Alliance GRAIN TRADERS Inc.

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2010

March 28, 2011

KPMG LLP
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Shareholders

We have audited the accompanying consolidated financial statements of Alliance Grain Traders Inc., which comprise the consolidated balance sheet as at December 31, 2010, the consolidated statements of income, retained earnings, comprehensive income and accumulated other comprehensive income and cash flows for the year 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 Canadian generally accepted accounting principles, 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 financial position of Alliance Grain Traders Inc. as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG

Other Matter

The consolidated financial statements of Alliance Grain Traders Inc. as at and for the year ended December 31, 2009 were audited by another auditor who expressed an unmodified opinion on those statements on March 19, 2010.

KPMG LLP

Chartered Accountants

Regina, Canada
March 29, 2011

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 AGTI. The consolidated financial statements have been prepared by management and are presented fairly in accordance with accounting principles generally accepted in Canada and reflect managment'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 AGTI'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 auditors, 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 auditors, KPMG LLP, and their report is presented separately.

Murad Al-Katib
Murad Al-Katib
Chief Executive Officer
March 29, 2011

Lori Ireland
Lori Ireland
Chief Financial Officer
March 29, 2011

ALLIANCE GRAIN TRADERS INC.

Consolidated Balance Sheet
As at December 31
(Stated in Canadian Dollars)

	Note	2010	2009
Assets			
Current			
Cash and cash equivalents		$ 23,628,472	$ 10,115,784
Restricted cash	4	-	6,009,799
Accounts receivable		134,886,424	89,012,506
Inventory	5	110,782,630	105,521,079
Prepaid expenses and deposits		7,239,024	2,271,432
Income taxes receivable		3,210,941	-
Future income taxes		287,539	205,796
		280,035,030	213,136,396
Property, plant and equipment	6	169,347,573	136,504,553
Intangible assets	7	8,845,168	4,025,461
Goodwill	8	65,469,317	66,088,311
Investment		1,000,000	1,000,000
Future income taxes	17	3,216,444	3,690,607
Total assets		$ 527,913,532	$ 424,445,328
Liabilities			
Current			
Bank indebtedness	9	$ 80,335,924	$ 30,105,128
Short-term financing	10	24,925,150	26,280,000
Accounts payable and accrued liabilities		68,157,031	76,396,066
Income taxes payable		1,690,907	1,383,911
Current portion of long-term debt and capital leases	11	13,163,084	999,618
Dividends payable		-	2,308,938
		188,272,096	137,473,661
Long-term debt and capital leases	11	22,892,916	36,624,321
Future income taxes	17	13,211,918	18,437,254
		36,104,834	55,061,575
Shareholders' equity			
Share capital	12	267,499,165	187,151,311
Contributed surplus	12	383,357	866,662
Accumulated other comprehensive income (loss)		(15,419,405)	933,381
Retained earnings		51,073,485	42,958,738
		303,536,602	231,910,092
Total liabilities and shareholders' equity		$ 527,913,532	$ 424,445,328

Commitments and contingencies 20

Approved by the Board of Directors

(signed) Murad Al-Katib
Director

(signed) Denis Arsenault
Director

The accompanying notes are an integral part of the consolidated financial statements

ALLIANCE GRAIN TRADERS INC.

Consolidated Statements of Retained Earnings, Comprehensive Income and Accumulated Other Comprehensive Income (Loss)

For the years ended December 31

(Stated in Canadian Dollars)

		2010		2009
Consolidated statement of retained earnings				
Retained earnings, beginning of year	$	42,958,738	$	19,822,905
Dividends to shareholders		(10,286,075)		-
Distributions to unitholders		-		(6,804,813)
Net earnings		18,400,822		29,940,646
Retained earnings, end of year	$	51,073,485	$	42,958,738
Consolidated statement of comprehensive income				
Net earnings before other comprehensive income	$	18,400,822	$	29,940,646
Other comprehensive (loss) income				
Unrealized foreign currency translation (losses) gains		(16,352,786)		476,490
Comprehensive income	$	2,048,036	$	30,417,136
Consolidated statement of accumulated other comprehensive income (loss)				
Balance, beginning of year	$	933,381	$	456,891
Currency translation adjustment		(16,352,786)		476,490
Accumulated other comprehensive (loss) income, end of year	$	(15,419,405.21)	$	933,381

The accompanying notes are an integral part of the consolidated financial statements

ALLIANCE GRAIN TRADERS INC.

Consolidated Statement of Earnings

For the years ended December 31

(Stated in Canadian Dollars)

	Note	2010	2009
Sales	18	$ 642,139,516	$ 387,887,499
Cost of sales	5	578,196,762	326,720,814
Gross margin		63,942,754	61,166,685
Operating expenses			
Amortization		3,377,087	1,735,364
Foreign exchange (gain) loss		720,984	(815,449)
General and administration		31,798,633	17,546,064
Interest and bank charges		4,990,661	1,388,038
Interest on long-term debt		941,775	610,848
		41,829,140	20,464,865
Earnings before income taxes		22,113,614	40,701,820
Provision for (recovery of) income taxes	17		
Current		6,596,527	8,339,070
Future		(2,883,735)	2,422,104
		3,712,792	10,761,174
Net earnings		$ 18,400,822	$ 29,940,646
Basic net earnings per share / unit		$ 0.98	$ 2.80
Diluted net earnings per share / unit		$ 0.96	$ 2.74
Basic weighted average number of shares / units outstanding		18,866,853	10,686,378
Diluted weighted average number of shares / units outstanding		19,170,895	10,944,658

The accompanying notes are an integral part of the consolidated financial statements

ALLIANCE GRAIN TRADERS INC.

