increase or decrease interest expense by approximately $92,000. Exposure to interest rate risk is managed through normal operating and financing activities and the company has not entered into interest rate swaps or similar financial instruments.

Commodity price risk
Price risk is the risk of fluctuations in the value of inventory due to changing market prices or a possible decline in the quality of inventory. Exposure includes, but is not limited to, changes in the commodity prices of fertilizer, oilseeds, and grains. Management controls exist to limit reductions in the value of inventory due to quality loss.

Non-Board Grain is grain that is not shipped for the account of the Canadian Wheat Board. Derivative commodity instruments (primarily futures contracts) are used to reduce market price risk in those instances in which the purchase and sale price of Non-Board Grain are not agreed upon simultaneously. These instruments are not used for speculative or trading purposes, and their use must fall within established corporate guidelines.

Exposure to changing fertilizer prices exists to the degree purchased tonnes are not committed to by way of purchase contracts entered into by customers.

Liquidity risk
Liquidity risk arises from the possibility the company will not be able to meet its financial obligations as they become due or obtain financing as needed to pursue expansionary projects. Actual and forecasted cash flows are continuously monitored to reduce this liquidity risk. Management judges the future cash flows of the company adequate to make payments as they become contractually due and existing banking arrangements able to support the growth goals of the company.

24. Comparative amounts

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

South West Terminal Ltd.

Annual Management Discussion and Analysis

The following Management Discussion and Analysis ("MD&A") was prepared as of June 22, 2012 and is based on the accompanying financial information that has been prepared using International Financial Reporting Standards ("IFRS"). Financial information for periods prior to April 1, 2011 did not require any adjustments to amounts reported previously under Canadian GAAP and have not been restated. Comparative figures reported under IFRS is consistent with amounts reported under Canadian GAAP. The reader should note the following is intended to explain the operating results and financial position of South West Terminal Ltd. ("the Company" or "SWT") for the year ended March 31, 2012 and draw comparisons to previous fiscal years. More detailed explanations of certain technical issues may be found in the March 31, 2012 consolidated financial statements and accompanying notes, which, in any case, should be read in conjunction with this MD&A.

1. Business Segment Performance

1.1 Grain Handling

Grain Handling For the years ended March 31 ($thousands – except tonnes)	2012	2011	Better (Worse)
Total Revenue	**33,452**	35,495	(2,043)
Cost of Sales	**27,211**	31,106	3,895
Gross Profit	**6,241**	4,389	1,852
Operating, General and Administrative Expenses	**3,588**	2,684	(904)
Total Grain Shipped (tonnes)	**381,631**	277,675	103,956
Board Grain (tonnes)	**315,887**	182,378	133,509
Non-Board Grain (tonnes)	**65,744**	95,297	(29,553)

Total revenue from grain handling for the year ended March 31, 2012 was $33,452,447, a decrease of $2,042,633 compared with the previous year. Contributing to the decrease in revenue for the year ended March 31, 2012 was a decrease in tonnes handled of non-board grains. A large decrease in seeded acreage of Yellow Peas and a strong shipping program of CWB grains attributed to the decrease in overall revenue. The value of CWB grains are not accounted as part of total revenue, only the associated handling fees are attributed to the total revenues.

Overall there was a 103,956 tonne increase in the Company's shipments for the year ended March 31, 2012. SWT continued with an aggressive pursuit of Canadian Wheat Board ("CWB") deliveries. With the CWB having a very strong shipping program, SWT was able to attain this grain and take full advantage of the increased shipping opportunities.

The Company's shipments of non-board grains in the year ended March 31, 2012 decreased 29,553 tonnes compared to the previous year. As previously mentioned, a large drop in seeded acreage of Yellow Peas attributed to the sharp decline in non-board shipments. SWT also chose to not pursue any Lentils this past fiscal year. The average price per tonne of non-board grains sold during the period ending March 31, 2012 was $357.54 per tonne, while for the same period in the previous year it was $269.47 per tonne.

