PROVINCE OF SASKATCHEWAN

11-12

ANNUAL REPORT

SASKATCHEWAN GRAIN CAR CORPORATION

Table of Contents

Letter of Transmittal - Minister

October 12, 2012

Her Honour, The Honourable Vaughn Solomon Schofield
Lieutenant Governor of Saskatchewan

I have the honour to submit herewith the Annual Report of the Saskatchewan Grain Car Corporation for the fiscal year ending July 31, 2012 in accordance with *The Saskatchewan Grain Car Corporation Act.* The Financial Statements are in the form approved by Treasury Board and have been duly certified by auditors for the Corporation.

Respectfully submitted,

Honourable Don McMorris
Minister Responsible for the
Saskatchewan Grain Car Corporation

President's Message

September 30, 2012

The Honourable Don McMorris
Chairman of the Board

Dear Sir:

As President of the Saskatchewan Grain Car Corporation (SGCC), I am pleased to present the annual report for the fiscal year ending July 31, 2012.

In keeping with our mandate of maximizing economic benefits to Saskatchewan agriculture, industry, and the province in general through effective and efficient utilization of our resources, we continued with our commitment of leasing hopper cars to the Saskatchewan shortline railways on a commercial basis, as a first priority. The Corporation had a transitional year as we transferred cars from Canadian National Railway Ltd. to Last Mountain Railway, one of the province's shortline railways. Leasing directly to shortlines focuses the benefits of the provincial ownership of the hopper cars to the producers and shortline railways within the province.

The SGCC will remain focused on core operations in supplying high quality hopper cars for the transport of western grains. We continue to perform regular inspections and take proactive measures to ensure the long term viability of the hopper car fleet. The Corporation intends to continue the blast, paint and decal program into the coming year resulting in approximately one hundred additional hopper cars being repainted.

Movements of grain to port accounted for the majority of utilization this past year, and it is anticipated the new marketing opportunities for the sale of grain will still necessitate the need for car movement and availability. The Corporation looks forward to meeting and fulfilling these ongoing needs within the agriculture sector.

Stakeholder relations remain a high priority with the Corporation staff and cohesive working relationships only strengthen and solidify our efforts to provide benefits to Saskatchewan producers.

As we have met the challenges of the past, we will continue to look forward to the opportunities of the future.

Robert (Bob) Mason
President and CEO

SGCC Quick Facts

as of July 31, 2012

Corporation Established	Oct. 2, 1979
Office	Regina

Board of Directors

Honourable Don McMorris, Chairperson

Honourable Lyle Stewart, Vice Chairperson

Fleet

Cars in service	904
Cars allocated to CN (SKNX 397000-397476)	98
Cars allocated to LMR (SKNX 397000-397476)	318
Cars allocated to CPR (SKPX 625000-625522)	488
Cars destroyed to date	96
Car volume	128.8 m3 (4550 ft3)
LD LMT (Load Limit)	101,500 kg (223,800 lbs)
LT WT (Light Weight - empty)	28,200 kg (62,200 lbs)
Gross Weight	129,700 kg (286,000 lbs)
Material	Steel
Lining	Epoxy
Dates built	February, 1981 to October, 1981
Service Life Remaining	18 years

Financial

Tangible capital assets as of July 31, 2012 – Hopper cars	$11,347,218
Total dividends paid to the General Revenue Fund to date	$15,000,000

Governing Legislation & Lease Agreements

The Saskatchewan Grain Car Corporation Act

Operating Agreement with CN

Alternate Use Agreement with CN

Lease Agreement with CPR

Lease Agreement with LMR

Corporate Profile

Profile

In 1981, the Government of Saskatchewan made a strategic investment of approximately $55,000,000 in Canada's grain transportation system by purchasing 1,000 covered hopper cars for the movement of export grain grown by western producers. This investment led to the development of the Saskatchewan Grain Car Corporation (SGCC) a Treasury Board Crown Corporation established under the authority of *the Saskatchewan Grain Car Corporation Act.*

The SGCC is governed by a Board of Directors who oversee the management of the Corporation. The Chair of the Board is also the Minister Responsible for the Saskatchewan Grain Car Corporation, who functions as a link between the Corporation and Cabinet, as well as the Provincial Legislative Assembly.

Mission

The Saskatchewan Grain Car Corporation will maximize the economic benefits to Saskatchewan agriculture as a first priority, other Saskatchewan industries as a second priority, and the province in general, through the effective and efficient use of its resources.

Vision

To have an effective, efficient and affordable grain handling and rail transportation system that is the best in the world.

Mandate

In partnership with farmers, and community groups, and in cooperation with shippers and railroads enhance the effectiveness and efficiency of transporting and handling grain.

Values

We believe that through innovation and, by using the assets and intellectual capital resident in the Saskatchewan Grain Car Corporation, we can improve the agricultural economy of Saskatchewan by ensuring that producers have influence on grain transportation policies and practices and that producers benefit from modernization of the grain logistics system.

The Saskatchewan Grain Car Corporation is a workplace of choice because we value creativity, fairness, honesty, excellence, accountability, and personal development, as the most important priorities for our jobs and our working relationships.