Consolidated Statement of Cash Flows

For the years ended December 31

(Stated in Canadian Dollars)

	2010	2009
Operating activities		
Net earnings	$ 18,400,822	$ 29,940,646
Items not involving cash:		
Amortization	3,377,087	1,735,364
Amortization in cost of sales	5,013,133	1,866,285
Loss on disposal of property, plant and equipment	505,171	-
Unrealized foreign exchange (gain) loss	720,984	(815,449)
Future income tax expense	(2,883,735)	2,422,104
Non-cash operating working capital (Note 15)	(68,259,226)	(3,395,058)
	(43,125,764)	31,753,892
Financing activities		
Increase in (repayment of) bank indebtedness	46,855,451	(33,628,665)
Short-term financing	(1,354,850)	26,280,000
Issuance of common shares	77,204,690	93,916,575
Units redeemed	-	(25,000)
Increase in long term debt	36,141,183	14,046,754
Repayment of long term debt	(37,447,489)	(10,078,838)
Dividends and distributions	(12,595,013)	(5,593,944)
	108,803,972	84,916,882
Investing activites		
Purchase of property, plant and equipment	(37,895,509)	(11,370,193)
Proceeds from the sale of property, plant and equipment	305,420	-
Acquisitions, net of cash acquired	(19,345,654)	(88,621,295)
Restricted cash	6,009,799	(6,009,799)
Other investments	-	(1,000,000)
	(50,925,944)	(107,001,287)
Effect of exchange rate changes on cash	(1,239,576)	446,297
Increase in cash and cash equivalents	13,512,688	10,115,784
Cash and cash equivalents, beginning of period	10,115,784	-
Cash and equivalents, end of period	23,628,472	10,115,784
Supplemental cash flow information:		
Interest paid	$ 5,919,940	$ 1,170,146
Income taxes paid	$ 9,159,065	$ 15,883,770

The accompanying notes are an integral part of the consolidated financial statements

1. Nature of operations and corporate conversion

Alliance Grain Traders Inc. ("AGTI") is the successor to Alliance Grain Traders Income Fund (formerly the Agtech Income Fund, the "Fund"). On September 15, 2009 the Fund and AGTI completed the conversion of the Fund on a tax deferred basis from an open-ended unit trust to a dividend-paying corporation by means of a plan of arrangement between the Fund and AGTI under the Business Corporations Act (Ontario) (the "Conversion"). As a result of the Conversion, all of the outstanding units of the Fund are now owned by AGTI, which was originally a wholly-owned subsidiary of the Fund incorporated for this purpose. All of the holders of outstanding units were issued common shares of AGTI on the basis of one common share for each unit. The units of the Fund were delisted from the TSX Venture Exchange as of the close of business on September 17, 2009 and the Fund was dissolved on September 21, 2009. The common shares of AGTI were listed on the Toronto Stock Exchange as of September 18, 2009. AGTI and its subsidiaries in Canada, USA, China, Europe, Australia and Turkey are engaged in the business of sourcing and processing (cleaning, splitting, sorting and bagging) a full range of specialty crops, including lentils, peas, chickpeas, beans and canary seed, primarily for export markets along with wheat, bulgar, rice and pasta.

2. Significant accounting policies

Basis of presentation

AGTI's consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are expressed in Canadian dollars unless otherwise stated.

The consolidated financial statements include the operations of AGTI's 100% owned subsidiaries. All intercompany transactions and balances have been eliminated.

Future accounting standards

In March 2009, the Canadian Accounting Standards Board reconfirmed that Canadian GAAP for publicly accountable enterprises, including listed entities, will be replaced by International Financial Reporting Standards (IFRS) for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, these consolidated financial statements will be the last prepared by AGTI under Canadian GAAP, and the conversion to IFRS will be applicable to AGTI's reporting for the first quarter of 2011, for which current and comparative information will be prepared under IFRS. AGTI will also present an opening IFRS statement of financial position as at January 1, 2010, AGTI's date of transition, as part of AGTI's 2011 interim and annual consolidated financial statements.

Measurement uncertainty (use of estimates and assumptions)

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the 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. Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of property, plant and equipment. The fair value of net assets acquired in business combinations are determined based on available market information and analysis that is subjective in nature. Estimates are used when accounting for items such as collectability of receivables, net realizable value of inventory, estimated useful lives and impairment of long-lived assets, valuation of goodwill, valuation of intangible assets, allocation of acquisition purchase prices, stock-based compensation, income taxes, fair value of financial assets and liabilities and amounts and likelihood of contingencies. Actual results could differ from those estimates.

These estimates and assumptions are based on management's historical experience, best knowledge of current events and conditions and activities that may be undertaken in the future. Actual results could differ from these estimates.

Revenue recognition

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.

2. Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents consists of balances with financial institutions and investments in money market instruments, which have a term to maturity of three months or less at time of purchase.

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. In certain circumstances, particularly pertaining to the AGTI's materials and supplies inventories, replacement cost is considered to be the best available measure of net realizable value. Inventory is reviewed monthly to ensure the carrying value does not exceed net realizable value. If so, a write-down is recognized. The write-down may be reversed if the circumstances which caused it no longer exists.

Property, plant and equipment

Property, plant and equipment are recorded at cost, which includes labour costs incurred on construction of new equipment prior to becoming available for operation, less amortization. Construction in progress is not amortized until the equipment is substantially complete and ready for their intended operational use. Costs of additions and betterments are capitalized. Maintenance and repair expenditures that do not improve or extend productive life are expensed in the year incurred. Amortization is provided using the straight-line method at annual rates intended to amortize the cost of assets over their estimated useful lives. Amortization on property, plant and equipment begins when an asset is determined available for use.

	Method	Rate
Buildings and site improvements	Straight-line	20 to 50 years
Automotive	Straight-line	5 to 10 years
Equipment	Straight-line	2 to 30 years
Equipment under capital leases	Straight-line	2 to 20 years

Property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. When events or circumstances indicate that the carrying amount of property, plant and equipment may not be recoverable, the long-lived assets are tested for impairment by comparing the undiscounted future cash flows to the carrying amount of the asset or group of assets. If the total of the undiscounted future cash flows is less than the carrying amount of the property, plant and equipment, the amount of any impairment loss is determined as the amount by which the carrying amount of the asset exceeds the fair value of the asset. The impairment loss is then recognized in net earnings. Fair value is defined as the amount of the consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act.

Leases

AGTI classifies leases as either capital or operating. Leases that transfer substantially all of the benefits and risk of ownership to AGTI are accounted for as capital leases. Assets under capital leases are depreciated on a straight-line basis over the term of the lease unless the terms contain a bargain purchase option in which case the asset is amortized over the assets estimated economic life on a straight-line basis. Rental payments under operating leases are expensed as incurred.

Goodwill

Goodwill represents the excess of purchase price and related costs over the fair value of identifiable net assets acquired. Goodwill is not subject to amortization. Goodwill impairment is assessed, at a minimum, annually or more frequently at the reporting unit level, if events or conditions arise that indicate there may be impairment. Goodwill is tested for impairment by comparing the fair value of its reporting unit to its carrying value. The carrying value of goodwill is written down to fair value if the carrying value of the reporting unit's goodwill exceeds its fair value. Any impairment write down is charged to net earnings during the period of impairment.