The Company's shipments of board grains in the fiscal year ended March 31, 2012 increased by 133,509 tonnes compared to the previous year. The Company's ability to supply the CWB with the appropriate quality and its preferred location made the Company one of the first choices [in the trading region] when it came to executing the CWB's high quality durum and wheat sales program.

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Expenses related to grain handling for the year ended March 31, 2012 increased $904,086 primarily due to a large repair and maintenance budget, an increase in staffing and an increase of short term interest (resulting from increased short term borrowings to cover the increase in business operations).

1.2 Crop Inputs

Crop Inputs For the years ended March 31 ($thousands)	2012	2011	Better (Worse)
Total Revenue	60,887	38,023	22,864
Cost of Sales	54,634	32,830	(21,804)
Gross Profit	6,253	5,193	1,060
Operating, general and administrative expenses	2,163	1,695	(468)
Operating Highlights			
Seed Sales	3,731	1,417	2,314
Crop Nutrient Sales	25,411	13,928	11,483
Crop Protection Sales	24,778	20,821	3,957
Supplier Rebates on Cost	6,931	1,796	5,135

Total revenue from crop inputs for the year ended March 31, 2011 was $60,886,916, an increase of $22,864,127 compared with the previous fiscal year. All product lines experienced increases, with the Company continuing to take major steps forward with regards to crop protection sales. SWT continued to develop its market presence through its existing facilities and the end of year presence in Shaunavon.

Sales of crop nutrients experienced a significant increase of $11,482,574, rising to $25,410,815 in the fiscal year ended March 31, 2012. Price increases over the previous year and a significant increase in tonnes shipped out attributed to the large sales increase. The average price per tonne of crop nutrients sold during the year ending March 31, 2012 was $610.55 per tonne, while for the previous year it was $444.05 per tonne.

Seed sales continued to climb significantly by an increase of $2,313,602 in the year ended March 31, 2012. Bagged seed volumes of canola took a major increase over years previous and a continued effort to provide growers with options of bulk seed like Metcalfe barley and Strongfield durum kept seed sales on the rise.

Sales of crop protection products increased by $3,957,059 to $24,777,645 for the year ended March 31, 2012 compared to the prior year. Continued growth of SWT's crop inputs businesses in Gull Lake, Hazenmore, Cabri and the new presence in Shaunavon generated the revenue increase. SWT's ability to provide innovative crop protection solutions that other the competitors cannot has attributed to the increased sales.

Expenses related to crop inputs for the year ended March 31, 2012 increased $467,778 compared with the previous fiscal year. The continued growth in staffing to cover a broader customer area and to staff the new Shaunavon location is responsible for a portion of the increase, however higher transaction processing fees can also be blamed as customers continue to try to take advantage of reward programs and the payment flexibility offered by credit card companies.

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ANNUAL MANAGEMENT DISCUSSION AND ANALYSIS

2. Consolidated Financial Results

2.1 Gross Profit and Net Revenue from Services, EBITDA and EBIT

Selected Consolidated Financial Information For the years ended March 31 ($thousands – except per share figures)	2012	2011	2010
Total Revenue	94,339	73,518	57,750
Operating, general and administrative expenses	5,771	4,379	4,577
EBITDA	7,698	5,203	4,406
Depreciation and amortization	975	938	918
EBIT	6,723	4,265	3,488
Interest on long-term debt	18	51	76
Provision for income taxes			
Current portion	1,763	1,214	876
Future portion	(55)	(35)	(44)
Income for the period	4,928	3,035	2,580
Earnings per Share	156.03	96.11	81.70
Total Assets	50,782	36,345	32,890
Total Long-Term Financial Liabilities	4,327	1,752	2,131
Return of Capital per share			
Class B	-	4.00	10.00
Class C	-	4.00	10.00
Dividend Declared			
Class B	12.00	8.00	-
Class C	12.00	8.00	-

The Company's total revenue from sales and services for the 2012 fiscal year increased by $20,821,494 over the previous fiscal year. The reasons for the variance are discussed above under "Business Segment Performance".

Earnings before interest, taxes, depreciation and amortization, or EBITDA, for the year ending March 31, 2012 were $7,697,855 compared to $5,203,430 in the prior year. As mentioned previously, increased shipping of CWB grains and increased input purchases capitalizing on supplier programs spurred earnings.

