AGT FOOD AND INGREDIENTS INC.

(Formerly Alliance Grain Traders Inc.)

# CONSOLIDATED FINANCIAL STATEMENTS

## DECEMBER 31, 2014

AGT FOOD AND INGREDIENTS INC.

## MANAGEMENT'S RESPONSIBILITY

### *Consolidated Financial Statements*

The audited consolidated financial statements are the responsibility of management and are approved by the Board of Directors of AGT Food and Ingredients Inc. (AGT). The consolidated financial statements have been prepared by management and are presented fairly in accordance with International Financial Reporting Standards and reflect management's best estimates and judgments based on currently available information.

Management has established systems of internal controls, including disclosure controls and procedures, which are designed to provide reasonable assurance that financial and non-financial information that is disclosed is timely, complete, relevant and accurate. These systems of internal control also serve to safeguard AGT's assets. The systems of internal control are monitored by management.

The Audit Committee of the Board, whose members are independent of management, meets at least four times per year with management. The Audit Committee reviews the independence of the external auditor, approves audit and permitted non-audit services and reviews the consolidated financial statements and other financial disclosure documents before they are presented to the Board for approval.

These consolidated financial statements have been examined by the independent auditor, KPMG LLP, and their report is presented separately.

[signed] *Murad Al-Katib*

Murad Al-Katib
Chief Executive Officer
March 20, 2015

[signed] *Lori Ireland*

Lori Ireland
Chief Financial Officer
March 20, 2015

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# INDEPENDENT AUDITORS' REPORT

To the Shareholders of AGT Food and Ingredients Inc.

We have audited the accompanying consolidated financial statements of AGT Food and Ingredients Inc., which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013, the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes, comprising 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.

*Auditors' 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 our 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, we consider internal control relevant to the entity'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 entity'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 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 consolidated financial position of AGT Food and Ingredients Inc. as at December 31, 2014 and December 31, 2013, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants

March 20, 2015
Regina, Canada

AGT FOOD AND INGREDIENTS INC.

## Consolidated Statements of Financial Position
## as at December 31

(Stated in thousands of Canadian Dollars)

| | Note | | 2014 | | 2013 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash | | $ | 29,319 | $ | 22,893 |
| Trade accounts receivable | 10 | | 191,751 | | 166,489 |
| Derivative asset | 10 | | 2,900 | | - |
| Inventory | 4 | | 341,757 | | 236,123 |
| Prepaid expenses and other | | | 34,057 | | 35,232 |
| Income tax receivable | | | 4,166 | | 3,564 |
| **Total current assets** | | | **603,950** | | **464,301** |
| Property, plant and equipment | 5 | | 241,041 | | 232,749 |
| Intangible assets | 6 | | 12,782 | | 8,748 |
| Goodwill | 6 | | 58,116 | | 56,722 |
| Deferred income tax assets | 15 | | 10,791 | | 8,344 |
| Other | | | 2,173 | | 2,928 |
| **Total assets** | | **$** | **928,853** | **$** | **773,792** |
| **Liabilities** | | | | | |
| Bank indebtedness | 7 | $ | 91,218 | $ | 110,805 |
| Accounts payable and accrued liabilities | | | 202,692 | | 150,979 |
| Derivative liability | 10 | | 30,883 | | 15,191 |
| Deferred revenue | | | 13,458 | | 13,142 |
| Income taxes payable | | | 3,267 | | 3,906 |
| Current portion of long-term debt | 8 | | 5,931 | | 6,061 |
| Dividends payable | | | 3,460 | | 2,980 |
| **Total current liabilities** | | | **350,909** | | **303,064** |
| Long-term debt | 8 | | 245,242 | | 224,544 |
| Deferred income tax liabilities | 15 | | 10,632 | | 11,845 |
| **Total liabilities** | | | **606,783** | | **539,453** |
| **Shareholders' equity** | | | | | |
| Share capital | 9 | | 350,816 | | 270,058 |
| Contributed surplus | | | 853 | | 922 |
| Accumulated other comprehensive loss | | | (37,857) | | (37,640) |
| Retained earnings | | | 8,258 | | 999 |
| **Total shareholders' equity** | | | **322,070** | | **234,339** |
| **Total liabilities and shareholders' equity** | | **$** | **928,853** | **$** | **773,792** |

*The accompanying notes are an integral part of these consolidated financial statements.*

[signed] *Murad Al-Katib*
Director

[signed] *John Gardner*
Director

AGT FOOD AND INGREDIENTS INC.

**Consolidated Statements of Comprehensive Income (Loss)**
**For the years ended December 31**

(Stated in thousands of Canadian Dollars)

| | Note | | 2014 | | 2013 |
|---|---|---|---|---|---|
| **Revenues** | | $ | 1,356,745 | $ | 1,138,773 |
| **Cost of sales** | 13 | | 1,226,471 | | 1,042,760 |
| **Gross profit** | | | 130,274 | | 96,013 |
| General and administrative expenses | 13 | | 41,555 | | 35,478 |
| Marketing, sales and distribution expenses | 13 | | 26,140 | | 19,198 |
| **Earnings from operations** | | | **62,579** | | **41,337** |
| **Other expenses (income) :** | | | | | |
| Unrealized foreign exchange loss | | | 9,793 | | 27,674 |
| Finance income | | | (73) | | (29) |
| Finance expense | 12 | | 27,022 | | 25,910 |
| **Earnings (loss) before income tax** | | | **25,837** | | **(12,218)** |
| Income tax expense (recovery) | 15 | | 6,078 | | (2,503) |
| **Net earnings (loss)** | | | **19,759** | | **(9,715)** |
| Other comprehensive loss | | | | | |
| Exchange differences on translation of foreign operations (no tax effect) | | | (217) | | (14,752) |
| **Total comprehensive income (loss)** | | **$** | **19,542** | **$** | **(24,467)** |
| Basic net earnings (loss) per share | 9 | $ | 0.96 | $ | (0.49) |
| Diluted net earnings (loss) per share | 9 | $ | 0.96 | $ | (0.49) |

*The accompanying notes are an integral part of these consolidated financial statements.*

AGT FOOD AND INGREDIENTS INC.

## Consolidated Statements of Changes in Equity

(Stated in thousands of Canadian Dollars)

| | Share capital | Contributed surplus | Accumulated other comprehensive loss | Retained earnings | Total |
|---|---|---|---|---|---|
| Balance at January 1, 2014 | $ 270,058 | $ 922 | $ (37,640) | $ 999 | **$ 234,339** |
| Net earnings | - | - | - | 19,759 | **19,759** |
| Other comprehensive loss due to changes in foreign exchange | - | - | (217) | - | **(217)** |
| **Total comprehensive (loss) income** | - | - | (217) | 19,759 | **19,542** |
| Net proceeds from issuance of shares | 77,374 | - | - | - | **77,374** |
| Share based compensation | 3,384 | (69) | - | - | **3,315** |
| Dividends to shareholders | - | - | - | (12,500) | **(12,500)** |
| **Balance at December 31, 2014** | **$ 350,816** | **$ 853** | **$ (37,857)** | **$ 8,258** | **$ 322,070** |

| | Share capital | Contributed surplus | Accumulated other comprehensive loss | Retained earnings | Total |
|---|---|---|---|---|---|
| Balance at January 1, 2013 | $ 269,494 | $ 614 | $ (22,888) | $ 22,628 | **$ 269,848** |
| Net loss | - | - | - | (9,715) | **(9,715)** |
| Other comprehensive loss due to changes in foreign exchange | - | - | (14,752) | - | **(14,752)** |
| **Total comprehensive loss** | - | - | (14,752) | (9,715) | **(24,467)** |
| Share based compensation | 564 | 308 | - | - | **872** |
| Dividends to shareholders | - | - | - | (11,914) | **(11,914)** |
| **Balance at December 31, 2013** | **$ 270,058** | **$ 922** | **$ (37,640)** | **$ 999** | **$ 234,339** |

*The accompanying notes are an integral part of these consolidated financial statements.*

AGT FOOD AND INGREDIENTS INC.

# Consolidated Statements of Cash Flow
## For the years ended December 31

(Stated in thousands of Canadian Dollars)

| | Note | 2014 | 2013 |
|---|---|---|---|
| **Cash from (used for) the following:** | | | |
| **Operating activities** | | | |
| Net earnings (loss) | | $ 19,759 | $ (9,715) |
| Items not involving cash | 14 | 62,850 | 62,075 |
| Interest paid | | (24,487) | (15,495) |
| Income taxes paid | | (9,715) | (4,888) |
| Non-cash working capital | 14 | (75,522) | (32,666) |
| | | ( 27,115 ) | (689) |
| **Financing activities** | | | |
| Decrease in bank indebtedness | | (19,989) | (93,059) |
| Decrease in short term financing | | - | (12,106) |
| Proceeds from long-term debt, net of issue costs | | 25,695 | 235,417 |
| Repayment of long term debt | | (6,239) | (89,252) |
| Shares issued pursuant to stock option plan | | 3,065 | 564 |
| Net proceeds from the issuance of shares | | 77,374 | - |
| Dividends paid | | (12,020) | (11,905) |
| | | 67,886 | 29,659 |
| **Investing activities** | | | |
| Acquisition, net of cash acquired | 19 | (17,275) | - |
| Purchase of property, plant and equipment and intangible assets | | (19,310) | (39,900) |
| Proceeds from the sale of property, plant and equipment and insurance proceeds | | 2,503 | 302 |
| Other | | - | 260 |
| | | (34,082) | (39,338) |
| Effect of exchange rate changes on cash | | (263) | 151 |
| **Increase (decrease) in cash position** | | $ 6,426 | $ (10,217) |
| **Cash position, beginning of the period** | | **$ 22,893** | **$ 33,110** |
| **Cash position, end of the period** | | **$ 29,319** | **$ 22,893** |

*The accompanying notes are an integral part of these consolidated financial statements.*

## 1. Reporting entity

On October 1, 2014, AGT Food and Ingredients Inc. ("AGT") announced its name change from Alliance Grain Traders Inc. AGT's head office is located in Canada. The address of AGT's registered office is 199 Bay Street, Suite 5300, Toronto, Ontario, M5L 1B9. The management of day-to-day operations is carried out at 6200 E. Primrose Drive, Regina, Saskatchewan S4V 3L7. The consolidated financial statements ("Financial Statements") of AGT are comprised of AGT and its subsidiaries. AGT is engaged in the business of sourcing and value-added processing (cleaning, splitting, sorting and bagging) of pulses and specialty crops for export and domestic markets including a full range of lentils, peas, chickpeas, beans and canary seed. AGT also produces and distributes food ingredient products such as pulse flours, proteins, starches and fibres for human food, food ingredient and pet food applications. Through its offices and processing facilities located in Canada, the U.S., Turkey, China, Australia, and South Africa, and its merchandising and sales offices in the U.K., Switzerland and India, AGT produces a full range of pulses, specialty crops, and food ingredients. Through its subsidiaries in Turkey, also produces staple foods such as Arbella Pasta, rice, and milled wheat products, including bulgur and semolina. Through its Canadian subsidiary, AGT CLIC Foods Inc., AGT operates canning, small packaging and distribution facilities for the supply of products to retail and food service customers. AGT's common shares are traded on the Toronto Stock Exchange under the symbol AGT.