Corporate Overview

The 2011-12 fiscal year brought with it changes and new priorities for the Saskatchewan Grain Car Corporation (SGCC). The Corporation fulfilled its commitment of leasing hopper cars to Saskatchewan Shortlines as a first priority and renegotiated leasing arrangements to meet the needs of the ever changing grain transportation and handling system (GTHS). In addition, the SGCC assumed responsibility for the financial administration of the Shortline Railway Sustainability Program (SRSP). The SRSP is a program that provides matching grant funding to Saskatchewan shortlines for the repair and maintenance of railway track infrastructure.

Over the past 33 years, the Corporation has experienced various changes in the GTHS and has shifted priorities and adjusted business practices accordingly. The 2011-12 fiscal year was no different, with changes to the Canadian Wheat Board (CWB) and the pressures on the GTHS to be more efficient in meeting the demands of the markets. Throughout the changes in the industry, the Corporation continues to remain focused on achieving its overall mission “to maximize the economic benefits to Saskatchewan agriculture as a first priority, other Saskatchewan industries as a second priority, and the province in general, through the effective and efficient use of its resources”.

In the 2012-13 fiscal year, we look forward to new opportunities and challenges in the GTHS and working with our stakeholders in the industry. We will continue to ensure the Corporation’s mission is a key consideration in the future year.

2011-12 Key Activities

Leasing of the SGCC Hopper Cars

- Negotiated a commercial agreement to lease 416 hopper cars to Last Mountain Railway (LMR).
- Negotiated a commercial agreement with CPR for the lease of 488 hopper cars.
- Facilitated a smooth transition during the lease turnback process of transferring hopper cars from CN to LMR.
- Engaged a consultant to prepare a report on current market lease rates for covered hopper cars.

Asset Management of the SGCC Hopper Cars

- Completed random inspections throughout the year.
- No hopper cars destroyed in 2011-12.
- To date a total of 96 hopper cars have been destroyed.
- Member in good standing of the Association of American Railroads.

Blast, Paint and Decal Program

- 70 hopper cars painted in 2011-12.
- Total of 180 cars repainted to date, approximately 20% of the fleet.
- 80% of the SGCC fleet has original 1981 paint.

Shortline Railway Sustainability Program

- Financial administration of $1.15 million in matching grant funding for Saskatchewan shortlines.

West Central Road & Rail Ltd.

- Contracted and shipped 430,063 metric tonnes, overall increase in volume of 19%.
- SGCC has two representatives on the WCRR Board of Directors.

Advisory Services

- Provide advice and ongoing assistance to stakeholders and other jurisdictions on hopper car asset management and grain transportation issues

Core Business

The SGCC's core business is the management of the 904 covered hopper cars including lease negotiations and asset management. The main source of revenue is from leasing the hopper cars to the railways. In 2011-12, the SGCC implemented changes to its lease structures and customer focus with respect to the priority of leasing the hopper cars.

Commercial Lease Agreements

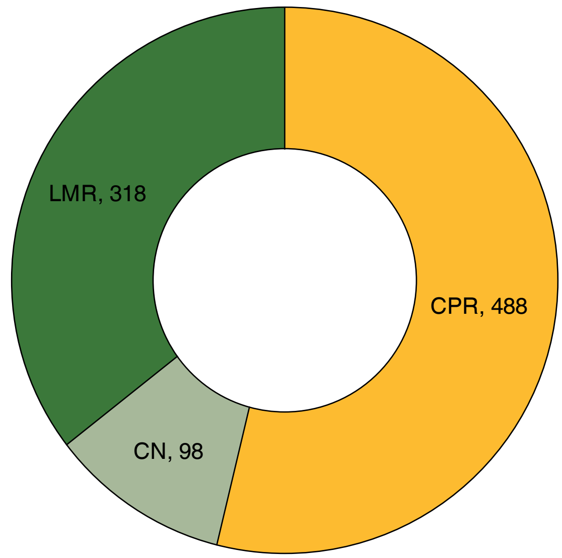
The Government of Saskatchewan announced in November 2010 a commitment to providing the hopper car fleet as a first priority to the Saskatchewan Shortline railways. As a result, a portion of the SGCC fleet were leased under a commercial agreement to Last Mountain Railway (LMR). For the majority of 2011-12, LMR leased approximately 212 hopper cars and will have a total of 416 SGCC hopper cars on lease once the transfer process is complete. All the hopper cars being transferred to LMR, have been removed from Canadian National Railway (CN) service.

The SGCC continues to lease 488 hopper cars to Canadian Pacific Railway Ltd. (CPR). In 2011-12, the structure of the lease agreements changed to allow CPR greater flexibility in the management of the hopper cars and also provided SGCC with more accuracy in forecasting revenues. Greater flexibility in the usage of the SGCC hopper car fleet facilitates efficiencies in the GTHS.

Throughout the 2011-12 fiscal year, hopper cars were transferred from CN to LMR. The hopper cars that remained in service with CN, were managed under existing arrangements. As such, CN was charged for alternate use of the hopper cars. Alternate use (commercial) revenues are received when grain is transported to domestic destination throughout Canada, the United States and Mexico. CN continued to use the SGCC hopper cars free of capital costs for statutory movement to port destinations.