Total operating, general and administrative expenses for the twelve months ended March 31, 2012 increased $1,391,652 due to a large repair and maintenance budget, an increase in staffing and an increase of short term interest to cover the increase in business operations. The addition of the new location in Shaunavon for the last quarter of the year also added to the increase in expenses.

Earnings before interest and taxes, or EBIT, for the year ended March 31, 2012 were $6,723,075 compared to $4,265,671 in the previous fiscal year.

Depreciation and amortization expense increased $37,021 in the twelve months ended March 31, 2012 compared with the same period in the previous year. The new location in Shaunavon was primarily responsible for the overall increase to depreciation and amortization.

2.2 Interest Expenses

Interest Expenses For the years ended March 31 (in thousands)	2012	2011	Better (Worse)
Interest on:			
Long-term debt	18	51	25
Short-term debt	473	376	(85)

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Short-term interest costs for the 2011-2012 fiscal year increased compared to the previous fiscal year. More short-term financing was required due to the large increase in crop inputs sales and the increased handling of grain.

Long-term interest costs decreased compared to the prior year as the Company did not use the $3,000,000 advancer loan with FCC until November of 2011 when the entire loan was advanced. The Company also earned interest from its receivables with producers on crop inputs sales.

2.3 Net Income for the Period

Net income of $4,927,753 ($156.03 earnings per share) for the 2011-2012 fiscal year was $1,892,231 better than the $3,035,522 ($96.11 earnings per share) of the previous year.

2.4 Summary of Semi-Annual Financial Information

Selected Semi-Annual Financial Information For the periods ended ($thousands – except per share amounts)	March 31, 2012	September 30, 2011 (unaudited)	March 31, 2011	September 30, 2010 (unaudited)
Total Revenue	94,339	54,906	73,518	40,086
Net Income	4,928	2,010	3,036	264
Earnings per share	156.03	63.65	96.11	8.37

SWT's business is highly dependent upon weather, and consequently variations occur based on crop yields, commodity prices, and the general state of the farm economy.

The Company's grain handling revenues follow the fluctuations associated with market demand and the ability to match product quality with available market sales. The fluctuations in demand for cereal grains are typically consistent throughout the year limited only by sales opportunities and world product demand. The CWB allocates shipping to the industry based on the shipping needs of export consumers. As for non-board shipping, SWT works closely with growers and end users in order to execute a sale. There are many moving parts in executing a sale, as the Company must be able to secure the grain from the growers in a timely fashion to minimize price exposure and must have the grain in the elevator in order to meet the shipping requirements by the railroad and the end user. The Company made a concerted effort to buy grain from growers in order to increase sales targets. The Company has secured many relationships with end users who are continually looking for the quality of the product SWT provides in its shipments.

The Company's crop inputs revenues follow the seasonal activities associated with grain production in Saskatchewan. Sales of crop inputs peak in May through July, corresponding with the growing season. With the continued strength in the farm economy, sales of crop inputs continue to grow at a fast pace.

3. Liquidity and Capital Resources

3.1 Sources and Uses

3.1.1 Working Capital

Current assets were $32,944,705 for the year ended March 31, 2012, an increase of $10,796,996 as compared with the previous fiscal year. The increase in current assets for the year is mainly due to higher grain and crop inputs inventory levels. The increase in accounts payable balances enhanced our cash flow balance allowing the Company to purchase more inventory and to take advantage of prepayments of crop inputs.

Current liabilities were $20,592,914 for the twelve months ended March 31, 2012, up $6,981,210 from the previous fiscal year largely due to the increased accounts payable balances with an increase in crop nutrients and grain shipments at the end of the fiscal year. For the year ended March 31, 2012, bank indebtedness and short-term borrowings decreased by $541,239. Accounts payable increased by $7,388,017 compared to the prior year due to the increase in business activities at the end of the fiscal year.

Working capital was $12,351,791 at the end of the 2011-2012 fiscal year compared to $8,536,005 for the prior fiscal year. Higher inventories of grain in the terminal and of fertilizer, chemical and seed account for the bulk of the difference.