2. Significant accounting policies (continued)

The recoverability of goodwill is evaluated using a two-step test approach at the reporting unit level. Under the first step, AGTI compares the fair value of each reporting unit to its net carrying amount. Under the second step, goodwill impairment is measured as the excess of the carrying amount of the reporting unit's goodwill over the implied fair value of the goodwill based on the fair value of the assets and liabilities of the reporting unit. The process of determining fair value is subjective and requires management to exercise a significant amount of judgement in determining future growth, discount and tax rates, as well as other factors.

In all reporting units, fair value was determined to exceed carrying value, indicating no impairment of goodwill. The second step, measuring the amount of the impairment, was therefore not required. No goodwill impairment has been recorded as of December 31, 2010.

Intangible assets

Intangible assets consist of rights, brands and customer relationships.

Intangible assets are recorded at cost less accumulated amortization and impairment. Finite life intangible assets are amortized using the straight-line method over 10 years. AGTI reviews the carrying value of intangibles whenever there is a change in circumstance and annually for indefinite life intangibles. Should the carrying amount of the intangible asset exceed its fair value, an impairment loss would be recognized and charged to earnings at that time.

Stock-based compensation plan

Grants under AGTI's stock-based compensation plan are accounted for in accordance with the fair-value-based method of accounting. Since the stock-based compensation plan settles through the issuance of equity, the fair value of the option was determined on the grant date using a valuation model and recorded as compensation expense over the period that the stock option vests, with a corresponding increase to contributed surplus. The fair value of stock options was estimated on the date of grant using the Black-Scholes option pricing model. AGTI incorporates an estimated forfeiture rate for stock options that will not vest and revises the estimate as necessary if subsequent information indicates the actual forfeitures differ significantly from the original estimate.

Future income taxes

AGTI follows the asset and liability method of accounting for future income taxes. Under this method, future income tax assets and liabilities are recorded based on temporary differences between the carrying amount of balance sheet items and their corresponding tax basis. In addition, the future benefits of income tax assets, including unused tax losses, are recognized, subject to a valuation allowance, to the extent that it is more likely than not that such future benefits will ultimately be realized. Future income tax assets and liabilities are measured using substantively enacted tax rates and laws expected to apply when the tax liabilities or assets are either settled or realized.

A valuation allowance is recognized against future tax assets when it is more likely than not that all or some part of that asset will not be realized.

Financial instruments

Financial assets, financial liabilities and equity instruments of AGTI are either recognized or disclosed in the consolidated financial statements together with other information relevant for making a reasonable assessment of future cash flows and interest rate, foreign currency, liquidity, commodity price or credit risk. Upon initial recognition, financial instruments are measured at fair value and are classified as held-to-maturity, held-for-trading, available-for-sale, loans and receivables or other financial liabilities. AGTI does not have any held-to-maturity financial instruments. Held-for-trading assets and liabilities are carried at fair value with any gains or losses included in net earnings. Available-for-sale assets are carried at fair value with revaluation gains or losses included in other comprehensive income until the asset is derecognized. Investments that are classified as available-for-sale and do not have a readily available market value are recorded at cost. Loans and receivables and other financial liabilities are accounted for at amortized cost using the effective interest method. AGTI enters into forward foreign exchange contracts to minimize its exposures to fluctuations in foreign exchange rates. Any changes in the fair value of the foreign forward exchange contracts are recorded in net earnings. AGTI's policy is not to use derivative financial instruments for trading or speculative purposes. Transaction costs related to financial assets or liabilities are expensed as incurred.

AGTI has designated cash and cash equivalents, restricted cash and derivative instruments as held for trading. Accounts receivable has been designated as loans and receivables. Bank indebtedness, accounts payable and accrued liabilities, dividends payable and long-term debt have been designated as other financial liabilities.

Per share amounts

Net earnings per share is based on the consolidated net earnings for the period divided by the weighted average number of shares outstanding during the period. Diluted net earnings per share is computed in accordance with the treasury stock method and based on the weighted average number of shares and dilutive share equivalents.

(Stated in Canadian dollars)

2. Significant accounting policies (continued)
Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at year-end rates of exchange. Revenue and expense transactions denominated in foreign currencies are translated into Canadian dollars at rates in effect at the time of the transactions. The applicable exchange gains and losses arising on these transactions are reflected in net earnings.

AGTI's self-sustaining foreign operations whose unit of measure is not Canadian dollars are translated into Canadian dollars using the current rate method whereby all assets and liabilities are translated at the year-end rate of exchange, and all revenues and expense items are translated at the average rate of exchange prevailing during the year. Exchange gains and losses arising from this translation, representing the net unrealized foreign currency translation gain (loss) on AGTI's net investment in these foreign operations, are recorded in the foreign currency translation adjustment component of accumulated other comprehensive income.

Change in accounting policies
The CICA issued new accounting standards which became effective for AGTI on January 1, 2009. These changes include:

Section 3064, Goodwill and Intangible Assets, replaces Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs". Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in Section 3062. The adoption of Section 3064 did not have any impact on AGTI's consolidated financial statements.

Emerging Issues Committee ("EIC") Abstract 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities provided guidance on evaluating credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. This standard is effective for the fiscal year beginning January 1, 2009. The adoption of EIC-173 did not have a significant impact on AGTI's consolidated financial statements.

3. Business combinations

The purchase price for business combinations is as follows:

2010

Purchase price comprised of:	Balco and Northern Yorke Processing (1)	Poortmans (2)	Total
Cash	$ 5,095,127	$ 14,146,472	$ 19,241,599
Transaction costs	431,803	463,019	894,822
Total purchase price	5,526,930	14,609,491	20,136,421
Allocation of purchase price:			
Cash and cash equivalents	-	790,613	790,613
Accounts receivable	-	8,777,076	8,777,076
Inventory	-	7,539,283	7,539,283
Property, plant and equipment	5,476,696	384,478	5,861,174
Identifiable tangible assets	5,476,696	17,491,450	22,968,146
Accounts payable and accruals	-	(8,566,268)	(8,566,268)
Future income tax liability	-	(525,230)	(525,230)
Intangible assets	-	1,875,822	1,875,822
Goodwill	50,234	4,333,717	4,383,951
	$ 5,526,930	$ 14,609,491	$ 20,136,421

(1) On November 15, 2010, AGTI completed the acquisition of Balco Grain Services and certain real property from Balco Holdings, located in Bowmans, South Australia. The acquisition included real property, vertical and horizontal storage for pulses and grains, and related handling equipment. The purchase price for the acquisition was $2,332,889 which was paid in cash. Also on November 15, 2010, AGTI completed the acquisition of Northern Yorke Processing, located at Kadina, South Australia. The acquisition included real property, vertical and horizontal storage for pulses and grains, processing plant assets and related handling equipment. The purchase price for the acquisition was $3,194,041, which was paid in cash. Goodwill acquired is not deductible for tax purposes.