## 2. Basis of presentation

### (a) Statement of compliance

The Financial Statements and the notes thereto have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations.

The Financial Statements were approved and authorized for issue by the Board of Directors on March 20, 2015.

### (b) Basis of measurement

All Financial Statements are expressed in Canadian dollars, AGT's presentation currency. All financial information has been rounded to the nearest thousand, with the exception of share units and per share amounts or unless otherwise noted. The Financial Statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value. (Note 10)

**2. Basis of presentation – continued**

**(c) Use of estimates and judgments**

The preparation of the Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect reported amounts 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 reporting period. Actual results could differ from those estimates.

Estimates, judgments and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The areas involving a higher degree of judgment or complexity or where assumptions and estimates are significant to the Financial Statements are as follows:

- **Impairment of Long-Lived and Intangible Assets**

In assessing the recoverability of long-lived and intangible assets, judgment is required in the determination of the appropriate grouping of assets that generate cash inflows or cash generating units (CGU's). The determination of CGU's is based on management's assessment of independence of revenue earned, operating asset utilization, shared infrastructure, geographic proximity and similarity of risk exposures. AGT also uses significant judgment in evaluating if a triggering event occurs which would warrant an evaluation of impairment of long - lived and intangible assets based on the identified CGU's.

AGT assesses the carrying values of property, plant and equipment, intangibles assets, and goodwill annually. Recoverability is determined through assumptions and estimates regarding future cash flows, sustaining capital requirements, discount rates, and asset lives. A material change in assumptions may impact the potential recoverability of these assets, resulting in amounts charged against current earnings.

- **Accounting for Income Taxes**

AGT operates in a number of tax jurisdictions and is required to estimate its income taxes in each of these jurisdictions in preparing its Financial Statements. Significant judgment is required related to the classification of transactions and assessment of probable outcomes as well as timing of future results. Significant estimates are required in determining income tax provisions and the recoverability of deferred income tax assets. In calculating income taxes, consideration is given to items such as tax rates in each jurisdiction, deductibility of expenses, changing tax laws and management's expectations about future results. AGT estimates deferred income taxes based on temporary differences, income and losses for financial reporting purposes and income and losses determined under the substantively enacted tax laws and rates. The tax effect of these temporary differences is recorded as deferred tax assets or liabilities in the Financial Statements. If these estimates prove to be inaccurate, future earnings may be materially impacted.

- **Derecognition of accounts receivable**

Significant judgment is applied when determining whether financial instruments qualify for derecognition and whether substantially all of the risks, as well as the rights, control and ownership of the accounts receivable and their cash flows were transferred to a third party. AGT has removed the related accounts receivable from the statement of financial position and recognizes any costs in finance expense. See note 10.

**2. Basis of presentation – continued**

**(c) Use of estimates and judgments – continued**

- **Fair value of derivative instruments**

The fair value of derivative instruments is estimated using inputs, including foreign exchange rates and interest rates (Level 2), as described in note 10. These inputs are subject to change on a regular basis based on the interplay of various market forces. Consequently, the fair values of AGT's derivative instruments are subject to change each reporting period.

- **Functional currency**

The identification of functional currency for each of the legal entities involves significant judgment. AGT has utilized this judgment and summarized the results in note 3(c).

**3. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements, unless otherwise indicated. The accounting policies have been applied consistently by AGT's entities.

**(a) Revenue recognition**

AGT recognizes revenue primarily from the sale of goods. Revenue on North American sales is recognized when the product is delivered to the customer and/or when the risks and rewards of ownership are otherwise transferred to the customer and when the price is fixed and determinable. Revenue on North American export sales is recognized upon transfer of title to the customer and when the other revenue recognition criteria have been met, which generally occurs when product is transferred to port facilities. Revenue from sales originating outside of North America is recognized upon transfer of title to the customer based on contractual terms of each arrangement and when the other revenue recognition criteria have been met. Shipping and handling costs are included as a component of cost of goods sold.

**(b) Basis of consolidation**

**Business combinations**

**Acquisitions on or after January 1, 2010**

For acquisitions on or after January 1, 2010, AGT measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in net earnings.

Transaction costs, other than those associated with the issue of debt or equity securities, that AGT incurs in connection with a business combination are expensed as incurred.

**3. Significant accounting policies – continued**

**(b) Basis of consolidation- continued**

**Business combinations- continued**

**Acquisitions prior to January 1, 2010**

As part of its transition to IFRS, AGT elected to restate only those business combinations that occurred on or after January 1, 2010. In respect of acquisitions prior to January 1, 2010, goodwill represents the amount recognized under previous Canadian general accepted accounting principles (Canadian- GAAP).

**Subsidiaries**

Subsidiaries are entities controlled by AGT. The financial statements of subsidiaries are included in the Financial Statements from the date that control commences until the date that control ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The accounting policies of subsidiaries are consistent with the policies adopted by AGT.

**Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the Financial Statements.

**(c) Foreign currency**

**Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of AGT entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities that are measured at historical cost are translated using the exchange rate at the date of the transaction. Determining functional currency involves significant judgment. AGT has assessed the functional currency of each of the subsidiaries as described below.

**3. Significant accounting policies – continued**

**(c) Foreign currency - continued**

**Functional currency**

The functional currencies of AGT and its subsidiaries, all of which are wholly owned, are as follows:

| Subsidiary | Location | Functional Currency |
|---|---|---|
| AGT Food and Ingredients Inc | Canada | Canadian Dollar (CDN) |
| Alliance Pulse Processors Inc | Canada | Canadian Dollar (CDN) |
| AGT Clic Inc | Canada | Canadian Dollar (CDN) |
| United Pulse Trading Inc. | United States of America | US Dollar (USD) |
| Australia Milling Group Pty Ltd. | Australia | Australian Dollar (AUD) |
| Arbel Group | Turkey | Turkish Lira (TL) |
| A. Poortman (London) Ltd. | United Kingdom | Great British Pounds (GBP) |
| Advance Seeds Pty Ltd. | South Africa | South African Rand (ZAR) |
| AGT (Tianjin) Co. Ltd. | China | Chinese Renminbi (RMB) |
| AGT (India) Private Ltd. | India | Indian Rupee (INR) |
| AGT Switzerland Ltd | Switzerland | US Dollar (USD) |

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Canadian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars at exchange rates prevailing at the date of the transaction. Foreign currency differences related to investments in subsidiaries are recognized in other comprehensive income.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which substance is considered to form part of the net investment in the foreign operation, are recognized in accumulated other comprehensive income in shareholders' equity.

When a foreign currency operation is disposed of, in its entirety or partially such that control, significant influence or joint control is lost, the relevant amount in the cumulative foreign currency translation difference is transferred from accumulated other comprehensive income to profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, while retaining significant influence or joint control, the relevant portion of the cumulative foreign currency translation differences is re-attributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant portion is reclassified to profit or loss.

**3. Significant accounting policies – continued**

**(d) Financial instruments**

**(i) Non-derivative financial assets**

AGT initially recognizes loans and receivables and deposits on the date that they are originated at fair value and subsequently measured at amortized cost. All other financial assets are recognized initially on the trade date at which AGT becomes a party to the contractual provisions of the instrument.

AGT derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interests in transferred financial assets that are created or retained by AGT are recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, AGT has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Refer to note 10 for current year presentation of financial assets by category. AGT categorizes its non-derivative financial assets as described below:

**Financial assets at fair value through profit and loss**
A financial asset is classified at fair value through profit and loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit and loss if AGT manages such investments and makes purchase and sale decisions based on their fair value in accordance with AGT's documented risk management or investment strategy. Upon initial recognition relevant transaction costs are recognized in net earnings as incurred. Financial assets at fair value through profit and loss are measured at fair value, and changes therein are recognized in net earnings.

**Loans and receivables**
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

**(ii) Non-derivative financial liabilities**

AGT initially recognizes short term debt securities on the date that they are originated at fair value and expenses related transaction costs. Debt associated with long term agreements is initially recognized at fair value less any directly attributable transaction costs. All other financial liabilities (including liabilities designated at fair value through profit and loss) are recognized initially on the trade date at which AGT becomes a party to the contractual provisions of the instrument. AGT derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

**3. Significant accounting policies – continued**

**(d) Financial instruments - continued**

**(ii) Non-derivative financial liabilities– continued**

Subsequent to initial recognition, liabilities are categorized as fair value through profit and loss or other liabilities measured at amortized cost using the effective interest method. Refer to note 10 for current year presentation of financial liabilities by category.

**(iii) Derivative financial instruments**

AGT holds derivative financial instruments to mitigate its foreign currency risk exposures. Embedded derivatives are separated from the host contracts and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through net earnings.

Derivatives are recognized initially at fair value with attributable transaction costs recognized in net earnings as incurred. AGT has not elected to follow hedge accounting and subsequent to initial recognition, derivatives are measured at fair value, and changes in fair value are recognized immediately in net earnings.

