

GODERICH ELEVATORS LIMITED

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

	Page
Consolidated Interim Balance Sheet	2
Consolidated Interim Statement of Income	3
Consolidated Interim Statement of Comprehensive Income	4
Consolidated Interim Statement of Retained Earnings	5
Consolidated Interim Statement of Accumulated Other Comprehensive Income	6
Consolidated Interim Statement of Cash Flows	7
Notes to Consolidated Interim Financial Statements	8 - 14

GODERICH ELEVATORS LIMITED
Consolidated Interim Statement of Income

As at **September 30, 2009** **March 31, 2009**
(Unaudited)

ASSETS

Current

Cash and cash equivalents	\$ 447,708	\$ 82,012
Investments available for sale, <i>note 5</i>	4,558,357	2,012,961
Accounts receivable	4,021,061	4,048,609
Inventory	3,359,829	4,408,660
Prepaid expenses	374,179	103,423
Future income taxes	<u>74,000</u>	<u>59,000</u>
	12,835,134	10,714,665

Property, plant and equipment, *note 6*

	<u>9,895,770</u>	<u>10,156,608</u>
	\$ 22,730,904	\$ 20,871,273

LIABILITIES

Current

Accounts payable and accrued liabilities	\$ 2,121,443	\$ 1,877,602
Bank loans, <i>note 7</i>	-	473,874
Income tax payable	23,468	686,168
Future income taxes	<u>225,000</u>	<u>14,000</u>
	2,369,911	3,051,644

Future income taxes

	<u>380,000</u>	<u>363,000</u>
	2,749,911	3,414,644

SHAREHOLDERS' EQUITY

Share capital, <i>note 8</i>	936,006	936,006
Retained earnings	18,365,241	16,479,722
Accumulated other comprehensive income, <i>page 6</i>	<u>679,746</u>	<u>40,901</u>
	19,980,993	17,456,629
	\$ 22,730,904	\$ 20,871,273

Approved on behalf of the Board:

"R. J. Paterson"

Mr. R. J. Paterson, Director

"A.R. Heimbecker"

Mr. A.R. Heimbecker, Director

GODERICH ELEVATORS LIMITED
Consolidated Interim Statement of Income

For the six month period ending September 30	2009	2008
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Sales	\$ 14,983,800	\$ 14,203,962
Expenses		
Amortization	682,678	605,565
Selling, operating and administrative	11,577,702	10,788,572
Interest on bank loans	2,506	15,893
	<u>12,262,886</u>	<u>11,410,030</u>
Income from operations	<u>2,720,914</u>	<u>2,793,932</u>
Other income		
Investment income	195,551	225,658
Gain on disposal of capital assets	-	5,065
	<u>195,551</u>	<u>230,723</u>
Income before income taxes	<u>2,916,465</u>	<u>3,024,655</u>
Income taxes		
Current	791,100	926,000
Future	2,000	1,000
	<u>793,100</u>	<u>927,000</u>
Net income for the period	<u>\$ 2,123,365</u>	<u>\$ 2,097,655</u>
Earnings per share	<u>\$ 6.63</u>	<u>\$ 6.55</u>

GODERICH ELEVATORS LIMITED

Consolidated Interim Statement of Comprehensive Income

For the six month period ending September 30	2009	2008
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net income for the period	\$ 2,123,365	\$ 2,097,655
Other comprehensive income during the period -		
Unrealized gains (losses) on available for sale investments, net of tax	596,751	(559,695)
Realized gains on available for sale investments, net of tax	42,094	207,865
Total other comprehensive income for the period	638,845	(351,830)
Comprehensive income for the period	\$ 2,762,210	\$ 1,745,825

GODERICH ELEVATORS LIMITED
Consolidated Interim Statement of Retained Earnings

For the six month period ending September 30	2009	2008
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Balance, beginning of period	\$ 16,479,722	\$ 12,906,883
Net income for the period	<u>2,123,365</u>	<u>2,097,655</u>
	18,603,087	15,004,538
Dividends	(224,046)	(160,033)
Refundable tax paid	<u>(13,800)</u>	<u>(31,000)</u>
Balance, end of period	\$ 18,365,241	\$ 14,813,505