(Stated in Canadian dollars)

3. Business combinations (continued)

The acquisition was accounted for using the purchase method, whereby the purchase consideration is allocated to the estimated fair values of the assets acquired and the liabilities assumed at the effective date of the purchase. The table above summarizes the preliminary fair value of assets acquired and liabilities assumed. As the acquisition has been recently completed, the preliminary purchase price allocation between the assets and liabilities acquired, including goodwill, will be finalized in a subsequent period.

(2) On November 1, 2010, AGTI acquired the shares of A. Poortman (London) Ltd. Group ("the Poortmans Group"), an international importer, distributor and stockist of pulses, with offices in London, UK, the Netherlands and Tianjin, China. The business acquired included a processing plant for dry edible beans and pulses, located in Tianjin, China, and trading and sales offices in Europe. The purchase price for the Poortmans Group acquisition was $14,609,491, which was paid in cash. Goodwill acquired is not deductible for tax purposes.

The acquisition was accounted for using the purchase method, whereby the purchase consideration is allocated to the estimated fair values of the assets acquired and the liabilities assumed at the effective date of the purchase. The table above summarizes the preliminary fair value of assets acquired and liabilities assumed. As the acquisition has been recently completed, the preliminary purchase price allocation between the assets and liabilities acquired, including goodwill, will be finalized in a subsequent period.

2009

Purchase price comprised of:	Arbel Group (1) Preliminary Purchase Equation	Adjustment in Finalizing Purchase Equation	Final Arbel Group Purchase Equation	Finora and Parent (2) Preliminary Purchase Equation	Adjustment in Finalizing Purchase Equation	Final Finora and Parent Purchase Equation	Total
Cash	$ 60,097,988	$ -	$ 60,097,988	$ 30,377,831	$ 803,589	$ 31,181,420	$ 91,279,408
Transaction costs	-	528,955	528,955	-	45,374	45,374	574,329
Issuance of share capital	44,043,412	-	44,043,412	1,000,000	-	1,000,000	45,043,412
Total purchase price	104,141,400	528,955	104,670,355	31,377,831	848,963	32,226,794	136,897,149
Allocation of purchase price:							
Cash and cash equivalents	1,854,524	-	1,854,524	-	-	-	1,854,524
Accounts receivable	31,669,438	-	31,669,438	-	-	-	31,669,438
Inventory	34,588,392	(3,464,660)	31,123,732	11,359,604	803,589	12,163,193	43,286,925
Prepaid expenses	6,053,352	-	6,053,352	60,718	-	60,718	6,114,070
Property, plant and equipment	65,849,575	-	65,849,575	16,102,826	-	16,102,826	81,952,401
Future income tax asset	1,932,723	-	1,932,723	-	-	-	1,932,723
Other long-term assets	45,815	-	45,815	-	-	-	45,815
Identifiable tangible assets	141,993,819	(3,464,660)	138,529,159	27,523,148	803,589	28,326,737	166,855,896
Accounts payable and accruals	(66,186,805)		(66,186,805)	-	-	-	(66,186,805)
Long-term debt	(17,646,638)	-	(17,646,638)	-	-	-	(17,646,638)
Future income tax liability	(7,921,184)	(800,000)	(8,721,184)	-	-	-	(8,721,184)
Intangible assets	4,126,626	4,000,000	8,126,626	-	-	-	8,126,626
Goodwill	49,775,582	793,615	50,569,197	3,854,683	45,374	3,900,057	54,469,254
	$104,141,400	$ 528,955	$104,670,355	$ 31,377,831	$ 848,963	$ 32,226,794	$136,897,149

(1) On September 15, 2009, AGTI acquired all of the outstanding shares of Arbel Bakliyat Hububat Sanayi ve Ticaret A.Ş., ("Arbel"), Durum Gida Sanayi ve Ticaret A.Ş., ("Durum"), and Turkpulse Diş Ticaret A.Ş., ("Turkpulse") (collectively, the "Arbel Group"). The acquisition was a related party transaction by virtue of a director of AGTI being a director and shareholder of the Arbel Group. As a result of the acquisition, AGTI owns all of the issued and outstanding shares of the Arbel Group. The Arbel Group is engaged in the business of buying, processing and marketing lentils and grain, producing and selling pasta and semolina and producing and selling bulgur. The aggregate purchase price for the acquisition was of $104,670,355, of which $60,626,943 was paid in cash and $44,043,412 was paid by the issuance of 2,850,448 common shares of AGTI at a price of $15.4514 per common share. The nature of the intangible assets includes brands, rights and customer relationships. The acquisition was accounted for using the purchase method, whereby the purchase consideration is allocated to the estimated fair values of the assets acquired and the liabilities assumed at the effective date of the purchase. Goodwill acquired is not deductible for tax purposes.

In the current period as part of the finalization of the purchase price equation, AGTI finalized the purchase price allocation relating to the acquisition of the Arbel Group. As a result, the amounts previously recorded for the fair value of inventory, future income tax liability, intangible assets and goodwill have been adjusted.

(Stated in Canadian dollars)

3. Business combinations (continued)

(2) On December 31, 2009, AGTI acquired Parent Seed Farms Ltd. and Finora Inc. The two acquisitions added facilities for processing beans, lentils, peas, chickpeas and other specialty crops in four locations: St. Joseph, Manitoba; Wilkie, Saskatchewan; Assiniboia, Saskatchewan and Gibbons, Alberta. The purchase price for the Parent Seed Farms Ltd acquisition was $22,917,207 of which $21,917,207 was paid in cash and $1,000,000 was paid by the issuance of 45,350 common shares of AGTI at a price of $22.05 per common share. The purchase price for the Finora Inc. acquisition was $9,309,587 which was paid in cash. The assets include manufacturing equipment, storage facilities and inventory.