**(e) Share capital**

**Common shares**
Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

**(f) Property, plant and equipment**

**Recognition and measurement**
Items of property, plant and equipment are recorded at cost, less accumulated depreciation and accumulated net impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and borrowing costs on qualifying assets. During their construction, items of property, plant and equipment are classified as construction in progress. When the asset is available for use, it is transferred from construction in progress to the appropriate category of property, plant and equipment and depreciation of the item commences.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

**3. Significant accounting policies – continued**

**(f) Property, plant and equipment– continued**

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the net carrying amount of property, plant and equipment, and are recognized in net earnings.

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to AGT, and its cost can be measured reliably. The net carrying amount of the replaced part is derecognized and recorded as an expense in AGT's net earnings. The costs of the day-to-day servicing of property, plant and equipment are recognized in net earnings as incurred.

**Depreciation**

Depreciation is calculated based on the depreciable amount, which is the cost of an asset less its residual value.

Depreciation is recognized in net earnings on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Depreciation related to production is recorded in inventory and costs of sales. Depreciation related to non-production assets is recorded through general and administration expenses.

The estimated useful lives for the current and comparative periods are as follows:

| | | |
|---|---|---|
| • Building and site improvement | Straight line | 20 to 50 years |
| • Motor vehicles | Straight line | 5 to 10 years |
| • Plant and equipment | Straight line | 2 to 30 years |
| • Fixtures and fittings | Straight line | 3 to 20 years |

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

**(g) Intangible assets**

**(i) Goodwill**

Goodwill that arises upon the acquisition of subsidiaries is recorded at cost less accumulated impairment losses. Goodwill is not amortized and is assessed annually for impairment during the fourth quarter, unless a triggering event occurs that would signify that its carrying amount may not be recoverable. For measurement of goodwill at initial recognition, see note 3 (b).

**3. Significant accounting policies – continued**

**(g) Intangible assets – continued**

**(ii) Intangible assets**

Intangible assets that are acquired by AGT and have finite useful lives are measured at cost less accumulated amortization and net accumulated impairment losses. Intangible assets which have an indefinite life are measured annually for impairment during the fourth quarter, unless a triggering event occurs that indicates that the carrying amount may not be recoverable.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in net earnings as incurred.

**(iii) Amortization**

Amortization is calculated over the cost of the asset, less its residual value. Amortization is recognized in net earnings as part of general and administration on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and indefinite life intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

| | |
|---|---|
| • Rights | 10 to 50 years |
| • Customer relationships | 10 years |
| • Other | 5 to 10 years |

Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

**(h) Leased assets**

Leases in terms of which AGT assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Lease agreements that do not meet the recognition criteria of a finance lease are classified and recognized as operating leases and are not recognized in AGT's statement of financial position. Payments made under operating leases are charged to income on a straight-line basis over the lease term.

**3. Significant accounting policies – continued**

**(i) Inventory**

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis and includes direct costs related to the purchase such as cost of grain, direct materials, direct labour, operational overhead expenses, depreciation and freight costs. Net realizable value for finished products, intermediate products and raw materials is generally considered to be the selling price of the finished product in the ordinary course of business less the estimated costs of completion and estimated costs to make the sale. Inventory is reviewed monthly to determine if the carrying value exceeds net realizable value. If so, impairment is recognized. The impairment may be reversed if the circumstances which caused it no longer exist.

**(j) Impairment**

**Financial assets (including receivables)**

A financial asset not carried at fair value through profit and loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to AGT on terms that AGT would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

AGT considers evidence of impairment for receivables on an account by account basis. All individually significant receivables are assessed for specific impairment. Individually insignificant accounts are assessed as part of the portfolio as a whole.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in net earnings and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of a previous impairment loss to reverse or partially reverse, the decrease in impairment loss is reversed through net earnings.

**Non-financial assets**

The carrying amounts of AGT's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated. For goodwill, in the absence of a triggering event, the recoverable amount is estimated annually in the fourth quarter.

**3. Significant accounting policies – continued**

**(j) Impairment - continued**

**Non-financial assets - continued**

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. Impairment of goodwill is tested at the cash generating unit group level, which cannot group at a level higher than an operating segment.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net earnings. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's net carrying amount does not exceed the net carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**(k) Employee benefits**

**Short-term employee benefits**
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

**Share-based payment transactions**
The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service is expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date. AGT utilizes a Black-Scholes model to determine the value of share-based payments.

**3. Significant accounting policies – continued**

**(k) Employee benefits – continued**

**Deferred Share Units**

Deferred share units granted to executives and senior management are recorded at the fair value of the amount payable and recognized as an expense with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to payment. The liability is re-measured using a Black-Scholes model at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as an employee expense in earnings.

**Pension obligations**

AGT has a defined contribution plan for Canadian employees. A defined contribution plan is a pension plan under which AGT pays fixed contributions into a separate entity. AGT has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and future periods. The Company records these employee benefits in cost of sales, general and administration expenses and marketing, sales and distribution as appropriate.

**(l) Provisions**

A provision is recognized if, as a result of a past event, AGT has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for onerous contracts is recognized when the expected benefits to be derived by AGT from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, AGT recognizes any impairment loss on the assets associated with that contract.

**(m) Finance income and finance expense**

Finance income is comprised of interest income on funds invested and cash, as well as interest earned on overdue accounts receivable. Interest income is recognized as it accrues in net earnings, using the effective interest method.

Finance expense is comprised of interest expense, fees on borrowings, amortization of discounts on long term debt, and the impact of foreign exchange on the settlement of certain debt instruments. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in net earnings using the effective interest method.

**3. Significant accounting policies – continued**

**(n) Income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net earnings except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of temporary difference is controlled by AGT and it is probable the temporary difference will not reverse in the foreseeable future.

**(o) Earnings per share**

AGT presents basic and diluted earnings per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the net earnings attributable to common shareholders of AGT by the weighted average number of common shares outstanding during the period. Diluted EPS is determined by adjusting the net earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares, such as compensation options granted to employees and Directors.

**3. Significant accounting policies – continued**

**(p) Segment reporting**

An operating segment is a component of AGT that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of AGT's other components. All operating segments' operating results are reviewed regularly by AGT's Chief Executive Officer (CEO) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily AGT's headquarters), head office expenses, and income tax assets and liabilities.

(Stated in thousands of Canadian dollars)

**3. Significant accounting policies – continued**

**(q) New standards and interpretations**

The International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") have issued the following standards and amendments that have not been applied in preparing these Financial Statements as their effective dates fall in periods beginning subsequent to the current reporting period.

| Proposed standards | Description | Previous Standard | Effective Date |
|---|---|---|---|
| Annual Improvements to IFRS (2010 - 2012), (2011 - 2013) and (2012 - 2014) | Issued in December 2013. Amendments were made to various standards, including IFRS 2 Shared-based Payment, IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement, and IAS 24 Related Party Disclosure. | IFRS 2 Shared-based Payment, IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement, and IAS 24 Related Party Disclosure | January 1, 2015 |
| Amendments to IAS 1 Presentation of Financial Statements | Issued in December 2014. Amendments will not require a significant change to current practice, but expected to improve financial statement disclosure | IAS 1 Presentation of Financial Statements | January 1, 2016 |
| Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangibles Assets | Issued in May 2014. Standards explicitly state that revenue based depreciation is not acceptable. | IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets | January 1, 2016 |
| IFRS 15 Revenue from Contracts with Customers | Issued in May 2014. Standard creates a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. This standard may change how much and when revenue can be recognized. | IAS 18 Revenue, IFRIC 18 Transfer of Assets from Customers | Fiscal years beginning on or after January 1, 2017 |
| IFRS 9 Financial Instruments | Initially issued in November 2009 to address the classification and measurement of financial assets. Additional guidance issued in October 2010 on the classification and measurement of financial liabilities. | IAS 39 Financial Instruments: Recognition and Measurement | January 1, 2018 |

Management is assessing the potential impact of standards and amendments effective in future years for impacts on both quantitative and qualitative disclosure. AGT expects to adopt these standards on their respective effective dates on a prospective basis. AGT does not expect any significant impact.

On January 1, 2014, AGT prospectively adopted the following new standard as issued by the IASB: IAS 32 *Financial Instruments: Presentation*. This standard did not have a material impact on AGT's Financial Statements.

(Stated in thousands of Canadian dollars)

## 4. Inventory

| | 2014 | 2013 |
|---|---|---|
| Raw materials | $ 166,232 | $ 115,988 |
| Processed/ split product | 143,169 | 110,990 |
| Packaged product | 26,250 | 3,935 |
| Other | 6,106 | 5,210 |
| | $ 341,757 | $ 236,123 |

| | 2014 | 2013 |
|---|---|---|
| Inventory expensed in cost of goods sold | $ 1,115,552 | $ 952,345 |