GODERICH ELEVATORS LIMITED

Consolidated Interim Statement of Accumulated Other Comprehensive Income

For the six month period ending September 30	2009	2008
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Balance at beginning of period	\$ 40,901	\$ 902,971
Other comprehensive income for the period, <i>page 4</i>	638,845	(351,830)
Balance, end of period	\$ 679,746	\$ 551,141

GODERICH ELEVATORS LIMITED
Consolidated Interim Statement of Cash Flows

For the six month period ending September 30	2009	2008
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Cash provided by (used by)		
Operating activities		
Operations		
Net income for the period	\$ 2,123,365	\$ 2,097,655
Items not involving cash -		
Amortization	682,678	605,565
Loss (gain) on disposal of capital assets	-	(5,065)
Gain on sale of investments	(165,130)	(184,595)
Future income taxes	2,000	1,000
	<u>2,642,913</u>	<u>2,514,560</u>
Changes in non cash working capital accounts		
Accounts receivable	27,548	(617,766)
Inventory	1,048,831	(1,116,367)
Prepaid expenses	(270,756)	(213,003)
Accounts payable and accrued liabilities	243,841	(128,577)
Bank loans	(473,874)	22,255
Income taxes	(662,700)	215,788
	<u>2,555,803</u>	<u>676,890</u>
Financing activities		
Dividends paid	(224,046)	(160,033)
Refundable taxes	(13,800)	(31,000)
	<u>(237,846)</u>	<u>(191,033)</u>
Investing activities		
Purchase of capital assets	(438,001)	(1,650,634)
Proceeds on disposal of capital assets	16,161	5,065
Purchase of investments	(1,772,318)	(188,564)
Proceeds on disposal of investments	241,897	1,047,289
	<u>(1,952,261)</u>	<u>(786,844)</u>
Increase (decrease) in cash	365,696	(300,987)
Balance, beginning of period	82,012	675,298
Balance, end of period	\$ 447,708	\$ 374,311
Supplemental information		
Cash payments made for income taxes	\$ 1,467,539	\$ 731,735
Cash payments for interest	\$ 2,506	\$ 15,893

GODERICH ELEVATORS LIMITED

Notes to Consolidated Interim Financial Statements

September 30, 2009

1. Corporate information

Nature of business

The Company is incorporated under the laws of Ontario and is engaged in the storage, conditioning, processing and handling of grain through facilities at Goderich, Hamilton and Port Colborne, Ontario.

Corporate structure

The consolidated statements include the accounts of the Company and its subsidiary G. S. Dunn Limited.

2. Significant accounting policies

Interim statements

These interim statements follow the same accounting policies and methods of application as the most recent annual financial statements dated March 31, 2009. There have not been any accounting policy changes since the issue of the last annual statements.

Disclosure and use of estimates

The preparation of financial statements in accordance with Canadian 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 amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

Going concern

Management has determined that the company's has the ability to continue as a going-concern. When financial statements are not prepared on a going-concern basis, that fact shall be disclosed together with the basis on which the financial statements are prepared and the reason why the Company is not considered a going-concern.

Comprehensive income

Comprehensive income (loss) is the overall change in the net assets of the Company for a period, other than changes attributable to transactions with shareholders. It is made up of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) consists of gains and losses affecting shareholders' equity that, under generally accepted accounting principles are excluded from net income (loss). Gains and losses are recognized directly in other comprehensive income until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in accumulated other comprehensive income should be recognized in net income for the period. For the Company, the primary effect is gains or losses on the Company's investment which is classified as "available-for-sale".

GODERICH ELEVATORS LIMITED

Notes to Consolidated Interim Financial Statements

September 30, 2009

2. Significant accounting policies

Cash and cash equivalents

Cash and cash equivalents include cash, and those short-term money market instruments that are readily convertible to cash with an original term of less than 90 days.

Investments available for sale

The Company has determined that its investments are considered available for sale. As such, these investments are measured at fair value with unrealized gains and losses recorded in other comprehensive income until the investment is either sold, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income.