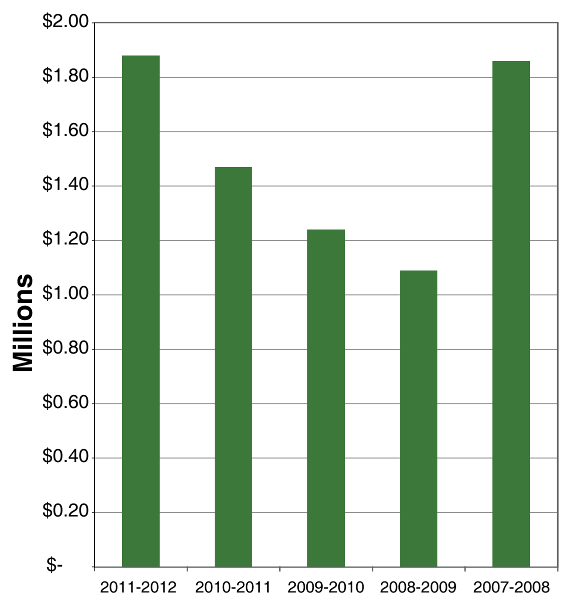
SGCC management engaged AllTranstek LLC, the largest railroad management and consulting firm in North America, to prepare a report on the estimated lease market rate for covered hopper cars. The report will be completed on an annual basis and will be used to assist management during lease negotiations.

Hopper Car Allocation as of July 31, 2012



In 2011-12, leasing revenues reached an all time record totaling over $1.88 million. The commercial leasing format provides SGCC with stable and predictable revenues.

5 Year Comparison of Leasing Revenues



Core Business

Asset Management

Asset management is an integral component in the long term viability of the SGCC hopper car fleet. As such, the SGCC takes a proactive approach to identifying issues such as corrosion that could potentially impact the life expectancy of the hopper car.

Regular inspections are completed on the fleet to ensure that the Corporation is aware and can address any potential concerns. In addition to the random inspections completed by SGCC staff, the Corporation engaged a consultant to complete a fleet maintenance assessment of the fleet. In the 2012-13 fiscal year, SGCC will be addressing a number of the maintenance concerns identified in the assessment.

The hopper car blast, paint and decal program carried over from the 2010-11 fiscal year continued with a total of 70 hopper cars repainted that had a high need due to corrosion, damage or graffiti concerns. The hopper car blast, paint and decal program is an integral part of asset management.

Part of the SGCC proactive asset management is to stay abreast of changes to the Association of American Railroads (AAR), Transport Canada and Federal Railway Administration (FRA) rules and regulations and other industry concerns and trends that may affect the long term maintenance plans for the hopper car fleet. As a member of the AAR, the SGCC has access to important information on industry changes and maintenance requirements.

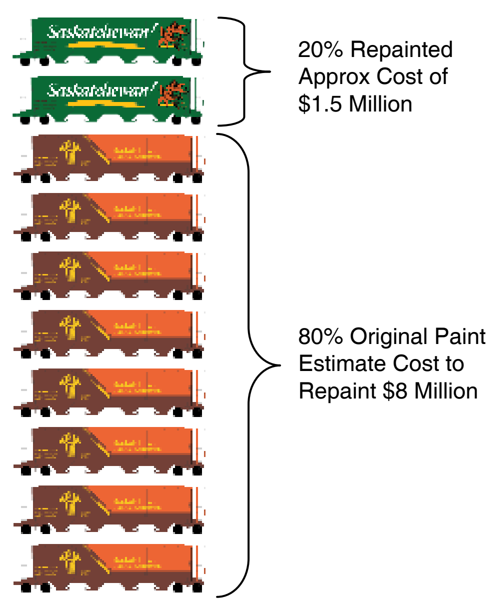
In a case when hopper cars are damaged beyond repair, the railway responsible is required to compensate the Corporation based on rules set out by the AAR. Over the years, the Corporation has had a total of 96 destroyed cars. In 2011-12, management is pleased to report no destroyed hopper cars.

Hopper Car Blast, Paint and Decal Program

The hopper car blast, paint and decal program is a preventative maintenance practice that is important in ensuring the asset is viable until the end of its useful life. In 2004, AllTranstek, LLC, completed a random inspection of 13% of the SGCC hoppers. It was recommended from this inspection that in the next five years the SGCC should focus attention on repainting the cars to prevent future corrosion issues. The SGCC continues to monitor corrosion issues and track hopper cars that are in high need for repainting.

In 2006-07, the SGCC invested almost $1 million dollars in repainting 110 hopper cars. Through out the next few years, the Corporation continued to monitor corrosion issues during hopper car inspections and track hopper cars with respect to their need of repainting. In 2010-11, the SGCC commenced another blast, paint and decal program. This program carried over into the 2011-12 fiscal year with a total of 70 cars being painted. To date, the Corporation has repainted 20% of the fleet with a total of 180 cars completed.