## 5. Property, plant and equipment

| **Cost** | Land | Building and site improvement | Plant and Equipment | Motor Vehicles | Fixtures and Fittings | Construction in Progress | **Total** |
|---|---|---|---|---|---|---|---|
| Balance at December 31, 2012 | $ 18,506 | $ 83,262 | $ 133,913 | $ 6,774 | $ 4,690 | $ 22,265 | **$ 269,410** |
| Additions | 199 | 2,956 | 2,987 | 899 | 691 | 31,635 | **39,367** |
| Disposals | - | (104) | (365) | (540) | (303) | - | **(1,312)** |
| Transfers between categories | 1,545 | 15,321 | 25,898 | 184 | 353 | (43,301) | **-** |
| Effects of movement in exchange rates | (1,485) | (3,925) | (7,432) | (242) | (172) | 838 | **(12,418)** |
| Balance at December 31, 2013 | $ 18,765 | $ 97,510 | $ 155,001 | $ 7,075 | $ 5,259 | $ 11,437 | **$ 295,047** |
| Additions | - | 1,724 | 4,751 | 1,103 | 1,340 | 9,719 | **18,637** |
| Disposals | - | (1,558) | (752) | (283) | (160) | - | **(2,753)** |
| Acquistions through business combinations | - | 281 | 2,004 | 137 | 218 | - | **2,640** |
| Transfers between categories | 652 | 3,228 | 5,233 | 41 | 30 | (9,184) | **-** |
| Effects of movements in exchange rates | 179 | 2,426 | 3,471 | 16 | 69 | 198 | **6,359** |
| Balance at December 31, 2014 | $ 19,596 | $ 103,611 | $ 169,708 | $ 8,089 | $ 6,756 | $ 12,170 | **$ 319,930** |
| **Accumulated Depreciation** | | | | | | | |
| Balance at December 31, 2012 | $ - | $ 7,688 | $ 37,990 | $ 3,345 | $ 2,395 | $ - | **$ 51,418** |
| Depreciation | - | 2,884 | 10,101 | 901 | 653 | - | **14,539** |
| Disposals | - | (1) | (81) | (444) | (36) | - | **(562)** |
| Effects of movements in exchange rates | - | (308) | (2,595) | (104) | (90) | - | **(3,097)** |
| Balance at December 31, 2013 | $ - | $ 10,263 | $ 45,415 | $ 3,698 | $ 2,922 | $ - | **$ 62,298** |
| Depreciation | - | 3,196 | 11,943 | 986 | 826 | - | **16,951** |
| Disposals | - | (252) | (300) | (269) | (116) | - | **(937)** |
| Effects of movements in exchange rates | - | 101 | 445 | 3 | 28 | - | **577** |
| Balance at December 31, 2014 | $ - | $ 13,308 | $ 57,503 | $ 4,418 | $ 3,660 | $ - | **$ 78,889** |
| **Net Book Value at December 31, 2013** | **$ 18,765** | **$ 87,247** | **$ 109,586** | **$ 3,377** | **$ 2,337** | **$ 11,437** | **$ 232,749** |
| **Net Book Value at December 31, 2014** | **$ 19,596** | **$ 90,303** | **$ 112,205** | **$ 3,671** | **$ 3,096** | **$ 12,170** | **$ 241,041** |

(Stated in thousands of Canadian dollars)

## 6. Intangibles and goodwill

| Cost | Indefinite Life Intangible Assets-Brands | Rights | Customer Relationships | Other Intangible Assets | **Total Intangible Assets** | Goodwill | **Total** |
|---|---|---|---|---|---|---|---|
| Balance at December 31, 2012 | $ 3,097 | $ 1,657 | $ 5,937 | $ 200 | **$ 10,891** | $ 60,780 | **$ 71,671** |
| Additions | - | 23 | - | 510 | **533** | - | **533** |
| Effects of movements in exchange rates | (344) | 84 | (95) | (33) | **(388)** | (4,058) | **(4,446)** |
| Balance at December 31, 2013 | $ 2,753 | $ 1,764 | $ 5,842 | $ 677 | **$ 11,036** | $ 56,722 | **$ 67,758** |
| Additions | - | 95 | - | 578 | **673** | - | **673** |
| Acquistions through business combinations | 3,944 | - | - | - | **3,944** | 1,204 | **5,148** |
| Effects of movements in exchange rates | 8 | 87 | 86 | (1) | **180** | 190 | **370** |
| Balance at December 31, 2014 | $ 6,705 | $ 1,946 | $ 5,928 | $ 1,254 | **$ 15,833** | $ 58,116 | **$ 73,949** |
| Accumulated Amortization | | | | | | | |
| Balance at December 31, 2012 | $ - | $ 156 | $ 1,332 | $ 154 | **$ 1,642** | $ - | **$ 1,642** |
| Amortization | - | 65 | 590 | 53 | **708** | - | **708** |
| Effects of movements in exchange rates | - | (17) | (25) | (20) | **(62)** | - | **(62)** |
| Balance at December 31, 2013 | $ - | $ 204 | $ 1,897 | $ 187 | **$ 2,288** | $ - | **$ 2,288** |
| Amortization | - | 61 | 605 | 74 | **740** | - | **740** |
| Effects of movements in exchange rates | - | 3 | 21 | (1) | **23** | - | **23** |
| Balance at December 31, 2014 | $ - | $ 268 | $ 2,523 | $ 260 | **$ 3,051** | $ - | **$ 3,051** |
| Net carrying amounts | | | | | | | |
| **At December 31, 2013** | **2,753** | **1,560** | **3,945** | **490** | **8,748** | **56,722** | **65,470** |
| **At December 31, 2014** | **6,705** | **1,678** | **3,405** | **994** | **12,782** | **58,116** | **70,898** |

The brands AGT recognizes are considered intangible assets having an indefinite life. The brands are actively managed with no current expectation that the brand will cease to exist.

Amortization of intangibles is recorded in the general and administration line on the statement of comprehensive income (loss).

Finite life intangible assets are assessed for impairment when there is indication that a triggering event has occurred. Detailed impairment testing is carried out for indefinite life intangible assets and goodwill at least annually. For the purposes of impairment testing, goodwill and indefinite life intangible assets are allocated at the lowest level of cash generating units (CGU) where independent cash flows exist.

(Stated in thousands of Canadian dollars)

## 6. Intangibles and goodwill - continued

| | 2014 | | 2013 | |
|---|---|---|---|---|
| Segment | Goodwill | Indefinite Life Intangible Asset | Goodwill | Indefinite Life Intangible Asset |
| Pulses and Grains Processing | | | | |
| Turkey | $ 14,865 | $ - | $ 14,823 | $ - |
| Canada | 18,399 | - | 18,399 | - |
| Trading and Distribution | | | | |
| Turkey | 5,014 | - | 5,000 | - |
| United Kingdom | 3,710 | - | 3,618 | - |
| Food Ingredients and Packaged Food | | | | |
| Turkey | 14,865 | 2,748 | 14,823 | 2,741 |
| Canada | 1,204 | 3,944 | - | - |
| | $ 58,057 | $ 6,692 | $ 56,663 | $ 2,741 |
| Units without significant allocations | 59 | 13 | 59 | 12 |
| Total | $ 58,116 | $ 6,705 | $ 56,722 | $ 2,753 |

The recoverable amount of the units was based on the value in use of the CGU to which goodwill has been allocated. The value in use was determined by discounting management's estimate of the expected cash flows to be generated through continuing use of the CGU.

**Key assumptions used in discounted cash flow projection calculations**

Key assumptions used in the calculation of recoverable amounts are the discount rates and the budgeted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA)** growth rate. AGT used budgeted earnings before interest, taxes, depreciation and amortization as an approximation for baseline cash flows. The assumptions utilized by management are considered conservative in nature and it is not expected that a reasonably possible change in assumptions would result in a CGU's carrying value exceeding its recoverable amount. The assumptions are as follows:

(Stated in thousands of Canadian dollars)

## 6. Intangibles and goodwill - continued

### Discount rate

Discount rates are pre-tax measures that reflect risks specific to the CGU based on the weighted average cost of capital for that CGU. Pre-tax discount rates were determined from post-tax rates of 11% for Turkey, 8% for Canada, and 9% for the United Kingdom (2013 - 11% for Turkey, 9% for Canada, and 10% for the United Kingdom). Differences arise between the post-tax and pre-tax discount rates for each CGU because of the timing of future tax cash flows and discrepancies between the carrying amount of an asset and its tax base.

Budgeted Adjusted EBITDA** (refer to note 17), as a basis for cash flows from a CGU, was projected based on AGT's 2015 budget which incorporated management's past experience and expectations of future unit performance. Management based growth rates over the first five years of the cash flow projection on a combination of historical growth in the unit and management's expectation of performance over the forecast period. Changes in cash flows associated with various working capital account balances due to estimated growth have been factored into the estimated cash flows. Cash flows into perpetuity have been assumed based on the inclusion of an annual cash outflow associated with sustaining capital expenditures. These are estimated expenditures that are intended to maintain the performance of the property, plant and equipment of the CGU. No growth of Adjusted EBIDTA** has been assumed for this terminal period.

**KEY ASSUMPTIONS**

| | **2014** | | **2013** | |
|---|---|---|---|---|
| Segment | Discount Rate | Adjusted EBITDA** Growth | Discount Rate | Adjusted EBITDA** Growth |
| Pulses and Grains Processing | | | | |
| Turkey | 15% | 4% | 18% | 6% |
| Canada | 16% | 9% | 17% | 6% |
| Trading and Distribution | | | | |
| Turkey | 16% | 0% | 16% | 0% |
| United Kingdom | 17% | 0% | 17% | 0% |
| Food Ingredients and Packaged Food | | | | |
| Turkey | 18% | 12% | 18% | 6% |
| Canada | 14% | 0% | - | - |

(Stated in thousands of Canadian dollars)

## 7. Bank Indebtedness

At December 31, 2014, AGT had total operating lines available of $183.4 million (December 31, 2013 - $177.5 million). Included in these facilities is a syndicated debt facility of $153.0 million (December 31, 2013 – $150.0) secured by a general security agreement and security interests against real property owned by AGT and certain of its subsidiaries, maturing in January 2017. The weighted average interest rate on available operating lines is 3.9% (December 31, 2013 – 3.8%).