The acquisition was accounted for using the purchase method, whereby the purchase consideration is allocated to the estimated fair values of the assets acquired and the liabilities assumed at the effective date of the purchase. The table above summarizes the fair value of assets acquired and liabilities assumed. Tax deductible goodwill is $2,891,012 .

In the current period as part of the finalization of the purcahse price equation, AGTI finalized the purchase price allocation relating to the acquisitions of Finora and Parent. As a result, the amounts previously recorded for the fair value of goodwill have been adjusted.

4. Restricted cash

As at December 31, 2009, there were funds held in trust for AGTI in connection with the purchase of the Arbel Group. These funds were held in connection with certain conditions of the purchase.

5. Inventory

	2010	2009
Raw product	$ 32,213,675	$ 15,117,887
Processed product	47,975,303	68,801,250
Split product	5,037,187	4,047,062
Packaged product	23,601,093	17,426,954
Other	1,955,372	127,926
	$ 110,782,630	$ 105,521,079

	2010	2009
Amortization in ending inventory	$ 350,309	$ 194,946
Inventory expensed in cost of goods sold	370,639,018	234,322,180

Certain inventory has been pledged as security against long-term debt (note 11).

6. Property, plant and equipment

2010	Cost	Accumulated amortization	Net book Value
Land	$ 20,346,141		$ 20,346,141
Buildings and site improvements	48,281,449	4,759,734	43,521,715
Automotive	4,483,684	1,846,473	2,637,211
Equipment	80,918,971	20,004,241	60,914,730
Assets under construction	36,269,998	-	36,269,998
Equipment under capital leases	9,295,949	3,638,171	5,657,778
	$ 199,596,192	30,248,619	$ 169,347,573

2009	Cost	Accumulated amortization	Net book Value
Land	$ 13,443,448	-	$ 13,443,448
Buildings and site improvements	48,619,454	2,810,421	45,809,033
Automotive	3,739,481	1,359,868	2,379,613
Equipment	81,971,130	14,314,102	67,657,028
Equipment under capital leases	10,225,687	3,010,256	7,215,431
	$ 157,999,200	21,494,647	$ 136,504,553

Total amortization expense relating to property, plant and equipment for 2010 was $8,309,011 (2009 - $3,407,897).

Total amortization expense relating to equipment under capital leases for 2010 was $975,242 (2009 -$318,940).

(Stated in Canadian dollars)

7. Intangible assets

2010		Cost	Accumulated amortization		Net book Value
Rights	$	77,982	44,906	$	33,076
Brands		3,562,674	-		3,562,674
Other intangible assets		5,479,473	230,055		5,249,418
	$	9,120,129	274,961	$	8,845,168

2009		Cost	Accumulated amortization		Net book Value
Rights	$	85,047	38,764	$	46,283
Brands		4,000,000	100,000		3,900,000
Other intangible assets		134,166	54,988		79,178
	$	4,219,213	193,752	$	4,025,461

AGTI has recognized intangible assets and goodwill with indefinite useful lives. Total amortization expense relating to finite-lived intangible assets for 2010 was $81,209 (2009 - $193,752). As a result of the finalization of purchase price allocations, it was determined that the brand related intangible asset should have an indefinite life.

8. Goodwill

		2010		2009
Beginning of the year	$	66,088,311	$	12,062,499
Additions (see note 3)		4,383,951		53,630,265
Additions due to finalization of prior		838,989		-
Foreign exchange translation and other		(5,841,934)		395,547
End of the year	$	65,469,317	$	66,088,311

9. Bank indebtedness

At December 31, 2010 AGTI had total operating lines and other facilities available of $255,740,984 (2009 - $176,445,227), a portion of which is secured by a general security agreement. Interest rates on Canadian lines are at Canadian prime. USD lines bear interest between LIBOR plus 1.65% and LIBOR plus 2%. Turkish lines bear interest between Turkey Interbank Offered Rate plus 1% and Turkey Interbank Offered Rate plus 2%.

10. Short-term financing

At December 31, 2010 AGTI had financing instruments in place,with maturities ranging from February 2011 to March 2011, and bearing interest rates ranging from 2.6 % to 2.9 % (2009 - 3.6% to 3.9%). Due to the short term nature of these facilities the carrying amount approximates fair value.

(Stated in Canadian dollars)

11. Long term debt

Term Debt	2010	2009
Loan payable, USD $10,000,000, bearing an interest rate of 8.7%, with interest only payments, with maturity dates ranging from May 2011 to February 2012, secured by inventory and accounts receivable.	$ 10,023,792	$ 10,571,415
Loan payable, bearing an interest rate of prime plus 1.1%, with monthly payments of interest only, due November 2015, secured by certain property, plant and equipment.	15,270,036	12,000,000
Loan payable, bearing an interest rate of prime plus 1%, interest only, due December 2023 - repaid during the year.	-	5,566,718
Loans payable, bearing interest rates varying from 4% to 8%, with monthly payments of USD $93,725, due dates ranging from June 2011 to July 2022, secured by property, plant and equipment.	5,222,256	2,502,048
Loan payable, bearing an interest rate of Canadian Bankers Acceptance rate plus 3.75%, monthly principal payments of $12,500, due October 2012, repaid during the year.	-	526,391
Loan payable, bearing an interest rate of Canadian Bankers Acceptance rate plus 3.75%, monthly principal payments of $6,900, due October 2012, secured by certain property, plant and equipment.	567,800	650,600
Vehicle debt payable, bearing an interest rate of 0.9%, monthly payments of $858, due June 2011, secured by vehicle.	5,265	16,561
Capital leases		
Capital leases payable in total monthly payments of EUR 158,292 and $8,149 USD, secured by equipment, due dates ranging from September 2011 to June 2014.	4,817,476	5,517,858
Capital leases payable, bearing variable interest rates from 9.1% to 10.25%, with monthly payments of $7,704 CAD, secured by equipment, due on dates varying from September 2011 to February 2013.	114,732	235,319
Capital lease, bearing interest rates varying from 9% to 12.7% with monthly payments of $1,463 USD currency, secured by equipment, due dates between July 2012 and November 2015.	34,643	37,029
	$ 36,056,000	$ 37,623,939
Total current portion	(13,163,084)	(999,618)
	$ 22,892,916	$ 36,624,321

The estimated principal repayments for term debts and future minimum payments for capital leases for the next five years are as follows:

	Term debt	Capital leases	Total
2011	$ 10,889,367	$ 2,273,716	$ 13,163,084
2012	821,218	1,596,852	2,418,070
2013	852,361	967,042	1,819,403
2014	905,466	124,753	1,030,219
2015	15,731,714	4,487	15,736,201
Thereafter	1,889,024	-	1,889,024
Total	$ 31,089,150	$ 4,966,850	$ 36,056,001

A debt agreement of a subsidiary contains a restriction with respect to the debt coverage ratio. For the year ended December 31, 2010, the subsidiary was not in compliance with the debt coverage ratio and the debt has been classified as a current liability.