3.1.2 Cash Flow

Cash flow from continuing operations was $541,239 for the year ended March 31, 2011. At the end of the previous fiscal year, the Company's cash flow from continuing operations was ($4,712,802). The major component of an increase in cash flow was the advance of the $3,000,000 FCC advancer loan in the last half of the year. The other main factor is the increase in cash from operations of $1,892,231 over the previous year.

3.1.3 Capital Requirements

Several new projects are currently being worked on – one of a large nature began in November, as extensive repairs and rebuilds have been on going on the elevator at Gull Lake. A budget of $4,000,000 was approved for this particular project. The new location in Shaunavon was also completed in October with that project coming in under $2,000,000. Management anticipates that all of these projects will be financed from working capital and the FCC advancer loan. The Company will also continue to pursue smaller acquisitions as it sees fit in the short-term.

SWT also engages in a capital maintenance program. In the previous fiscal year the Company expended $129,395 for such capital maintenance. In the year ended March 31, 2012, the Company's repairs and maintenance expenditures amounted to $196,734 as work was completed on its grain and fertilizer handling systems. Capital maintenance expenditures made by the Company are typically financed through working capital.

The Company's operating capital requirements generally fluctuate throughout the year – as a participant in the CWB's PIP program, SWT's borrowings peaked in late fall as supplier program payments became due for crop inputs inventory but customer payments were delayed until harvest was completed. SWT's Shaunavon location project was substantially complete so an influx of cash came from our FCC "advancer" loan. In the year ending March 31, 2012 the Company's borrowings against its RBC line of credit peaked in October 2011 at $11,145,000.

The elimination of the CWB's monopoly on wheat, durum and malt has been targeted for August 1, 2012. Many operations of the CWB are changing and one change SWT believes could impact our capital requirements is the PIP program. This type of financing may not be offered or available which will require SWT to finance purchases using commercially available lines of credit. SWT has arrangements in place with RBC and FCC to assist in the transition away from the PIP program.

3.2 Off-Balance Sheet Obligations and Arrangements

As of the date of this MD&A the Company had no off-balance sheet arrangements.

3.3 Outstanding Share Data

The issued and outstanding shares of SWT Terminal at March 31, 2012 are summarized in the following table.

Class of Shares	Number of issued and outstanding Shares
- B	- 17,583
- C	- 14,000

4. Semi-Annual Results

The Company's total revenues from sales and services for the semi-annual period ended March 31, 2012 increased by $6,001,608 as compared with the previous year. The variance is largely a result of supplier rebates being shown as revenue versus prior years showing as a reduction of costs of crop input products.

Total revenue from grain handling in the last six months of the fiscal year was down $4,018,128 compared with the same six months of the previous year. Total revenue from crop inputs in the last six months of the fiscal year increased by $10,019,736 compared with the same semi-annual period of the previous year.

Total operating, general and administrative expenses for the semi-annual period ended March 31, 2012 increased $390,095 over the previous year.

Net income of $2,917,460 for the six month period ended March 31, 2012 was $143,322 higher than the $2,774,138 in the same period of the previous fiscal year.

5. Risks

The Company faces certain risks, including weather, commodity prices, credit and foreign currency. SWT manages these risks through a combination of insurance, derivative financial instruments and operating practices.

5.1 Weather Risks

The effects of weather conditions in a relatively confined geographic market area present a significant operating risk for the Company. Poor weather conditions can have a materially adverse effect on both grain handling volumes and the sale of crop inputs.

5.2 Commodity Price Risks

For non-board grains and oilseeds purchased, the Company faces price risk between the time that grain is purchased and the time it is sold. Where practical, purchases of grain are hedged by SWT on regulated futures markets using futures contracts. Because of the size of futures contracts traded and certain time constraints, it may not be possible to be fully hedged at all times. Specialty crops cannot be hedged on a futures market as no regulated markets exist for these commodities. Where practical, the Company ensures that purchase contracts are matched to sales contracts to eliminate risk of this nature.