## 8. Long term debt

| | | 2014 | | 2013 |
|---|---|---|---|---|
| Senior secured second lien notes, bearing an interest rate of 9% per annum, with semi-annual payments of interest only, beginning August 2013 and concluding February 2018, secured by a general security agreement and security interests against real property owned by AGT and certain of its subsidiaries.[1] | $ | 121,389 | $ | 120,455 |
| Loan payable, bearing an interest rate of prime plus 0.5%, (at December 31, 2013, Canadian Bankers Acceptance rate plus 2.25%),with monthly payments of interest only and quarterly payments of $1,500 principal, due January 2017, secured by certain property, plant and equipment. | | 77,428 | | 83,734 |
| Loan payable, bearing an interest rate of prime plus 0.5%, with monthly payments of interest only, due January 2017, secured by certain property, plant and equipment. | | 51,154 | | 26,111 |
| Other | | 1,202 | | 305 |
| | $ | 251,173 | $ | 230,605 |
| Total current portion | | (5,931) | | (6,061) |
| | $ | 245,242 | $ | 224,544 |

[1] On February 14, 2013, AGT issued senior secured second lien notes in the amounts of $125,000. These notes bear interest at 9% per annum (effective interest of 10.1%) and mature on February 14, 2018. The proceeds after deducting expenses were $119,700. Optional early redemption features of the notes are:

i) Prior to February 14, 2016 a 9% premium upon equity offering in respect of partial redemptions up to 35% of the aggregate principal amount then outstanding
ii) Prior to February 14, 2016 all other redemptions on a "make whole" basis
iii) On or after February 14, 2016 a 6.8% premium
iv) No premium on or after February 14, 2017

The estimated contractual maturities for term loans in each of the next five years are as follows:

| | | |
|---|---|---|
| 2015 | $ | 5,931 |
| 2016 | | 5,872 |
| 2017 | | 117,316 |
| 2018 | | 121,720 |
| 2019 | | 334 |
| | $ | 251,173 |

(Stated in thousands of Canadian dollars)

## 9. Share capital

### (a) Authorized

Unlimited number of voting common shares without par value

### (b) Issued and outstanding

| | # of Common Shares | | Amount |
|---|---|---|---|
| Issued and outstanding December 31, 2012 | 19,808,852 | $ | 269,494 |
| Issuance of shares pursuant to stock option plan | 56,669 | | 564 |
| **Balance, December 31, 2013** | 19,865,521 | $ | 270,058 |
| Issuance of shares pursuant to stock option plan | 338,500 | | 3,384 |
| Issuance of shares pursuant to share offering | 2,858,000 | | 77,374 |
| **Balance, December 31, 2014** | 23,062,021 | $ | 350,816 |

### (c) Stock option plan

AGT has a stock option plan for its employees, officers and directors. Options are granted at an exercise price set at the closing market price of AGT's common shares on the day proceeding the date on which the option is granted and are exercisable within 5 years. Options are granted with graded vesting terms. One third of the options granted vest on the second anniversary date of the grant, one third vests on the third anniversary date of the grant and one third of the options vest on the fourth anniversary of the grant.

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Number of options | | Weighted average exercise price | Number of options | | Weighted average exercise price |
| Stock options outstanding, beginning of year | 758,500 | $ | 11.08 | 815,169 | $ | 10.93 |
| Exercised | (338,500) | | 9.05 | (56,669) | | 9.00 |
| Stock options outstanding, end of period[1] | 420,000 | $ | 12.71 | 758,500 | $ | 11.08 |
| Stock options exercisable, end of period[1] | 136,667 | $ | 12.71 | 333,500 | $ | 9.00 |

[1] The exercise price for all options are $12.71 per share. All options will be vested and will expire between April and June 2017.

(Stated in thousands of Canadian dollars)

## 9. Share capital - continued

### (d) Deferred share units and other plans

AGT has implemented a long term incentive plan, which includes deferred share units (DSU) to executives and certain other senior management. The number of deferred share units is determined based on an average share price from the week of the grant date. The number of share units granted to each individual is then determined based on the bonus given to each employee, divided by the average price. These DSU's will be settled in cash, on or after the vesting date. The vesting dates for the DSU's occur evenly in two settlements: half on the two year anniversary and half on the three year anniversary. Amounts are not payable if the employee is not with AGT at the vesting date, but are being recognized as an expense over the vesting period.

DSU's outstanding and the fair value of the DSU liability is summarized below as:

| | 2014 | 2013 |
|---|---|---|
| | **Number of DSU's** | **Number of DSU's** |
| Opening at the beginning of the period | 291,624 | 158,969 |
| Granted during the period | 121,718 | 158,052 |
| Forfeited during the period | (4,974) | - |
| Vested and settled during the period | (89,749) | (25,397) |
| Outstanding at the end of the period | 318,619 | 291,624 |
| Fair value | $ 8,342 | $ 4,326 |
| Vested and accrued | $ 5,000 | $ 2,330 |

These amounts are recorded primarily in employee compensation in general and administrative expenses.

(Stated in thousands of Canadian dollars)

## 9. Share capital - continued

### (e) Per share amounts

| | | 2014 | | 2013 |
|---|---|---|---|---|
| **Basic earnings per share computation** | | | | |
| Net income (loss) earnings attributable to equity holders | $ | 19,759 | $ | (9,715) |
| Weighted average common shares outstanding | | 20,503,748 | | 19,850,589 |
| **Basic earnings (loss) per common share** | **$** | **0.96** | **$** | **(0.49)** |
| **Diluted earnings per share computation** | | | | |
| Net earnings (loss) attributable to equity holders | $ | 19,759 | $ | (9,715) |
| Weighted average common shares outstanding | | 20,503,748 | | 19,850,589 |
| Dilutive effect of stock options | | 183,701 | | - |
| Weighted average common shares outstanding assuming dilution | | 20,687,449 | | 19,850,589 |
| **Diluted earnings (loss) per common share** | **$** | **0.96** | **$** | **(0.49)** |

There was no dilutive impact of stock options in 2013 as AGT recognized a net loss attributable to equity holders. Had AGT recognized earnings attributable to equity holders, the dilutive effect of stock options would have resulted in an additional 178,299 shares for the purposes of calculating weighted average common shares outstanding assuming dilution.

During 2014, issued dividends of $0.60 per share on an annualized basis (2013 - $0.60 per share).

(Stated in thousands of Canadian dollars)

## 10. Financial instruments

### Fair values

The fair value of a financial instrument is the amount at which the financial instrument could be exchanged in an arm's length transaction between knowledgeable and willing parties under no compulsion to act. Fair values for AGT's derivative instruments are determined using models requiring the use of inputs.

All financial instruments measured at fair value are categorized into one of three levels, described below, for disclosure purposes. Each level is based on transparency of inputs used to measure the fair value of assets and liabilities:

Level 1 – values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. There were no items measured at fair value using Level 1 in 2013 or 2014.

Level 2 – values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. In determining the inputs for calculating fair values, AGT looks to readily observable market inputs, primarily currency rates based on the nature of AGT's derivative instruments.

Level 3 – values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. There were no items measured at fair value using Level 3 in 2013 or 2014.

The following items, shown in the consolidated statement of financial position as at December 31, 2014 and December 31, 2013 are measured at fair value on a recurring basis using Level 2 inputs:

| 2014 | Level 2 | Total | Change in fair value recognized in net earnings |
|---|---|---|---|
| Derivative asset | $ 2,900 | $ 2,900 | $ 2,900 |
| Derivative liability | $ (30,883) | $ (30,883) | $ (15,692) |
| | $ (27,983) | $ (27,983) | $ (12,792) |

| 2013 | Level 2 | Total | Change in fair value recognized in net earnings |
|---|---|---|---|
| Derivative liability | $ (15,191) | $ (15,191) | $ (15,389) |
| | $ (15,191) | $ (15,191) | $ (15,389) |

(Stated in thousands of Canadian dollars)

## 10. Financial instruments – continued

### Fair values – continued

The carrying value and fair value AGT's financial instruments are as follows:

| | Fair value | Amortized cost | | Total | |
|---|---|---|---|---|---|
| **2014** | **Through Profit or Loss** | **Loans and receivables** | **Other financial liabilities** | **Carrying amount** | **Fair value** |
| **Financial Assets** | | | | | |
| Cash | - | 29,319 | - | 29,319 | 29,319 |
| Trade accounts receivables | - | 191,751 | - | 191,751 | 191,751 |
| Derivative asset | 2,900 | - | - | 2,900 | 2,900 |
| **Financial Liabilities** | | | | | |
| Bank indebtedness | - | - | 91,218 | 91,218 | 91,218 |
| Accounts payable and accrued liablities | - | - | 202,692 | 202,692 | 202,692 |
| Long-term debt | - | - | 251,173 | 251,173 | 264,380 |
| Derivative liability | 30,883 | - | - | 30,883 | 30,883 |
| Dividend payable | - | - | 3,460 | 3,460 | 3,460 |

| | Fair value | Amortized cost | | Total | |
|---|---|---|---|---|---|
| **2013** | **Through Profit or Loss** | **Loans and receivables** | **Other financial liabilities** | **Carrying amount** | **Fair value** |
| **Financial Assets** | | | | | |
| Cash | - | 22,893 | - | 22,893 | 22,893 |
| Trade accounts receivables | - | 166,489 | - | 166,489 | 166,489 |
| Derivative asset | - | - | - | - | - |
| **Financial Liabilities** | | | | | |
| Bank indebtedness | - | - | 110,805 | 110,805 | 110,805 |
| Accounts payable and accrued liablities | - | - | 150,979 | 150,979 | 150,979 |
| Long-term debt | - | - | 230,605 | 230,605 | 244,932 |
| Derivative liability | 15,191 | - | - | 15,191 | 15,191 |
| Dividend payable | - | - | 2,980 | 2,980 | 2,980 |

## 10. Financial instruments – continued

### Risk management

As a result of the nature of AGT's operations, it may be exposed to various forms of risk related to financial instruments. Those forms of risk include credit risk, foreign exchange risk, liquidity risk, interest rate risk and commodity price risk.

AGT seeks from time to time, to use financial derivatives to reduce market risk exposures from changes in foreign exchange rates. AGT does not hold or use any derivative instruments for trading or speculative purposes. Overall, AGT's Board of Directors has responsibility for the establishment and approval of AGT's risk management policies. Management continually performs risk assessments to ensure that all significant risks have been reviewed and assessed to reflect changes in market condition and AGT's operating activities.

### Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet obligations to be similarly affected by changes in economic or other conditions. AGT minimizes this risk by having a diverse customer base and established credit policies, including the use of accounts receivable insurance. Credit risk associated with cash is minimized substantially by investing these financial assets with highly rated financial institutions.

The carrying amount of financial assets represents the maximum credit exposure as follows:

| | 2014 | 2013 |
|---|---|---|
| Cash | $ 29,319 | $ 22,893 |
| Trade accounts receivables | 191,751 | 166,489 |

AGT ages trade accounts receivable based on their due date. The aging buckets are the number of days overdue. Due to risk management processes that AGT has in place, including insurance on substantially all receivables and prepayments from customers, management is confident in its ability to collect outstanding receivables.

The allowance for doubtful receivables represents specific provisions charged to expenses. The allowance is an estimated amount that management believes will be adequate to absorb possible future losses on existing receivables that may become uncollectible due to current economic conditions and inherent risks in the receivables.