Inventory

Raw materials are valued at the lower of average cost and net realizable value. Finished goods are valued at the lower of average cost and net realizable value.

Property, plant and equipment

Capital assets are recorded at acquisition cost and amortized over their useful life on a straight line basis using the following annual rates -

Assets on Company owned land	-	4%
Assets on Government owned land	-	over the life of the lease
Dome and attached machinery	-	25 years
Pollution control equipment	-	6 2/3%
Other equipment	-	5% - 33%

Revenue recognition

Revenue from the services of storage, conditioning, processing and handling of grain is recognized when products are shipped or as the services are rendered.

Income taxes

The Company follows the asset and liability method of income tax allocation. Under this method, future tax assets and liabilities are determined based on the difference between the financial reporting and tax basis of assets and liabilities and are measured using the substantively enacted tax rates that are expected to be in effect when the differences are expected to reverse.

The Company is a Canadian controlled private corporation under the Income Tax Act (Canada) and as such, a portion of the income taxes on its investment income is refundable upon payment of taxable dividends to shareholders. These refundable taxes are considered to be in the nature of advance distributions to shareholders and are charged to retained earnings.

GODERICH ELEVATORS LIMITED

Notes to Consolidated Interim Financial Statements

September 30, 2009

2. Significant accounting policies

Future accounting changes

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended March 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Business combinations and related sections

The CICA has issued new accounting recommendations related to business combinations and minority interests effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under GAAP with IFRS. The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination. The Company does not anticipate any effect on its financial statements.

Financial Instruments - Disclosures

The CICA amended Section 3862, "Financial Instruments – Disclosures," to include additional disclosure requirements about fair value measurement for financial instruments and liquidity risk disclosures. These amendments require a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement. The amendments to Section 3862 are effective for the Company for the annual reporting period ending March 31, 2010. The Company does not anticipate any effect on its financial statements.

GODERICH ELEVATORS LIMITED

Notes to Consolidated Interim Financial Statements

September 30, 2009

3. Financial instruments

Classification and measurement

	Amount	Classification	Measurement
Cash and cash equivalents	\$ 447,708	held-for trading	fair value
Accounts receivable	4,021,061	loans and receivable	amortized cost
Investments	4,558,357	available-for-sale	fair value
Accounts payable	2,121,443	other financial liability	amortized cost

The fair value of financial assets and liabilities classified as loans and receivable and other financial liabilities approximate their carrying value due to their short-term nature.

Risk management

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed to are described below.

Capital risk

The Company manages its capital to ensure that there are adequate capital resources for the Company to fund its existing operations and provide for growth. The capital structure of the Company consists of shareholders' equity and is augmented with a demand term loan and a \$5,000,000 line of credit.

Credit risk

Credit risk is the risk that a client or vendor will be unable to pay or receive any amounts owed or owing by the Company. The Company provides credit to its customers in the normal course of business and maintains provisions for potential bad debts. Management believes concentrations of credit risk with respect to accounts receivable is limited due to the generally high credit quality of the Company's major customers and the large number and geographic dispersion of smaller customers. There are no impaired receivables that have not been provided for in the allowance for doubtful accounts and the provision for past due receivables is sufficient to cover all significant known exposures.

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. The Company has adequate funds to meet its current obligations.

Foreign exchange risk

Foreign exchange risk refers to the risk that the value of financial instruments or cash flows associated with the instruments will fluctuate due to changes in foreign exchange rates. The primary currency to which the Company is exposed is the US dollar relating to certain of the Company's sales and expenses. The Company operates a US dollar bank account to manage the foreign currency transactions. The Company maintains a sufficient balance in this account to meet current US dollar expense obligations, thereby mitigating some of the foreign exchange risk relating to its sales.

The Company has sales contracts with its customers for periods not exceeding one year, of which 17% are denominated in US dollars. The Company monitors the value of the US dollar and adjusts its non-contracted selling prices for significant currency fluctuations.