5.3 Crop Input Price Risks

The Company also faces the risk of price depreciation between the time crop inputs are purchased and sold.

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5.4 Credit Risks

SWT is exposed to credit risk in relation to credit provided to its customers that purchase crop inputs. Defaults by these customers could have a materially adverse effect on the financial results of the Company.

SWT is also exposed to credit risk in relation to credit provided to customers that purchase non-board grains. When the CWB monopoly ends, SWT will also be exposed to credit risk in relation to credit provided to customers that purchase board grains. Defaults by these customers could have a materially adverse effect on the financial results of the Company.

To mitigate these risks SWT adheres to credit policies which, along with any outstanding accounts, are reviewed on a monthly basis.

5.5 Foreign Exchange Risks

A portion of the Company's board and non-board grains are sold into the export market and priced in U.S. dollars. As a result, an appreciation of the Canadian Dollar against the U.S. Dollar could have an adverse effect on SWT's financial results. The Company limits its exposure to changes in foreign currency exchange rates by ensuring corresponding purchase and sales transactions are completed within a relatively short timeframe.

5.6 Political Risks

The impending elimination of the CWB monopoly puts SWT at risk in the marketing of wheat, durum and malt barley. SWT believes that our customers, employees, facilities and strong reputation in the south west corner of Saskatchewan puts us in a very competitive position. Although SWT may be at a market power disadvantage to others in the marketplace, our farmer-owned and directed operation and our efficiencies can be very beneficial to our success in the future. The Company continues to explore and develop contingency plans with our strong relationships in the industry. Our relationship with Cargill, offers the ability to access both ports and worldwide marketing expertise, helping SWT address many of the risks associated with the elimination of the CWB monopoly.

6. Other Matters

6.1 Related Party Transactions

Cargill Ltd. ("Cargill") has invested $1,400,000 in SWT by purchasing 14,000 Class C, non-voting shares. The Company has entered into a 25-year grain handling agreement with Cargill which will terminate in January, 2022. The terms of that grain handling agreement are confidential. For the fiscal year ended March 31, 2012, Cargill purchased $4,825,814 of grain from the Company at commercial rates and terms. For the fiscal year ended March 31, 2012, SWT purchased $33,371,128 of crop inputs from Cargill at commercial rates and terms.

The Company provides crop production and grain handling services to related parties including members of the Board of Directors in the normal course of the Company's business at commercial rates and terms. During the year, services with a value of $121,963 (2011- $134,373) were expensed in these financial statements that related to services provided to the Company by the Board of Directors. The Directors of SWT sit on various committees within the Company and assist in the implementation of long term strategies and vision of the Company Also, the Company purchased 18,117 (2011-13,758) tonnes of grain from directors with an aggregate value of $4,251,423 (2011- $3,352,851) and directors purchased crop inputs in the amount of $2,117,405 (2011-$2,035,266) at commercial rates and terms.

6.2 Accounting Policy Changes

Adoption of International Financial Reporting Standards ("IFRS")

The audited condensed consolidated financial statements reflect the adoption of IFRS, with an effective date of April 1, 2010. Financial information for periods prior to April 1, 2011 did not require any adjustments to amounts reported previously under Canadian GAAP. Comparative figures reported under IFRS is consistent with amounts reported under Canadian GAAP.

Notes 2 and 3 to the unaudited interim condensed consolidated financial statements for the period ending September 30, 2011 contain a detailed description of our conversion to IFRS. The adoption of IFRS did not have a material impact on the financial statements.

6.3 Financial Instruments

SWT does not use any financial instruments, with the exception of foreign currency forward contracts and futures contracts which are discussed above under Section 5 – "Risks".

7. Use of Non-IFRS Terms

The EBIDTA and EBIT data provided in this MD&A is intended to provide further insight with respect to the Company's financial results and to supplement its information on earnings (losses) as determined in under IFRS. Such measures do not have any standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies.