The Corporation will continue to monitor the paint condition of the remaining 80% of the fleet and highlight those with a high need for repainting. The SGCC has recommended that additional 100 cars be repainted in the 2012-13 fiscal year.



Core Business

West Central Road & Rail Ltd.

The SGCC partnered with West Central Road & Rail Ltd. (WCRR) in 1999 during the Grain Logistics Pilot Project. The project studied whether cost savings could be realized in grain transportation by using modern logistical practices to improve efficiencies. The project found that there was a potentional for significant transportation cost savings. Phase II of the Grain Logistics Pilot Project was the implementation of the project. It was at this point that the SGCC made a $400,000 equity investment to support the research and development aspects of Phase II "the demonstration phase", of the pilot project.

WCRR currently has five producer car loading facilities in Eston, Lucky Lake, Laporte, Dinsmore, and Beechy. These five WCRR facilities had been provided rail service from CN. In the fall of 2011, Big Sky Rail took over operations of the rail network servicing these locations.

WCRR had a record year in terms of metric tonnes contracted and shipped. In total, WCRR shipped 430,063 metric tonnes, representing an increase in volume of over 19%. This increase was realized through WCRR's producer car loading facilities as well as at satellite points across the province in WCRR's Enhanced Producer Car Loading Program.

The Enhanced Producer Car Loading Program gives producer car loaders various options whether they are in the vicinity of the WCRR facilities or outside the area. The Enhanced Producer Car Programs includes:

- Optimized virtual blending of grain
- A contractual grade and protein guarantee
- Up to 90% advance payment upon receipt and confirmation of shipping sample
- On-Farm inventory tracking
- Identity preserved logistics
- Quality control measures.

In addition to focusing on its regular business, WCRR also expended a great deal of time and energy preparing for the post-CWB grain industry. Those efforts were necessary in order to enable WCRR to effectively compete in the post-CWB world. While uncertainty and uneasiness abound across the grain industry spectrum, WCRR is confident it is taking the right steps to position itself in the new open market environment.

In April 2013, WCRR intends to implement an expansion project at its facilities at Lucky Lake and Beechy. Bin structures and additional conveyance systems will be added to both facilities. Currently at these locations WCRR loads directly into rail cars. With the importance of knowing with absolute certainty what is going into a rail car prior to shipping permanent bin storage becomes essential. The bin structures and conveyance will also provide improved operations and convenience for WCRR's producer customers.

Shortline Railway Sustainability Program

The Shortline Railway Sustainability Program (SRSP) provides grants to shortline operators to support maintenance and upgrading work on shortline railway track infrastructure in the province. The SRSP operates on a cost-shared basis, with the Province and individual shortlines engaged as equal funding partners.

In 2011-12, the SGCC became responsible for funding the program. The SRSP is managed by the Ministry of Highways and Infrastructure (MHI). In the 2011-12 fiscal year, the SGCC dispersed over $1.15 million in grants payments.

Shortline Railway Sustainability Program Payments

2011-12 (Aug 2011 to March 2012)	$	700,000
2012-13 (April to July 2012)	$	454,559
	$	1,154,559

Management's Report

The accompanying financial statements have been prepared by management of the Saskatchewan Grain Car Corporation. These financial statements have been prepared in conformity with generally accepted accounting principles in Canada, consistently applied using management's best estimates and judgment where appropriate. Management is responsible for the reliability and integrity of the Financial Statements and other information contained in the Annual Report.

The integrity of financial records from which these financial statements are prepared is largely dependent on the systems of internal accounting controls. The purpose of such systems is to provide reasonable assurance that transactions are executed in accordance with proper authorization, transactions are appropriately recorded in order to permit preparation of accurate financial statements and assets are properly accounted for and safeguarded against loss from unauthorized use. Underlying this concept of reasonable assurance is the fact that limitations exist in any system of internal accounting controls based on the premise that the cost of such controls should not exceed the benefits derived.

Management believes that the financial statements in this Annual Report present fairly the financial position of the Corporation for the year ending July 31, 2012.

The Board of Directors has fulfilled its responsibility with respect to the financial position of the Corporation by reviewing and approving the financial statements for the year ending July 31, 2012.

The financial statements have been audited by the Corporation's external auditors, Skilnick Miller Moar Grodecki & Kreklewich, Chartered Accountants, and approved by the Provincial Auditor and the Provincial Comptroller's Division of Saskatchewan Finance.

Robert (Bob) Mason
President and CEO
Regina, Saskatchewan
October 30, 2012

Independant Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

Report on the Consolidated Financial Statements

We have audited the accompanying financial statements of Saskatchewan Grain Car Corporation which comprise the statement of financial position as at July 31, 2012 and the statement of operations and net assets, change in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness or accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Saskatchewan Grain Car Corporation as at July 31, 2012 and the results of its operations and net assets, change in net financial assets, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

SKILNICK MILLER MOAR GRODECKI & KREKLEWICH
Chartered Accountants

Melville, Saskatchewan
September 20, 2012

Statement of Financial Position
as at July 31, 2012.