GODERICH ELEVATORS LIMITED

Notes to Consolidated Interim Financial Statements

September 30, 2009

3. Financial instruments

Interest rate risk

The Company has cash balances and no interest bearing debt. A change in interest rates of 1% would not have a material impact on earnings.

Price risk

The Company is exposed to price risk with respect to commodity prices. The Company may use contracts with suppliers to manage its exposure to price fluctuations.

4. Capital management

The Company's objective is to maintain a simple and cost-effective capital structure that supports its long-term growth strategy and maximizes operating flexibility.

The Company uses leverage in its capital structure to reduce the cost of capital with a \$5,000,000 line of credit. The Company maintains its primary credit ratios and leverage at levels that provide continued access to investment grade credit pricing and terms.

There has been no change to the Company's capital management strategy during the year.

5. Investments available for sale

As at	September 30, 2009		March 31, 2009	
	<i>(Unaudited)</i>			
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and equivalents	\$ 1,692,534	\$ 1,692,535	\$ 325,063	\$ 325,063
Common shares	1,672,775	2,552,757	1,499,476	1,546,743
Trust funds	288,301	313,065	133,520	141,155
	<u>\$ 3,653,610</u>	<u>\$ 4,558,357</u>	<u>\$ 1,958,059</u>	<u>\$ 2,012,961</u>

GODERICH ELEVATORS LIMITED

Notes to Consolidated Interim Financial Statements

September 30, 2009

6. Property, plant and equipment

As at	September 30, 2009		March 31, 2009	
	<i>(Unaudited)</i>			
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
Land	\$ 668,848	\$ -	\$ 668,848	\$ -
Land and water lots	1	-	1	-
Docks, buildings, dome	7,585,384	5,259,780	7,559,783	5,127,900
Pollution control	1,703,537	1,407,573	1,703,537	1,391,258
Machinery	15,548,461	9,494,822	15,160,740	9,019,175
Vehicles	559,313	461,536	559,313	435,578
Office and computers	1,219,203	765,266	1,207,611	729,314
	<u>\$ 27,284,747</u>	<u>\$ 17,388,977</u>	<u>\$ 26,859,833</u>	<u>\$ 16,703,225</u>
Net book value		<u>\$ 9,895,770</u>		<u>\$ 10,156,608</u>

7. Bank loans

As at	September 30, 2009	March 31, 2009
	<i>(Unaudited)</i>	
Line of credit at bank prime	\$ -	\$ 257,207
Demand term loan repayable \$8,333 per month plus interest at bank prime plus 1/4%	-	216,667
	<u>\$ -</u>	<u>\$ 473,874</u>

The Company has a line of credit in the amount of \$5,000,000 and has provided letters of credit totaling \$864,000. A general security agreement covering all assets and an assignment of certain book debts has been lodged as collateral for this line and the demand loan.

8. Share capital

As at March 31	September 30, 2009	March 31, 2009
Authorized		
Unlimited number of common shares		
Issued		
320,066 common shares	<u>\$ 936,006</u>	<u>\$ 936,006</u>

GODERICH ELEVATORS LIMITED

Notes to Consolidated Interim Financial Statements

September 30, 2009

9. Income taxes	2009	2008
The effective income tax rate differs from the statutory rates mainly as a result of the following -		
Statutory tax rate	33%	34%
Tax effect of -		
Non taxable portion of capital gains	(1%)	(1%)
Small business deduction	-	(1%)
Manufacturing and processing deduction	(3%)	(3%)
Other	(1%)	2%
Average tax rate	<u>27%</u>	<u>31%</u>

10. Commitments

Approximately 50% of the Company's storage facilities are located on land leased from the Town of Goderich expiring April and October 2021.

The Company has a lease agreement with the City of Port Colborne for the elevators expiring July 2015.

The Company leases a warehouse facility in connection with its Hamilton operations. The lease expires September 2012.

The aggregate minimum annual lease payments under these long term leases, based on the current payments for the next five years (ending March 31), are as follows:

2010	-	\$ 247,943
2011	-	264,520
2012	-	264,520
2013	-	157,870
2014	-	157,870
Thereafter	-	368,612