8. Forward-looking Information

Certain statements in this report may constitute forward-looking statements. The results or events predicted in these statements may differ materially from actual results or events. These forward-looking statements can generally be identified by the use of statements that include phrases such as "believe", "expect", "anticipate", "intend", "plan", "likely", "will" or similar words or phrases. Similarly, statements that describe the Company's objectives, plans or goals are or may be forward-looking statements.

These forward-looking statements are based on the Company's current expectations and its projections about future events. However, whether actual results and developments will conform to the Company's expectations and projections is subject to a number of risks and uncertainties, including, among other things, the risks and uncertainties associated with poor weather conditions, agricultural commodity prices, financial leverage, additional funding requirements, international trade and political uncertainty, competition, domestic regulation, environmental risks, diseases and other livestock industry risks, acceptance of generically modified products, labour disruptions, dependence on key personnel, technological advances, credit and foreign exchange risk. These are not necessarily all of the important facts that could cause actual results to differ materially from those expressed in any of the Company's forward-looking statements. Other known and unpredictable factors could also harm its results. Consequently, there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company. Unless otherwise required by applicable securities laws, the Company disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Additional information relating to the Company is available on SEDAR at www.sedar.com.

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COMMUNITY INVOLVEMENT

Stewart Valley School
CP Wick Centre
Cabri Water Park
Shaunavon Shadows Football
Sask Landing par 3 Tournament
Shaunavon Fire Department
Gull Lake Centennial Committee
Hazlet Ladies Bonspiel
Eastend History Book
Junior Sundogs U-15 Girls Volleyball
Swift Current Brownies and Guides
Gull Lake Ladies Bonspiel
Maverick School Coffeehouse
Gull Lake High School Grad Committee
Gull Lake High School Lions Football
Juvenile Diabetes Reasearch Foundation
Eastend Golf and Curl
Cabri Lions Ice Fishing Derby
Sandhill Rodeo
Cabri Ducks Unlimited
Abbey Mens Bonspiel
Relay for Life
Gull Lake Legion
Cabri Legion
Gull Lake Ducks Unlimited
Wood River Bantam Ice Cats
Kincaid Sr Hockey
Provincial High School Curling
Cabri Legion
Wa Wa Shrine Circus
Meadow Dale Golf Club
Autumn House
Canadian Diabetes Association
Swift Current Peewee AA Broncos
Gull Lake Curling Co-op
Shaunavon Kinettes
Swift Current U-16 Boys Soccer
Lime Zero Racing Team
Pennant Centennial
Tompkins Lions Club
Project 2002 - Shaunavon
Gull Lake Lyceum Theatre
Eastend Rink Complex
Teen Aid
Shrine Hospital for Children
Cabri Ice Centre
Stewart Valley School
Gull Lake Movie in the Park
Bronco Hall of Fame
Cabri Lions Ice Fishing Derby
Pucks to various Minor Hockey Associations in the SW

MEMORIAL SCHOLARSHIPS

The Ken Logan Memorial Scholarship is a scholarship in memory of one of the founding members of South West Terminal Ltd. - Ken Logan. The scholarship program has been available for students since 2000. This scholarship is available to graduates in the Gull Lake and Hazlet area. Students who plan on attending post secondary school for Agriculture or Business are eligible. Students that wish to extend their education into one of these fields are encouraged to send a resume along with their academic achievements for consideration. Each resume is considered by three board of directors from South West Terminal Ltd. along with school and staff members. Once the decision is made the student will be rewarded with a $1,000 scholarship.

The 2012 Ken Logan Memorial Scholarship was awarded to Jacey Reed

The Gratton Murray Memorial Scholarship is a scholarship in memory of one of the founding members of South West Terminal Ltd. - Gratton Murray. This scholarship is available to graduates in the Shaunavon area. Students who plan on attending post secondary school for Agriculture or Business are eligible. Students that wish to extend their education into one of these fields are encouraged to send a resume along with their academic achievements for consideration. Each resume is considered by three board of directors from South West Terminal Ltd. along with school and staff members. Once the decision is made the student will be rewarded with a $1,000 scholarship.

The 2012 Gratton Murray Memorial Scholarship was awarded to Amanda Galey

SOUTH WEST TERMINAL

2011 - 2012

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