The fair value of the capital lease obligations are estimated as $4,966,850 (2009 - $5,790,206). The carrying value of the variable and fixed interest rate debt approximates fair value.

(Stated in Canadian dollars)

12. Share capital

(a) Authorized - Unlimited number of voting common shares without par value

(b) Issued and outstanding	Number of Trust Units	Amount	Number of Common Shares	Amount
Balance, December 31, 2008	7,985,327	$ 48,216,324	-	$ -
Warrants exercised	69,367	374,582		
Units redeemed	(3,086)	(25,000)		
Balance prior to conversion to common shares	8,051,608	48,565,906		
Conversion to common shares (note 1)	(8,051,608)	(48,565,906)	8,051,608	48,565,906
Subscription receipts converted to common shares pursuant to Plan of Arrangement (1)			6,118,840	99,431,150
Issuance of common shares for Arbel Group acquisition (2)			2,850,448	44,043,412
Private placement of special warrants converted to shares pursuant to Plan of Arrangement			37,000	601,250
Share issuance costs, net of tax			-	(6,490,407)
Issuance of common shares for Parent Seeds acquisition (3)			45,350	1,000,000
Balance, December 31, 2009	-	$ -	17,103,246	$ 187,151,311
Issuance of common shares (4)			2,500,000	80,000,000
Share issuance costs, net of tax			-	(577,634)
Issuance of shares pursuant to stock option plan			102,832	925,488
Balance, December 31, 2010			19,706,078	$ 267,499,165

(1) On July 21, 2009, the Fund completed its previously announced public offering of 6,118,840 subscription receipts ("Subscription Receipts") at a price of $16.25 per Subscription Receipt for gross proceeds of $99,431,150 (the "Offering"), pursuant to a bought deal with a syndicate of underwriters. The Underwriters were entitled to a fee equal to 4% of the gross proceeds of the Offering. Each Subscription Receipt entitled its holder to receive one trust unit of the Fund, which were converted to common shares of AGTI once all conditions of the conversion were satisfied.

(2) On September 15, 2009, AGTI acquired all of the outstanding shares of the Arbel Group. The aggregate purchase price for the acquisition was $104,141,400, of which $60,097,988 was paid in cash and $44,043,412 was paid by the issuance of 2,850,448 common shares of AGTI at a price of $15.4514 per common share (see note 3).

(3) On December 31, 2009, 45,350 shares were issued at a price of $22.05 per unit. The units were issued as part of the acquisition cost of Parent Seed Farms Ltd., which was acquired by AGTI effective December 31, 2009 (see note 3).

(4) On April 26, 2010, 2,500,000 shares were issued at a price of $32.00 per share.

(c) Stock option plan

On April 21, 2008 the Fund issued options to acquire 605,000 units of the Fund, each exercisable for one unit of the Fund at a price of $9.00 per unit until April 21, 2013. Subsequently 75,000 options were cancelled and never exercised. On September 15, 2009, the options to acquire units of the fund were converted to options to acquire shares of AGTI (see note 1).

(Stated in Canadian dollars)

12. Share capital (continued)

Risk free interest rate	3%
Expected volatility	25%
Expected time until exercise	5 years
Dividend Yield	10%

The Black-Scholes options valuation model used by AGTI to determine fair values was developed for use in estimating the fair value of freely traded options which are fully transferable and have no vesting restrictions. In addition, this model requires the input of highly subjective assumptions, including future share price volatility and expected time until exercise. AGTI's outstanding options have characteristics which are significantly different from those of traded options and changes in any of the assumptions may have a material effect on the estimated value.

Changes in the number of options, with their weighted average exercise prices, are summarized below:

	2010		2009	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Stock options outstanding, beginning of year	530,000	$ 9.00	530,000	$ 9.00
Granted	-	-	-	-
Exercised	(102,832)	-	-	-
Forfeited	-		-	-
Expired	-	-	-	-
Stock options outstanding, end of year	427,168	$ 9.00	530,000	$ 9.00
Stock options exercisable, end of year	107,168	$ 9.00	33,333	$ 9.00

13. Financial instruments

Fair values :

Fair values approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics, such as risk, principal and remaining maturities. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk.

AGTI, as part of its operations, carries a number of financial instruments that include cash and cash equivalents, restricted cash, bank indebtedness, short term financing, accounts receivable, investments, accounts payable and accrued liabilities, dividends payable, and long-term debt and capital leases. The fair value of cash and cash equivalents, restricted cash, bank indebtedness, short term financing, accounts receivable, accounts payable and accrued liabilities, and dividends payable approximate their carrying value given their short-term maturities. The fair value of investments cannot be measured reliably due to the unavailability of a quoted market price in an active market.

All financial instruments measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the 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.

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.

Level 3 – values 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 2009 or 2010.

(Stated in Canadian dollars)

13. Financial instruments (continued):

The following items, shown in the consolidated balance sheet as at December 31, 2010 and 2009, are measured at fair value on a recurring basis using level 1 or level 2 inputs:

2010	Level 1	Level 2	Total
Asset			
Cash and cash equivalents	$ 23,628,472	$ -	$ 23,628,472
Foreign exchange derivatives	-	3,213,562	3,213,562
	$ 23,628,472	$ 3,213,562	$ 26,842,034

2009	Level 1	Level 2	Total
Asset			
Cash and cash equivalents	$ 10,115,784	$ -	$ 10,115,784
Foreign exchange derivatives	-	1,559,849	1,559,849
	$ 10,115,784	$ 1,559,849	$ 11,675,633

Risk management:

As a result of the nature of AGTI'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.