(Stated in thousands of Canadian dollars)

## 10. Financial instruments – continued

### Credit risk - continued

The aging of customer receivables is as follows:

| | | 2014 | | 2013 |
|---|---|---|---|---|
| Current | $ | 114,503 | $ | 101,863 |
| 1-30 days | | 54,954 | | 38,968 |
| 31-60 days | | 10,652 | | 8,665 |
| Greater than 60 days | | 11,642 | | 16,993 |
| | $ | 191,751 | $ | 166,489 |

The above table reflects a listing of trade accounts receivable, net of an allowance for doubtful accounts of $1,045 at December 31, 2014 (December 31, 2013 - $1,063)

AGT has a Master Receivables Purchase Agreement with the Bank of Nova Scotia (BNS). This agreement allows the sale of specific Turkish trade accounts receivable that are insured through Export Development Canada (EDC) to the BNS. The agreement permits AGT to securitize up to $46,404 ($40,000 USD) worth of insured receivables. AGT has derecognized the receivables from the Consolidated Statement of Financial Position as substantially all of the risks and rewards of ownership have been transferred.

The arrangement with BNS has AGT continuing to be administratively involved in the collection of receivables and submission of those collections to BNS. However, AGT bears no risk and any uncollected amounts would result in EDC making a payment directly to BNS.

As at December 31, 2014, AGT has sold for cash proceeds $46,404 (December 31, 2013 – $42,308) of trade accounts receivable from the audited Consolidated Statement of Financial Position and incurred $564 (Dec 31, 2013- $273) in transaction fees, included in finance expense.

### Foreign currency risk

To mitigate risk associated with foreign currency, AGT enters into sales denominated in U.S. currency for which the related revenue and accounts receivable balances are subject to exchange rate fluctuations. AGT has entered into certain foreign exchange contracts with maturities of less than two years to manage risks associated with entering into new sales contracts denominated in U.S. dollars, Euros, British pounds and Australian dollars. AGT has also entered into a cross currency swap as a part of the management of its senior secured second lien notes which are disclosed in note 8. For the Arbel Group, transactions in foreign currencies expose AGT to foreign currency risk, arising mainly from the fluctuation of foreign currency used in the conversion of foreign denominated assets and liabilities into Turkish lira. This risk is mitigated by the use of Turkish lira to satisfy local operating requirements and the Turkish lira position is monitored by Management.

(Stated in thousands of Canadian dollars)

**10. Financial instruments – continued**

**Foreign currency risk - continued**

Foreign currency risk arises as a result of foreign exchange rates in the future and the difference between the assets and liabilities recognized. In this regard, AGT manages this risk by matching foreign currency denominated assets and liabilities. Management reviews the foreign currency open position and takes risk management measures if required.

AGT measures its exposure to foreign exchange risk on financial instruments as the change in carrying values that would occur as a result of reasonably possible changes in foreign exchange rates, holding all other variables constant. As most of AGT's sales transactions are denominated in USD, the Company has determined its pre-tax exposure to foreign currency exchange risk on financial instruments to be as follows based on a 5% weakening of the Canadian dollar compared to the USD. A 5% strengthening of the Canadian dollar at December 31, 2014 would have had an equal but opposite effect on the amounts shown below assuming all other variables remained constant:

| | Carrying Value (CDN) December 31, 2014 | (Gain) loss |
|---|---|---|
| Cash and cash equivalents | $ 29,319 | $ (571) |
| Accounts receivable | 191,751 | (3,846) |
| Accounts payable and accrued liabilities | (202,692) | 999 |
| Foreign currency derivatives | (30,883) | 1,491 |
| | | $ (1,927) |

The above sensitivity analysis for foreign currency risk does not include translation risk. Translation exposures arise from financial and non-financial items of operations with functional currencies different from the Company's reporting currency. AGT recognizes currency translation adjustments in other comprehensive income. The sensitivity at the reporting date is not representative of the sensitivity throughout the year as the balance sheet date exposure does not reflect the exposure during the year.

The exchange rate between the functional currencies of AGT and its subsidiaries and the US dollar affects the financial results of AGT's operations.

Sales are routinely denominated in US dollars, while production costs are largely denominated in the functional currency of a subsidiary. AGT uses derivative instruments to try to protect net inflows (total sales less USD cash expenses and product purchases) against changes in the USD in the shorter term. AGT also swapped the proceeds of the Senior Secured Notes issued in 2013 to US dollar as operating costs in many jurisdictions can be denominated in USD. The terms of the swap payments align with the payments of the Senior Secured Notes.

(Stated in thousands of Canadian dollars)

## 10. Financial instruments – continued

### Foreign currency risk – continued

At December 31, 2014:

The value of the US dollar relative to the Canadian dollar was $1.00 (US) for $1.1601 (CDN), up from $1.00 (US) for $1.06 (CDN) at December 31, 2013. The exchange rate averaged $1.00 (US) for $1.10 (CDN) over the year.

AGT had the following significant contracts in place:

- Foreign currency forward contracts of $149,886 (USD) with an average exchange rate of $1.00 (USD) for $1.12 (CDN).
- Foreign currency forward contracts of $38,278 (USD) with an average exchange rate of $1.00 (USD) for $1.19 (AUD).
- Cross currency interest swap contracts of $177,955 (USD) with an average exchange rate of$1.00 (USD) for $1.02 (CDN).

AGT manages counterparty risk associated with economic hedging by dealing with highly rated counterparties and limiting our exposure. At December 31, 2014, all counterparties to foreign exchange hedging contracts had a Standard & Poor's (S&P) credit rating of A or better.

### Liquidity risk

Liquidity risk is the risk that AGT cannot meet a demand for cash or fund its obligations as they become due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price.

The following are the contractual maturities of financial liabilities, including interest payments:

| 2014 | Carrying Amount | Contractual cash flows | 1 year | 2 years | 3 - 5 years | More than 5 years |
|---|---|---|---|---|---|---|
| Bank indebtedness | $ 91,218 | $ 91,168 | $ 91,168 | $ - | $ - | $ - |
| Accounts payable and accrued liablities | 202,692 | 202,692 | 202,692 | - | - | - |
| Long-term debt | 251,173 | 303,820 | 21,799 | 21,888 | 260,133 | - |
| Derivative liability | 30,883 | 30,883 | 30,883 | - | - | - |
| Dividend payable | 3,460 | 3,460 | 3,460 | - | - | - |
| | $ 579,426 | $ 632,023 | $ 350,002 | $ 21,888 | $ 260,133 | $ - |

| 2013 | Carrying Amount | Contractual cash flows | 1 year | 2 years | 3 - 5 years | More than 5 years |
|---|---|---|---|---|---|---|
| Bank indebtedness | $ 110,805 | $ 111,229 | $ 111,229 | $ - | $ - | $ - |
| Accounts payable and accrued liablities | 150,979 | 150,979 | 150,979 | - | - | - |
| Long-term debt | 230,605 | 294,327 | 21,538 | 21,132 | 251,657 | - |
| Derivative liability | 15,191 | 15,191 | 15,191 | - | - | - |
| Dividend payable | 2,980 | 2,980 | 2,980 | - | - | - |
| | $ 510,560 | $ 574,706 | $ 301,917 | $ 21,132 | $ 251,657 | $ - |

## 10. Financial instruments – continued

### Liquidity risk – continued

Future expected operational cash flows and sufficient assets are on hand to fund these obligations. In addition, AGT practices an accounts receivable management program that tracks cargo and documentation flows to ensure the timely receipt of payment from customers. AGT's diversified customer base ensures that concentration risks are minimized and that inflows are more predictable. The cash flow management activities and the continued profitability of AGT's operations allow for substantial mitigation of liquidity risk.

### Interest rate risk

Fluctuations in interest rates impact the future cash flows and fair values of various financial instruments. The exposure is also managed by aligning current and long term assets with outstanding debt and making use of global credit facilities.

AGT is exposed to interest rate fluctuations on its variable-rate debt. The impact of a 1% change in interest rates would have an approximate impact on pre-tax earnings of $2,082 (December 31, 2013 - $2,111). Changes in market interest rates cause the fair value of long term debt with fixed interest rates to fluctuate but do not affect net earnings as AGT's debt is carried at amortized cost and the carrying value does not change as interest rate changes.

### Commodity risk

AGT is a producer and supplier of pulse crops and bears significant exposure to changes in prices of these products. Prices are volatile and are influenced by numerous factors beyond AGT's control, such as supply and demand fundamentals, geographical events and weather.

AGT's sales contracting focuses on reducing the volatility in future earnings and cash flow, while providing protection against changes in market price. To mitigate the risks associated with the fluctuations in the market price for pulse crops, AGT seeks to maintain a portfolio of product sales contracts with varying delivery dates and pricing mechanisms that reflect the delivery dates and pricing with customers.

## 11. Capital management

AGT manages its capital to ensure that financial flexibility exists to increase equity through a combination of acquisitions and organic growth. This allows AGT to respond to changes in economic and/or marketplace conditions. AGT also strives to maintain an optimal capital structure to reduce the overall cost of capital. In the management of capital, AGT utilizes bank indebtedness (net of cash), long-term debt and shareholders' equity. It may be difficult to accurately predict market conditions for attracting capital. AGT has guarantees on certain of its debt facilities that require security in the form of all accounts receivable, inventory and property, plant and equipment. Certain long term lenders have priority claim on the property, plant and equipment, ranking in priority to other lenders.

(Stated in thousands of Canadian dollars)

## 11. Capital management - continued

AGT includes net debt and shareholders' equity as components of its capital structure. The calculation of net debt, shareholders equity and capital are set out in the following table:

| | | 2014 | | 2013 |
|---|---|---|---|---|
| Long-term debt | $ | 245,242 | $ | 224,544 |
| Bank indebtedness and current portion long-term debt | | 97,149 | | 116,866 |
| Cash | | (29,319) | | (22,893) |
| **Net debt** | **$** | **313,072** | **$** | **318,517** |
| Shareholders' equity | | 322,070 | | 234,339 |
| **Total capital** | **$** | **635,142** | **$** | **552,856** |

AGT is bound by certain covenants within its general credit facilities. These covenants place restrictions on working capital ratios, total debt, including guarantees and set minimum levels of capital. As of December 31, 2014 and 2013, AGT met these requirements. AGT expects to be in compliance with covenants for 2015.