Statement 1

	2012	2011
FINANCIAL ASSETS		
Cash (Note 2)	$ 330,917	$ 327,907
Due from General Revenue Fund (Notes 4 & 7)	5,708,178	4,945,232
Accounts receivable (Note 7)	213,417	445,671
Other investments (Notes 2 & 6)	407,349	407,349
TOTAL FINANCIAL ASSETS	$ 6,659,861	$ 6,126,159
LIABILITIES		
Accounts payable and accrued liabilities	$ 215,746	$ 104,940
Goods and services tax payable	15,715	5,290
Provincial sales tax payable	4,630	Nil
Security Deposit	68,805	68,805
Deferred fleet revenue (Note 2, 3, & 7)	552,344	822,874
TOTAL LIABILITIES	$ 857,240	$ 1,001,909
NET FINANCIAL ASSETS – STATEMENT 3	$ 5,802,621	$ 5,124,250
NON-FINANCIAL ASSETS		
Tangible capital assets (Notes 2 & 5)	$ 11,347,218	$ 12,595,637
Prepaid expense	$ 12,376	$ 2,983
TOTAL NON-FINANCIAL ASSETS	$ 11,359,594	$ 12,598,620
NET ASSETS – STATEMENT 2	$ 17,162,215	$ 17,722,870

Approved on behalf of the Board:

Don McMorris
Chairperson of the Board

(See Accompanying Notes to Financial Statements)

Statement of Operations and Net Assets

For the Year Ended July 31, 2012.

Statement 2

	2012 Budget	2012	2011
REVENUES			
Car leasing (Note 3)	$ 1,800,000	$ 1,883,919	$ 1,471,886
Interest (Notes 4 & 8)	50,000	57,709	39,217
Fleet revenue (Note 7)	Nil	412,833	65,596
Grants (Note 10)	700,000	700,000	Nil
Model car royalties	1,000	565	399
Consulting services	50,000	12,996	48,903
TOTAL REVENUES	$ 2,601,000	$ 3,068,022	$ 1,626,001
EXPENSES			
Administration (Schedule 1)	$ 170,250	$ 121,009	$ 120,024
Amortization (Notes 2 & 5)	1,240,000	1,248,419	1,249,688
Destroyed grain cars - fleet assets	50,000	Nil	44,345
Fleet repair and maintenance (Note 7)	Nil	412,832	65,596
Grants (Note 10)	1,160,000	1,154,559	Nil
Salaries and benefits (Notes 8 & 9)	564,000	649,775	551,237
Travel and sustenance	45,000	42,083	33,237
TOTAL EXPENSES	$ 3,229,250	$ 3,628,677	$ 2,064,127
(DEFICIT) SURPLUS FOR THE YEAR	$ (628,250)	$ (560,655)	$ (438,126)
Net Assets, beginning of year		17,722,870	18,160,996
Dividends paid to the General Revenue Fund		Nil	Nil
NET ASSETS, END OF YEAR		$ 17,162,215	$ 17,722,870

(See Accompanying Notes to Financial Statements)

Statement of Change in Net Financial Assets
For the Year Ended July 31, 2012.

Statement 3

		2012		2011
Deficit for the year	$	(560,655)	$	(438,126)
Change in non-financial assets				
Tangible capital assets				
Amortization		1,248,419		1,249,688
Destroyed grain cars - fleet assets		Nil		44,345
Increase (decrease) in prepaid expenses	$	(9,393)	$	1,600
Net change in non-financial assets	$	1,239,026	$	1,295,633
Increase in net financial assets		678,371		857,507
Net financial assets, beginning of year		5,124,250		4,266,743
Dividend paid to General Revenue Fund		Nil		Nil
NET FINANCIAL ASSETS, END OF YEAR	$	5,802,621	$	5,124,250

(See Accompanying Notes to Financial Statements)

Statement of Cash Flows
For the Year Ended July 31, 2012.

Statement 4

	2012	2011
OPERATING ACTIVITIES		
Deficit for the year	$ (560,655)	$ (438,126)
Non-cash items included in surplus (deficit) for the year:		
Amortization	1,248,419	1,249,688
Destroyed grain cars - fleet assets	Nil	44,345
Change in non-cash operating activities:		
Decrease (increase) in accounts receivable	232,254	(73,859)
Increase in accounts payable and accrued liabilities	110,806	46,947
Increase (decrease) in goods and services tax payable	10,425	(36)
Increase in provincial sales tax payable	4,630	Nil
Increase in security deposit	Nil	68,805
(Decrease) increase in deferred fleet revenue	(270,530)	38,882
(Increase) decrease in prepaid expenses	(9,393)	1,600
Cash provided by operating activities	$ 765,956	$ 938,246
CAPITAL ACTIVITIES	$ Nil	$ Nil
INVESTING ACTIVITIES	$ Nil	$ Nil
FINANCIAL ACTIVITIES		
Dividends paid to General Revenue Fund	$ Nil	$ Nil
INCREASE IN CASH AND CASH EQUIVALENTS	$ 765,956	$ 938,246
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,273,139	4,334,893
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 6,039,095	$ 5,273,139

SUMMARY OF CASH AND CASH EQUIVALENTS

Cash	$ 330,917	$ 327,907
Due from General Revenue Fund	5,708,178	4,945,232
	$ 6,039,095	$ 5,273,139

(See Accompanying Notes to Financial Statements)

Notes to Financial Statements

July 31, 2012.