AGTI will from time to time, use financial derivatives to reduce market risk exposures from changes in foreign exchange rates. AGTI does not hold or use any derivative instruments for trading or speculative purposes. Overall, AGTI's Board of Directors has responsibility for the establishment and approval of AGTI's risk management policies. Management continually perform risk assessments to ensure that all significant risks have been reviewed and assessed to reflect changes in market conditions and AGTI'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. AGTI minimizes this risk by having a diverse customer base and established credit policies, including the use of accounts receivable insurance.

The credit risk of AGTI relates to cash and cash equivalents, restricted cash, accounts receivable and foreign exchange derivatives. The maximum credit exposure is as follows:

	2010	**2009**
Cash and cash equivalents	$ 23,628,472	$ 10,115,784
Restricted cash	-	6,009,799
Accounts receivables	134,886,424	89,012,506
Foreign exchange derivatives	120,937,080	124,602,790

Due to the nature and timing of cargo shipments, it is not uncommon for AGTI to carry receivable balances in excess of 60 days. Due to risk management processes that AGTI has in place, including insurance on substantially all receivables and prepayments from customers, management is confident in its ability to collect outstanding receivables.

13. Financial instruments (continued)

The aging of receivables is as follows:

	2010	2009
Current	$ 40,405,521	$ 27,511,904
0 - 30 days	39,645,903	28,909,232
31 - 60 days	39,936,808	17,705,705
Greater than 60 days	15,959,679	15,944,993
	$ 135,947,911	$ 90,071,834
Allowance for doubtful accounts	(1,061,487)	(1,059,328)
Total	$ 134,886,424	$ 89,012,506

Provisions for credit losses are regularly reviewed based on an analysis of the aging of customer accounts. Amounts are written off if the accounts are deemed uncollectible. Details of the allowance account are as follows:

	2010	2009
Allowance for doubtful accounts - beginning of year	$ 1,059,328	$ 891,560
Recoveries	(49,380)	(6,319)
Provision for losses	51,539	174,087
Allowance for doubtful accounts - end of year	$ 1,061,487	$ 1,059,328

Foreign currency risk:

AGTI enters into sales denominated in US currency for which the related revenue and accounts receivable balances are subject to exchange rate fluctuations. AGTI has entered into certain foreign exchange contracts with maturities of less than one year, to manage risks associated with entering into new sales contracts denominated in US dollars, Euro dollars, British pounds, Australian dollars and Turkish Lira. For the Arbel Group, transactions in foreign currency expose AGTI to foreign currency risk, arising mainly from fluctuations of foreign currency used in conversion of foreign assets and liabilities into Turkish Lira. Foreign currency risk arises as a result of trading transactions in the future and the difference between the assets and liabilities recognized. In this regard, AGTI 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. At December 31, 2010, 78% of the foreign exchange contracts expire within 90 days.

AGTI's significant exposure to exchange risk affects bank indebtedness, accounts payable and accrued liabilities, long-term debt, obligations under capital leases and foreign exchange derivatives. A 5% increase (decrease) in the Canadian dollar against subsidiary functional currencies as at December 31, 2010, would result in a pre-tax decrease (increase) in other comprehensive income of $817,639 (2009 - $23,824). These assumptions may not be representative of actual movements.

Liquidity risk:

Liquidity risk is the risk that AGTI 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:

2010	Carrying Amount	Contractual cash flows	1 year	2 years	3 - 5 years	More than 5 years
Bank indebtedness	$ 80,335,924	$ 80,335,924	$ 80,335,924	$ -	$ -	$ -
Short term financing	24,925,150	24,925,150	24,925,150			
Accounts payable and accrued liablities	68,157,031	68,157,031	68,157,031	-	-	-
Long-term debt and capital leases	36,056,000	41,677,915	12,292,050	6,051,700	21,031,276	2,302,888
	$ 209,474,105	$ 215,096,020	$ 185,710,155	$ 6,051,700	$ 21,031,276	$ 2,302,888

(Stated in Canadian dollars)

13. Financial instruments (continued)

2009	Carrying Amount	Contractual cash flows	1 year	2 years	3 - 5 years	More than 5 years
Bank indebtedness	$ 30,105,128	$ 30,105,128	$ 30,105,128	$ -	$ -	$ -
Short term financing	26,280,000	26,280,000	26,280,000			
Accounts payable and accrued liablities	76,396,066	76,396,066	76,396,066	-	-	-
Long-term debt and capital leases	37,623,939	41,774,220	6,908,049	6,646,420	8,465,964	19,753,787
Dividends payable	2,308,938	2,308,938	2,308,938	-	-	-
	$ 172,714,071	$ 176,864,352	$ 141,998,181	$ 6,646,420	$ 8,465,964	$ 19,753,787

Future expected operational cash flows and sufficient assets are on hand to fund these obligations. In addition, AGTI practices an accounts receivable management program that tracks cargo and documentation flows to ensure the timely receipt of payment from customers. AGTI'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 AGTI'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. With respect to its debt portfolio, AGTI addresses interest rate risk by using various floating rate instruments. The exposure is also managed by aligning current and long term assets with outstanding debt and making use of global credit facilities.

AGTI is exposed to interest rate fluctuations on its variable-rate long-term debt. The impact of a 1% change in interest rates would have an approximate impact on net earnings of $158,378 (2009 - $187,439)

Commodity price risk:

AGTI is a significant producer and supplier of pulse crops and bears significant exposure to changes in prices of these products. A substantial change in prices will affect AGTI's net earnings and operating cash flows. Prices are volatile and are influenced by numerous factors beyond AGTI's control, such as supply and demand fundamentals, geographical events and weather.

AGTI sales contracting strategy focuses on reducing the volatility in future earnings and cash flow, while providing both protection against decreases in market price and retention of exposure to future market price increases. To mitigate the risks associated with the fluctuations in the market price for pulse crops, AGTI seeks to maintain a portfolio of product sales contracts with a variety of delivery dates and pricing mechanisms that reflect the delivery dates and pricing with customers that provides a degree of protection from pricing volatility.

(Stated in Canadian dollars)

14. Capital management

AGTI manages its capital to ensure that financial flexibility exists to increase equity value through a combination of acquisitions and organic growth. This allows AGTI to respond to changes in economic and/or marketplace conditions. AGTI also strives to maintain an optimal capital structure to reduce the overall cost of capital. In the management of capital, AGTI utilizes bank indebtedness (net of cash and cash equivalents), long-term debt and capital leases and shareholders equity. It may be difficult to accurately predict market conditions for attracting capital. There were no changes in AGTI's approach to capital management during the year.