## 12. Finance expense

| | | 2014 | | 2013 |
|---|---|---|---|---|
| Interest bank indebtedness | $ | 7,380 | $ | 5,825 |
| Interest on long term debt | | 14,935 | | 11,360 |
| Trade finance fees and expenses | | 5,922 | | 7,093 |
| Amorization of note discount and debt fees | | 1,316 | | 1,110 |
| Foreign exchange on financing activities | | 369 | | 522 |
| Fair value adjustments on derivative asset | | (2,900) | | - |
| | $ | 27,022 | $ | 25,910 |

## 13. Expenses by nature

Certain expenses have been allocated on the Consolidated Statements of Comprehensive Income in order to analyze expenses by their function. These expenses were allocated in the cost of sales, general administrative expenses and marketing, sales and distribution expense lines. The nature of these expenses is as flows:

| | | 2014 | | 2013 |
|---|---|---|---|---|
| Employee salaries and benefits | $ | 73,456 | $ | 55,135 |
| Depreciation and amortization | | 17,750 | | 15,068 |

(Stated in thousands of Canadian dollars)

## 14. Cash flow support

### Items not involving cash

| | Note | 2014 | 2013 |
|---|---|---|---|
| Depreciation and amortization in general and administration | | 2,946 | 3,463 |
| Depreciation in cost of sales | | 14,804 | 11,605 |
| Amortization of note discount and debt fees | | 1,316 | 1,110 |
| Unrealized foreign exchange loss | | 9,793 | 27,674 |
| (Gain) loss on disposal of property, plant and equipment | | (687) | 448 |
| Interest expense | 12 | 22,315 | 17,185 |
| Share based compensation | | 5,170 | 2,052 |
| Provision for doubtful accounts | | 1,115 | 1,041 |
| Income tax expense (recovery) | | 6,078 | (2,503) |
| | | **62,850** | **62,075** |

### Non-cash working capital

Details of net change in each element of working capital relating to operations excluding cash are as follows:

| | 2014 | 2013 |
|---|---|---|
| **Increase in current assets:** | | |
| Trade accounts receivable | $ (20,317) | $ (12,579) |
| Inventory | (97,487) | (59,420) |
| Prepaid expenses and other | (746) | (1,939) |
| | $ (118,550) | $ (73,938) |
| **Increase in current liabilities:** | | |
| Accounts payable, accrued liabilities and deferred revenue | 43,028 | 41,272 |
| | $ 43,028 | $ 41,272 |
| | $ (75,522) | $ (32,666) |

(Stated in thousands of Canadian dollars)

## 15. Income Taxes

### (a) Tax rate reconciliation

The provision for income taxes differs from the amount computed by applying the expected income tax rate to earnings before income taxes. The reasons for these differences are as follows:

| | | 2014 | | 2013 |
|---|---|---|---|---|
| Net earnings (loss) before income taxes | $ | 25,837 | $ | (12,218) |
| Combined federal and provincial rate | | 25.50% | | 25.50% |
| Computed income tax expense (recovery) | | 6,588 | | (3,116) |
| (Decrease) increase in taxes resulting from: | | | | |
| Difference between Canadian rate and rates applicable to subsidiaries in other countries | | (566) | | (720) |
| Permanent differences and other | | 56 | | 1,333 |
| Income tax expense (recovery) | $ | 6,078 | $ | (2,503) |
| Current | | 8,974 | | 5,555 |
| Deferred | | (2,896) | | (8,058) |
| | $ | 6,078 | $ | (2,503) |

(Stated in thousands of Canadian dollars)

## 15. Income Taxes - continued

### (b) Significant components of deferred tax assets and liabilities

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of net deferred income tax liabilities are as follows:

| | | 2014 | | 2013 |
|---|---|---|---|---|
| Assets: | | | | |
| Operating loss carry forwards | $ | 20,248 | $ | 17,278 |
| Share issuance costs and financing costs | | 851 | | 398 |
| Investment incentive | | 382 | | 307 |
| Unrealized foreign exchange losses | | 1,653 | | 651 |
| Other costs and adjustments | | 1,881 | | 1,274 |
| | $ | 25,015 | $ | 19,908 |
| Liabilities: | | | | |
| Property, plant and equipment | $ | 22,583 | $ | 21,696 |
| Intangible assets | | 981 | | 814 |
| Unrealized foreign exchange gains | | 1,041 | | 254 |
| Other costs and adjustments | | 251 | | 645 |
| | | 24,856 | | 23,409 |
| Net deferred income tax liability | $ | (159) | $ | 3,501 |
| Deferred income tax classified as follows: | | | | |
| Deferred income tax assets | $ | 10,791 | $ | 8,344 |
| Deferred income tax liabilities | | 10,632 | | 11,845 |
| Net deferred income tax liability | $ | (159) | $ | 3,501 |

### (c) Movement in net deferred tax assets and liabilities

| | | 2014 | | 2013 |
|---|---|---|---|---|
| Deferred income tax liability at January 1 | $ | 3,501 | $ | 11,488 |
| Origination and reversal of temporary differences | | (2,896) | | (8,058) |
| Deferred tax assets related to share issuance expenses recorded in share capital | | (784) | | - |
| Foreign exchange adjustments and other | | 20 | | 71 |
| Net deferred income tax liability at December 31 | $ | (159) | $ | 3,501 |

(Stated in thousands of Canadian dollars)

## 15. Income Taxes - continued

### (d) Income tax losses

At December 31, 2014, income tax losses carried forward of $66,349 (2013 - $63,210) are available to reduce taxable income. These losses expire as follows:

| Year of expiry | Canada | Turkey | United States | Australia | Total |
|---|---|---|---|---|---|
| 2015 | $ - | $ - | $ - | $ - | $ - |
| 2016 | - | 4,181 | - | - | 4,181 |
| 2017 | - | 2,439 | - | - | 2,439 |
| 2018 | - | 2,169 | - | - | 2,169 |
| 2019 | | 1,251 | | | 1,251 |
| 2030 | 2,600 | - | - | - | 2,600 |
| 2031 | - | - | - | - | - |
| 2032 | 4,910 | - | - | - | 4,910 |
| 2033 | 21,629 | - | 16,010 | - | 37,639 |
| 2034 | 6,799 | - | 2,512 | - | 9,311 |
| Thereafter | - | - | - | 1,849 | 1,849 |
| | $ 35,938 | $ 10,040 | $ 18,522 | $ 1,849 | $ 66,349 |

AGT expects to generate sufficient taxable earnings to utilize all of the loss carry forwards in each jurisdiction within the timelines identified above.

(Stated in thousands of Canadian dollars)

## 16. Related party transactions

### (a) Key management personnel

AGT has defined key management personnel as senior executive officers, as well as the Board of Directors, as they have the collective authority and responsibility for planning, directing and controlling the activities of AGT. The following table outlines the total compensation expense for key management personnel:

| | | 2014 | | 2013 |
|---|---|---|---|---|
| Short term benefits (wage, bonus, vacation paid out, directors fees) | $ | 3,538 | $ | 2,198 |
| Post employment benefits (RRSP) | | 129 | | 86 |
| Other long term benefits including stock based compensation (long term incentive plan) | | 2,620 | | 1,454 |
| | $ | 6,287 | $ | 3,738 |

### (b) Transactions with other related parties

Certain key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. The transactions were conducted in the normal course of business and were accounted for at the exchange amount.

**Transactions with key management and corporations significantly influenced or controlled by AGT directors or key management**

| | | 2014 | | 2013 |
|---|---|---|---|---|
| Accounts receivable | $ | 256 | $ | 317 |
| Accounts payable | | 3,104 | | 2,621 |

| | | 2014 | | 2013 |
|---|---|---|---|---|
| Purchases | $ | 7,823 | $ | 7,200 |

AGT contracted labour and construction support for ongoing construction projects from entities owned or controlled by directors of AGT or its subsidiaries. Also contained within accounts receivable is an amount due for shares issued pursuant to a stock options plan that are to be divested under a corporate share placement planned for subsequent periods. The accounts receivable are guaranteed by the stock options, which are in an account controlled by AGT. The amounts in the above table are largely attributable to these transactions.

## 17. Segmented Reporting

AGT's chief operating decision maker reviews AGT's operations and resource allocation by multiple business segments. Business segments are strategic business units with different products, processes and marketing strategies. AGT has three segments: (1) pulses and grains processing (2) trading and distribution and (3) food ingredients and packaged foods.

The pulses and grains processing includes the operations of AGT factories across its global platform. The activities in this segment are viewed by management as the traditional and regular business of AGT: to source pulses and grains from producers, process them through its factories and sell these products to its network of clients in over 100 countries in the world. The segment includes all pulses processed in AGT factories in Canada, the United States, Australia, Turkey and China.

Trading and distribution relates to AGT's activities aimed at bringing its range of pulses and specialty crops direct to wholesale and retail markets. The segment currently captures AGT operations in the UK, the Netherlands, Spain, Russia, Ukraine, Turkey, Australia, India and Switzerland.

Food ingredients and packaged foods is the newest segment which AGT operates. This segment includes the results from the newly commissioned pulse fractionation plant in Minot, North Dakota, as well as the results from the pasta, bulgur and semolina plants in Turkey and the operations in South Africa. Starting in 2014, the results of the newly formed AGT CLIC Foods Inc. have been represented in the food and food ingredients segment. See business combination note (Note 19).

AGT's chief operating decision maker evaluates segment performance on the basis of Adjusted EBITDA**. Management believes that Adjusted EBITDA** is an important indicator of AGT's ability to generate liquidity through operating cash flow to fund future working capital needs, service outstanding debt and fund future capital expenditures and uses the metric for this purpose.

The accounting policies used within each segment are consistent with the policies outlined in the notes to the Financial Statements. Segmented revenues, expenses and results include transactions between segments that occurred during the ordinary course of business. Certain estimates and assumptions were made by management in the determination of segment composition.

** Adjusted EBITDA (earnings before finance expense, income taxes, depreciation and amortization, one-time costs and any effects of non-cash foreign exchange adjustment) is a non-IFRS measure.

Prior to October 1, 2013, AGT reviewed its operations as two operating segments : (1) pulses and grain processing and (2) trading and distribution. As such, reporting to accurately track food ingredients and packaged foods was not in place. Management has determined that the cost to develop reliable comparative information would be excessive.