1. STATUS OF THE CORPORATION

The Saskatchewan Grain Car Corporation is a Provincial Crown Corporation established on October 2, 1979 by Order-in-Council 1787/79. The Corporation continues under the authority and provisions of *The Saskatchewan Grain Car Corporation Act*.

The Corporation's mission is to maximize the economic benefits to Saskatchewan agriculture as a first priority, other Saskatchewan industries as a second priority, and the Province in general, through the effective and efficient use of its resources.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Pursuant to standards established by the Public Sector Accounting Board (PSAB), the Corporation is classified as an other government organization. These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector. The significant accounting policies are as follows:

a) Revenue

Revenues from car operating leases is recognized as the service is provided to the lessee and collection is reasonably assured.

Fleet revenue for destroyed grain cars, including interest earned on externally restricted funds, are recognized in the year when disbursements are made to purchase, upgrade, repair and maintain the grain car fleet.

b) Tangible Capital Assets

Tangible capital assets are recorded at cost and include all amounts directly attributable to the purchase or the betterment of the grain car fleet. Normal maintenance and repairs are expensed as incurred. Capital assets are amortized on a straight-line basis over their estimated useful lives of 40 years.

c) Investments

The investment in shares of West Central Road & Rail Ltd. is recorded at cost, and dividends from these shares are recorded as revenue when receivable.

d) Foreign Currency

The Corporation translates its foreign currency transactions into Canadian dollars by applying the exchange rate in effect on the transaction date. Monetary assets and liabilities are adjusted to reflect the exchange rate in effect at the reporting date. Exchange gains and losses are recognized in the Statement of Operations in the current period.

e) Measurement Uncertainty

The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates.

Notes to Financial Statements

3. COMMERICAL LEASE AGREEMENTS

a) Canadian Pacific Railway Limited – The Corporation entered into a commercial lease agreement with Canadian Pacific Railway Limited (CPR) effective August 1st, 2011. The commercial lease agreement includes a four year, three year and one year term covering 488 of the Corporation's hopper cars. The one year term expiring July 31st, 2012 has been renegotiated for an additional one year term.

In the event CPR and the SGCC do not enter into a subsequent lease agreement upon expire of this agreement, the SGCC will notify CPR as to where the railway is to place the affected hopper cars at the end of the lease term. Such place will be at a mutually agreed upon major interchange located within Canada on CPR trackage.

CPR is responsible for maintaining and repairing the Corporation's hopper cars at their own expense in accordance with Transport Canada, Federal Railway Administration (FRA) and Association of American Railroads (AAR) rules.

In the event that one of the Corporation's cars is damaged beyond economic repair, CPR is required to compensate the Corporation for the value of the car in accordance with Rule 107 of the Interchange Rules Manual of the AAR.

b) Canadian National Railway Company – The Corporation extended the existing Operating Agreement with Canadian National Railway Company (CN) for any hopper cars in the control of the CN during the period of transfer to Last Mountain Railway (LMR). The Operating Agreement allowed CN to lease the Corporation's hopper cars free of charge for Movement of Grain. Movement of Grain refers to the movement to a western Canadian port of grain products as listed in Schedule II in the Canada Transportation Act.

CN may lease the Corporation's hopper cars for commercial service provided the cars are surplus to the requirements of the Movement of Grain. Commercial service includes the carriage of grain at non-regulated freight rates as well as the carriage of bulk commodities, such as potash.

CN is responsible for maintaining and repairing the Corporation's hopper cars at their own expense in accordance with Transport Canada, Federal Railway Administration (FRA) and Association of American Railroads (AAR) rules.

In the event that one of the Corporation's cars is damaged beyond economic repair, CN is required to compensate the Corporation for the value of the car in accordance with Rule 107 of the Interchange Rules Manual of the AAR.

As of August 1st, 2012, any hopper cars remaining in CN's control will be charged on a daily basis as specified in the turnback provisions of the Operating Agreement. All hopper cars are to be transferred to LMR.

c) Last Mountain Railway – The Corporation entered into a five year commercial lease agreement with Last Mountain Railway (LMR) effective October 3rd, 2011. The Corporation will lease 416 hopper cars to LMR over the term of the commercial lease agreement.

In the event the LMR and the SGCC do not enter into a subsequent lease agreement upon expire of this agreement, the SGCC will notify LMR as to where the railway will place the hopper cars at the end of the lease term. Such place will be at a mutually agreed upon major interchange located within Saskatchewan on LMR trackage.

LMR is responsible for maintaining and repairing the Corporation's hopper cars at their own expense in accordance with Transport Canada, Federal Railway Administration (FRA) and Association of American Railroads (AAR) rules.

In the event that one of the Corporation's cars is damaged beyond economic repair, LMR is required to compensate the Corporation for the value of the car in accordance with Rule 107 of the Interchange Rules Manual of the AAR.