AGTI 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:

	2010	2009
Long-term debt and capital leases	$ 22,892,916	$ 36,624,321
Bank indebtedness and current portion long-term debt	93,499,008	31,104,746
Short term financing	24,925,150	26,280,000
Cash and cash equivalents	(23,628,472)	(10,115,784)
Net debt	**117,688,602**	**83,893,283**
Shareholders' equity	303,536,602	231,910,092
Total capital	$ 421,225,204	$ 315,803,375

AGTI is bound by certain covenants with 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, 2010 and December 31, 2009, AGTI met these requirements.

15. Non-cash operating working capital

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

	2010	2009
(Increase) decrease in current assets:		
Accounts receivable	$ (54,650,991)	$ (19,143,800)
Income tax receivable	(3,210,941)	-
Inventory	(12,800,834)	(45,494,183)
Prepaid expenses and deposits	(4,967,592)	(909,051)
	(75,630,358)	(65,547,034)
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	(71,959)	54,813,049
Income taxes payable	(306,997)	(7,544,701)
	(378,956)	47,268,348
Non-cash operating working capital acquired in business combinations	7,750,088	14,883,628
	$ (68,259,226)	$ (3,395,058)

16. Related party transactions

Prior to the acquisition of the Arbel Group, AGTI engaged in normal course business with related parties:

	2010	2009
Sales of grain to corporations whose director is also an AGTI director	$ -	$ 7,286,038

These transactions were in the normal course of business and were recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Due to the Arbel business combination, there were no accounts receivable owing at December 31, 2009 (See note 3).

(Stated in Canadian dollars)

17. Income taxes

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

		2010		2009
Earnings before income taxes	$	22,113,614	$	40,701,820
Permanent differences		(24,512)		(1,636,927)
Earnings before income taxes, after permanent differences		22,089,102		39,064,893
Combined federal and provincial statutory rates		28.62%		29.00%
Computed income tax expense at statutory rates		6,321,901		11,328,819
Increase (decrease) in taxes resulting from:				
Temporary differences		(2,307,127)		-
Other		(301,982)		(567,645)
Income tax expense		3,712,792		10,761,174
Current		6,596,527		8,339,070
Future		(2,883,735)		2,422,104
	$	3,712,792	$	10,761,174

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of net future income tax liabilities as at December 31 are as follows:

		2010		2009
Assets:				
Operating loss carry forwards	$	2,693,228	$	630,033
Inventory		1,413,957		-
Share issuance costs and financing costs		1,929,966		2,090,311
Investment incentive		367,141		854,828
Other costs and adjustments		527,790		412,592
		6,932,082		3,987,764
Liabilities:				
Trade and other receivables		(1,386,276)		-
Property, plant and equipment		(13,961,876)		(18,373,929)
Goodwill and intangibles		(1,281,255)		(62,930)
Other costs and adjustments		(10,610)		(91,756)
		(16,640,017)		(18,528,615)
Net future income tax liabilities	$	(9,707,935)	$	(14,540,851)
Net future income tax liabilities are classified on the consolidated balance sheet as follows				
Current future tax assets	$	287,539	$	205,796
Non-current future tax asset		3,216,444		3,690,607
Non-current future tax liabilities		(13,211,918)		(18,437,254)
Net future income tax liabilities	$	(9,707,935)	$	(14,540,851)

(Stated in Canadian dollars)

18. Segmented information

AGTI is in the business of sourcing and processing specialty crops, wheat, bulgar, rice and pasta, specializing in various markets for domestic and export, and operating in one reporting segment. This reporting segment is involved in the milling, cleaning, sizing, color sorting and packaging for distribution to end use customers. Pasta, rice and pulses share common customers and therefore have a common platform and are managed as one reporting segment. Geographic information about AGTI's revenues is based on the product shipment destination.

Sales by product line

	2010	2009
Pulses and specialty crops	$ 479,741,194	$ 348,646,734
Pasta, semolina and bulgur	68,474,616	24,811,436
Rice	69,658,885	9,905,245
Other commodities	23,438,517	4,524,084
Miscellaneous revenue	826,304	-
Total	$ 642,139,516	$ 387,887,499

Sales were derived from customers located in the following geographic areas:

	2010	2009
Canada	$ 36,722,101	$ 16,401,245
Americas / Caribbean, excluding Canada	103,399,241	65,196,533
Asia / Pacific Rim	143,739,001	134,220,273
Europe / Middle East / North Africa	358,279,173	172,069,448
Total	$ 642,139,516	$ 387,887,499

Segmented assets:

Property, plant and equipment and goodwill by geographic areas are as follows:

	Property, plant and equipment		Goodwill	
	2010	2009	2010	2009
Canada	$ 59,549,706	$ 55,079,432	$ 16,262,556	$ 16,217,713
North America, excluding Canada	14,440,720	9,377,322	9,970	9,970
Australia	21,200,496	7,891,949	50,708	-
Turkey	73,797,599	64,155,850	45,040,395	49,860,628
United Kingdom	-	-	4,105,688	-
China	359,052	-	-	-
Total	$ 169,347,573	$ 136,504,553	$ 65,469,317	$ 66,088,311

19. Insurance proceeds

Included in accounts receivable is $9,375,914 relating to an insurance recovery from a fire that occurred at a Turkish facility in December of 2010 that damaged inventory and property, plant and equipment. AGTI has recorded a provision for damaged inventory of $9,075,104and has recorded a write-down of property, plant and equipment of $300,810 that was destroyed in the fire.

20. Commitments and contingencies

AGTI enters into production 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, 2010, AGTI had a letter of credit in favor of the Canadian Grain Commission in the amount of $35,000,000(2009 - $17,500,000). The letter of credit is callable by the beneficiary in the event of a producer grain payment default. The letter of credit expires February 28, 2011. Subsequent to year-end the letter of credit was reduced from $35,000,000 to $10,000,000 and expires on December 31, 2011. The subsequent change is the result of all facilities being re-classified from grain dealer to a primary elevator.

In the normal course of operations, AGTI may become involved in various legal matters, both claims by and against AGTI. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. Based on the information provided by legal counsel, there is not a significant litigation risk for AGTI at December 31, 2010.

21. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation in the current period.