(Stated in thousands of Canadian dollars)

## 17. Segmented Reporting- continued

| 2014 | Pulses and Grain Processing | Trading and Distribution | Food Ingredients and Packaged Foods | Corporate and Eliminations | Consolidated |
|---|---|---|---|---|---|
| Revenue | $ 919,580 | $ 360,320 | $ 236,020 | $ (159,175) | **$ 1,356,745** |
| Cost of sales | 840,905 | 340,878 | 203,863 | (159,175) | **1,226,471** |
| Gross profit | 78,675 | 19,442 | 32,157 | - | **130,274** |
| **Earnings (loss) before income tax** | **54,165** | **4,974** | **16,374** | **(49,676)** | **25,837** |
| **Net earnings (loss)** | **54,165** | **4,974** | **16,374** | **(55,754)** | **19,759** |
| **Adjusted EBITDA**** | **$ 65,639** | **$ 5,824** | **$ 23,839** | **$ (8,297)** | **$ 87,005** |

| 2013 | Pulses and Grain Processing | Trading and Distribution | Food Ingredients and Packaged Food (3 months only) | Corporate and Eliminations | Consolidated |
|---|---|---|---|---|---|
| Revenue | $ 840,212 | $ 359,713 | $ 44,261 | $ (105,413) | **$ 1,138,773** |
| Cost of sales | 772,486 | 336,969 | 38,718 | (105,413) | **1,042,760** |
| Gross profit | 67,726 | 22,744 | 5,543 | - | **96,013** |
| **Earnings (loss) before income taxes** | **40,703** | **6,771** | **3,654** | **(63,346)** | **(12,218)** |
| **Net earnings (loss)** | **40,703** | **6,771** | **3,654** | **(60,843)** | **(9,715)** |
| **Adjusted EBITDA**** | **$ 53,883** | **$ 7,872** | **$ 4,915** | **$ (6,631)** | **$ 60,039** |

If AGT had not further enhanced segmented reporting by disclosing the food ingredients and packaged food segment, reporting for December 31, 2014 and December 2013 would have been as follows:

| 2014 | Pulses and Grain Processing | Trading and Distribution | Corporate and Eliminations | Consolidated |
|---|---|---|---|---|
| Revenue | $ 1,053,573 | $ 435,078 | $ (131,906) | **$ 1,356,745** |
| Cost of sales | 955,352 | 403,025 | (131,906) | **1,226,471** |
| Gross profit | 98,221 | 32,053 | - | **130,274** |
| **Earnings (loss) before income taxes** | **65,197** | **10,316** | **(49,676)** | **25,837** |
| **Net earnings (loss)** | **65,197** | **10,316** | **(55,754)** | **19,759** |
| **Adjusted EBITDA**** | **$ 83,515** | **$ 11,787** | **$ (8,297)** | **$ 87,005** |

(Stated in thousands of Canadian dollars)

## 17. Segmented Reporting- continued

| 2013 | Pulses and Grain Processing | Trading and Distribution | Corporate and Eliminations | Consolidated |
|---|---|---|---|---|
| Revenue | $ 865,079 | $ 379,106 | $ (105,412) | **$ 1,138,773** |
| Cost of sales | 795,209 | 352,963 | (105,412) | **1,042,760** |
| Gross profit | 69,870 | 26,143 | - | **96,013** |
| **Earnings (loss) before income taxes** | **42,506** | **8,622** | **(63,346)** | **(12,218)** |
| **Net earnings (loss)** | **42,506** | **8,622** | **(60,843)** | **(9,715)** |
| **Adjusted EBITDA**** | **$ 56,686** | **$ 9,984** | **$ (6,631)** | **$ 60,039** |

| Dec 31, 2014 | Pulses and Grain Processing | Trading and Distribution | Food Ingredients and Packaged Foods | Corporate and Eliminations | Consolidated |
|---|---|---|---|---|---|
| Assets | $ 711,877 | $ 184,692 | $ 229,543 | $ (197,259) | **$ 928,853** |
| Liabilities | 512,439 | 146,828 | 146,550 | (199,034) | **606,783** |
| Intangible assets | 2,302 | 1,861 | 8,619 | - | **12,782** |
| Goodwill | 33,323 | 8,724 | 16,069 | - | **58,116** |
| Purchase of property, plant and equipment | 12,170 | 192 | 6,275 | - | **18,637** |
| Depreciation and amortization | 9,726 | 218 | 6,432 | 1,374 | **17,750** |

| Dec 31, 2013 | Pulses and Grain Processing | Trading and Distribution | Food Ingredients and Packaged Foods | Corporate and Eliminations | Consolidated |
|---|---|---|---|---|---|
| Assets | $ 542,031 | $ 182,141 | $ 196,051 | $ (146,431) | **$ 773,792** |
| Liabilities | 491,357 | 60,152 | 88,321 | (100,377) | **539,453** |
| Intangible assets | 1,731 | 2,127 | 4,890 | - | **8,748** |
| Goodwill | 33,281 | 8,618 | 14,823 | - | **56,722** |
| Purchase of property, plant and equipment | 14,409 | 211 | 24,747 | - | **39,367** |
| Depreciation and amortization | 12,020 | 517 | 1,113 | 1,418 | **15,068** |

## 18. Sales and selected geographic information

Geographic information about AGT's revenues is based on the product type and shipment destination.

| | **2014** | **2013** |
|---|---|---|
| Pulses and specialty crops | $ 827,827 | $ 774,184 |
| Pasta, semolina and bulgur | 160,827 | 135,024 |
| Rice, other commodities and miscellaneous revenue | 368,091 | 229,565 |
| | $ 1,356,745 | $ 1,138,773 |

(Stated in thousands of Canadian dollars)

## 18. Sales and selected geographic information - continued

Sales derived from customers located in the following geographic areas:

| | 2014 | 2013 |
|---|---|---|
| Canada | $ 67,455 | $ 41,603 |
| Americas / Caribbean, excluding Canada | 88,249 | 97,693 |
| Asia / Pacific Rim | 290,250 | 260,283 |
| Europe / Middle East / Africa | 910,791 | 739,194 |
| | $ 1,356,745 | $ 1,138,773 |

Property, plant and equipment, intangibles and goodwill by geographic area is as follows:

| | Property, plant and equipment | |
|---|---|---|
| | 2014 | 2013 |
| Turkey | $ 75,514 | $ 74,119 |
| North America, excluding Canada | 63,959 | 58,812 |
| Canada | 57,887 | 58,829 |
| Australia | 32,386 | 32,252 |
| China | 7,255 | 4,662 |
| South Africa | 4,040 | 4,075 |
| | $ 241,041 | $ 232,749 |

| | Intangibles | |
|---|---|---|
| | 2014 | 2013 |
| Canada | $ 4,844 | $ 385 |
| Turkey | 4,570 | 4,822 |
| United Kingdom | 1,861 | 2,127 |
| China | 1,402 | 1,346 |
| South Africa | 105 | 68 |
| | $ 12,782 | $ 8,748 |

| | Goodwill | |
|---|---|---|
| | 2014 | 2013 |
| Turkey | $ 34,744 | $ 34,647 |
| Canada | 19,603 | 18,399 |
| United Kingdom | 3,710 | 3,618 |
| Australia | 47 | 47 |
| North America, excluding Canada | 12 | 11 |
| | $ 58,116 | $ 56,722 |

(Stated in thousands of Canadian dollars)

## 19. Business combinations

On January 13, 2014, AGT finalized a transaction to purchase substantially all of the assets of Quebec-based CLIC International Inc (CLIC). CLIC is a Canadian ethnic and traditional retail food packager and canner and retail and food service distributor. The acquired assets include inventory, retail packaging and canning production-related equipment, all CLIC and associated retail brands, retail and food service listings.

On December 16, 2014, AGT purchased the shares of Quebec-based Ramico Inc (Ramico). Ramico is a service organization that operates the canning plant assets with/ by CLIC.

Under IFRS 3, AGT has determined that both the asset purchase of CLIC and the share purchase of Ramico qualify as business combinations. The final purchase price allocation is as follows:

| | | **CLIC/ Ramico** |
|---|---|---|
| Total purchase price | **$** | **17,275** |
| **Allocation of purchase price:** | | |
| Working capital | $ | 9,487 |
| Property, plant and equipment | | 2,640 |
| Net identifiable tangible assets | | 12,127 |
| Goodwill | $ | 1,204 |
| Intangible assets | | 3,944 |
| Total net assets | **$** | **17,275** |

Included in the current period Statement of Comprehensive Income is $33,181 of revenue, and $233 of net losses attributable to the acquisitions.

Some acquisition costs related to the CLIC and Ramico purchase were recorded in the current year Statement of Comprehensive Income. These amounts totalled $342 (December 31, 2013 – nil) and were recorded in general and administration expenses.

Included in the working capital amounts of CLIC above were accounts receivable of $3,019. These amounts represent the fair value of the assets, none of which were considered uncollectable by AGT as at the purchase date.

## 20. Commitments and contingencies

AGT enters into contracts with producers. The contracts provide for delivery of specific quantities and include specific prices based on the grade that is delivered. The terms of the production contracts are not longer than one year.

At December 31, 2014, AGT had letters of credit in favour of the Canadian Grain Commission in the amount of \$13,000 (December 31, 2013 - \$10,000). The letter of credit is callable by the beneficiary in the event of a producer grain payment default. The letter of credit for \$3,000 expires on May 31, 2015 and the letter of credit for \$10,000 expires on December 31, 2015.

At December 31, 2014, AGT had a letter of credit in favour of Lloyd's Bank in the United Kingdom in the amount of \$13,921 (December 31, 2013 – \$12,800). This letter of credit serves as security for the operating line in the United Kingdom and is callable in the event of a default by AGT's subsidiary.

At December 31, 2014, AGT had a letter of guarantee in the amount of \$2,802 (December 31, 2013 - \$3,923) related to customs activity on imports and exports in Turkey.

AGT has various legal matters pending which, in the opinion of management, will not have a material effect on AGT's audited consolidated financial position or results of operations. Should the ultimate resolution of actions differ from management's assessments and assumptions, a material adjustment to AGT's financial position or results of operations could result. Should circumstances change, provisions could change materially.