4. DUE FROM GENERAL REVENUE FUND

Most of the Corporation's bank accounts are included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan. The Corporation's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into the Corporation's bank account using the Government's thirty day borrowing rate and the Corporation's average daily bank balance. The Government's average thirty day borrowing rate for 2011/2012 was 1.06% (2010/2011 1.01%).

5. Rolling Stock

Rolling Stock	Cost	Accumulated Amortization	Book Value
Balance, beginning of year	$ 49,936,775	$ 37,341,138	$ 12,595,637
Current Amortization - 2.5%	Nil	1,248,419	1,248,419
Balance, end of year	$ 49,936,775	$ 38,589,557	$ 11,347,218

6. INVESTMENT IN SHARES OF WEST CENTRAL ROAD & RAIL LTD.

The Corporation owns 4,000 Class "E" shares of the capital stock of West Central Road & Rail Ltd. This equity investment represents the Corporation's commitment to support the Research and Development aspects of Phase II (the demonstration phase) of the Grain Logistics Pilot Project. Phase II of the Pilot Project is intended to provide complete logistical services from farm-gate to port in the case of export movements, and farm-gate to commercial processing facility in the case of movements to domestic destinations throughout North America.

The Class "E" shares are transferable, non-voting except for the entitlement to elect 2 of 13 directors and participate equally in dividends and the distribution of assets on liquidation or wind-up. As per the agreement, the issuer may repurchase or the Corporation may retract a minimum of 1,000 shares at their fair market value as established by an independent appraiser.

Notes to Financial Statements

7. DEFERRED FLEET REVENUE AND RESTICTED FUNDS

In accordance with the operating agreements described in Note 3, compensation for destroyed grain cars received from Canadian National Railway Company is recorded as deferred fleet revenue as the agreement specify that the funds must be used for future purchase, upgrade, repair and maintenance of the grain car fleet.

The amounts for deferred fleet revenue and restricted funds are as follows:

	2012	2011
Deferred Revenue, Beginning of Year	$ 822,874	$ 783,992
Add restricted funds received:		
Compensation for destroyed grain cars (Note 3)	Nil	74,078
Compensation for damaged grain cars	Nil	23,130
Interest allocated (Notes 2, 4 & 8)	7,102	7,270
Lease turnback settlement	135,200	Nil
	965,176	888,470
Deduct fleet revenue recognized:		
Fleet repair and maintenance	412,832	65,596
	412,832	65,596
Deferred Fleet Revenue, End of Year	$ 552,344	$ 822,874

Restricted Funds	**2012**	**2011**
Due from General Revenue Fund	$ 552,344	$ 540,906
Cash	Nil	$ 234,885
Accounts receivable	Nil	47,083
	$ 552,344	$ 822,874

Notes to Financial Statements

8. RELATED PARTY TRANSACTIONS

These financial statements include transactions with related parties. The Corporation is related to all Saskatchewan Crown Agencies such as ministries, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Corporation is related to non-crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at the rate charged by those organizations and are settled on normal trade terms.

These transactions are as follows:

		2012		2011
Deferred Fleet Revenue				
Government of Saskatchewan				
(General Revenue Fund)				
Interest	$	7,102	$	7,270
Revenues				
Government of Saskatchewan				
(General Revenue Fund)				
Interest	$	55,004	$	39,217
Expenses				
Information Technology Office				
Computer maintenance	$	10,196	$	10,377
Telecommunications	$	118	$	656
Ministry of Government Services				
Rent – office space	$	45,956	$	38,760
Printing and copying	$	582	$	454
Consulting Services	$	100	$	671
Central Vehicle Agency	$	17,528	$	13,494
Saskatchewan Telecommunications				
Telecommunications	$	4,407	$	5,241
Workers' Compensation Board (Saskatchewan)				
Salaries and benefits	$	2,932	$	3,001

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

Notes to Financial Statements

9. PENSION PLAN

The Corporation participates in a defined contribution pension plan for the benefit of its employees. The Corporation's financial obligation to the Capital Pension Plan (related party) is limited to making regular payments to match the amounts contributed by employees for current service. The Corporation's annual pension expense for 2012 amounted to $29,692 (2011 - $32,733).

10. SHORTLINE RAILWAY SUSTAINABILITY PROGRAM (SRSP)

The SRSP provides cost shared grants to shortline operators to support maintenance and upgrading work on shortline railway track infrastructure in the Province of Saskatchewan.

SCHEDULE OF ADMINISTRATION EXPENSES
For the Year Ended July 31, 2012.

Schedule 1

	2012 Budget	2012	2011
Advertising and promotion	$ 5,000	$ 1,134	$ 320
Bank charges	250	118	119
Computer maintenance (Note 8)	15,000	10,196	10,377
Computer software (Note 8)	2,000	819	819
Conferences and professional development	10,000	9,556	5,413
Consulting services (Note 8)	30,000	11,053	19,414
Miscellaneous	2,000	6,443	2,822
Office equipment and supplies (Note 8)	3,500	965	3,156
Printing, copying, postage and courier (Note 8)	5,500	4,188	5,397
Professional services	20,000	9,188	11,281
Rent - office space (Note 8)	60,000	55,562	45,808
Subscriptions and memberships	10,000	7,477	9,449
Telecommunications (Note 8)	7,000	4,310	5,649
TOTAL - TO STATEMENT 2	$ 170,250	$ 121,009	$ 120,024

(See Accompanying Notes to Financial Statements)

Statistical Summary

Year as of July 31, 2012	Cars In Service CN	Cars In Service CP	Cars In Service Total	Cars Destroyed CN	Cars Destroyed CP	Cars Destroyed Total	Leasing Revenues	
1979/80								
1980/81	477	273	750					
1981/82	477	523	1,000				$ 56,294	
1982/83	477	523	1,000				$ 11,850	
1983/84	475	523	998	2		2		
1984/85	475	523	998					
1985/86	475	523	998					
1986/87	474	523	997	1		1		
1987/88	474	523	997					
1988/89	474	523	997				$ 1,099,441	
1989/90	474	523	997				$ 92,310	
1990/91	474	523	997	1		1	$ 146,343	
1991/92	473	522	995		1	1	$ 268,342	
1992/93	473	522	995				$ 326,047	
1993/94	472	522	994	1		1	$ 816,083	
1994/95	472	518	990		4	4	$ 628,807	
1995/96	470	514	984	2	4	6	$ 946,233	
1996/97	468	514	982	2		2	$ 991,526	
1997/98	468	509	977		5	5	$ 1,089,116	(See note 1, page 27)
1998/99	468	509	977				$ 1,305,593	
1999/00	464	508	972	4	1	5	$ 1,189,104	(See note 2, page 27)
2000/01	458	498	956	6	10	16	$ 1,304,835	
2001/02	455	498	953	3		3	$ 1,033,158	
2002/03	454	497	951	1	1	2	$ 1,315,865	
2003/04	442	497	939	12		12	$ 1,766,041	
2004/05	440	494	934	2	3	5	$ 1,543,736	
2005/06	434	494	928	6		6	$ 1,064,115	
2006/07	429	493	922	5	1	6	$ 1,629,790	
2007/08	424	491	915	5	2	7	$ 1,864,169	
2008/09	419	491	910	5		5	$ 1,093,967	
2009/10	417	490	907	2	1	3	$ 1,224,944	
2010/11	416	488	904	1	2	3	$ 1,470,636	
2011/12	416	488	904	0	0	0	$ 1,883,919	
Total	**416**	**488**	**904**	**61**	**35**	**96**	**$ 26,182,264**	

Notes to Statistical Summary

1. Revenue adjustments for 1997/98 fiscal year

Car leasing revenue recognized as per 1997/98 Financial Statement	$ 1,507,271
• Bad debt allowance as shown in 1997/98 Financial Statement	($ 160,000)
• Bad debt allowance as shown in 1998/99 Financial Statement	($ 53,543)
• Settlement recovery with CP for western Canada commercial moves from 1991 to 1997 realized in 1998/99	($ 204,612)
Car leasing revenue actually realized in 1997/98	$ 1,089,116

2. Revenue adjustments for 1999/00 fiscal year

Car leasing revenue recognized as per 1999/00 Financial Statement	$ 1,639,104
• Settlement recovery with CN for western Canada commercial moves form 1991 to 1997 realized in 1999/00	($ 450,000)
Car leasing revenue actually realized in 1999/00	$ 1,189,104

Corporate Information

DEFINITIONS

Commercial Service

Commercial service is defined as the movement of any commodity not destined to port for export, or the movement of commodities to port not covered under Schedule II of *the Canada Transportation Act.* For these commercial movements the Corporation receives a lease fee.

Domestic and Export Markets

Canada, United States, and Mexico make up the domestic or North American market; the rest of the world is the export or offshore market.

Gross Weight

Total of weight of car, net load, and dunnage.

Light Weight (LT WT)

Weight of empty railroad car expressed in pounds. This figure is stenciled on the car. Also referred to as Tare Weight.

Load Limit (LD LMT)

Absolute maximum allowable weight of load, including both net weight and dunnage, that a freight car is authorized to carry. This figure is stenciled on the car.

Metric tonne

A metric tonne equals 2,204.6 pounds or 1000 kilograms, and is 10 percent larger that a 2000 pound short ton.

Most fertilizer is muriate of potash (KCl), potassium chloride. Potassium combines with other minerals in specialty fertilizers.

Statutory Grain Service

Statutory grain service is the transportation of commodities which are moved to port for export as defined in Schedule II of *the Canada Transportation Act.* Under the 1981 Operating Agreement between the Saskatchewan Grain Car Corporation, Canadian Wheat Board, CN Rail, and CP Rail, the Corporation allows CN and CP to use Corporation owned cars for the movement of Schedule II commodities to port facilities in western Canada at no cost to the railways.

For additional information:

Saskatchewan Grain Car Corporation
1210 – 1855 Victoria Avenue
Regina, Saskatchewan
S4P 3T2
Telephone: (306) 787-1137
Facsimile; (306) 798-0931
Email: info@sgcc.gov.sk.ca