Alliance
GRAIN TRADERS Inc.

Consolidated Financial Statements

December 31, 2012

Alliance GRAIN TRADERS 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 Alliance Grain Traders 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 nonfinancial 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.

Murad Al-Katib	Lori Ireland
Chief Executive Officer	Chief Financial Officer
March 19, 2013	March 19, 2013

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Alliance Grain Traders Inc.

We have audited the accompanying consolidated financial statements of Alliance Grain Traders Inc., which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011, 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Alliance Grain Traders Inc. as at December 31, 2012 and December 31, 2011, 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 19, 2013
Regina, Canada

Alliance GRAIN TRADERS Inc.

Consolidated Statements of Financial Position as at December 31

(Stated in Canadian Dollars)

	Note	2012	2011
Assets			
Current			
Cash		$ 33,109,951	$ 56,220,307
Accounts receivable	14	183,156,181	171,522,366
Inventory	5	188,881,727	183,309,771
Prepaid expenses and deposits		11,384,532	4,427,192
Income tax receivable		1,402,953	3,713,439
Total current assets		**417,935,344**	**419,193,075**
Property, plant and equipment	6	217,991,811	197,321,213
Intangible assets	7	9,249,763	8,405,945
Goodwill	7	60,779,993	59,552,016
Other		3,291,125	2,051,943
Deferred income tax assets	17	3,242,920	2,988,292
Total non-current assets		**294,555,612**	**270,319,409**
Total assets		**$ 712,490,956**	**$ 689,512,484**
Liabilities			
Current			
Bank indebtedness	8	$ 205,548,758	$ 197,868,017
Short term financing	9	12,401,810	42,370,877
Accounts payable and accrued liabilities		115,578,255	77,501,079
Deferred revenue		7,026,792	4,810,950
Income taxes payable		2,074,729	104,412
Current portion of long-term debt and finance leases	10	5,752,164	6,203,319
Dividends payable		2,971,328	2,961,461
Total current liabilities		**351,353,836**	**331,820,115**
Long-term debt and finance leases	10	76,558,126	74,561,817
Deferred income tax liabilities	17	14,731,441	12,165,161
Total liabilities		**442,643,403**	**418,547,093**
Shareholders' equity			
Share capital	11	269,493,692	267,965,885
Contributed surplus		614,275	300,505
Accumulated other comprehensive loss		(22,888,266)	(25,012,972)
Retained earnings		22,627,852	27,711,973
Total shareholders' equity		**269,847,553**	**270,965,391**
Total liabilities and shareholders' equity		**$ 712,490,956**	**$ 689,512,484**

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

Director

Director

Alliance GRAIN TRADERS Inc.

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

(Stated in Canadian Dollars)

	Note	2012	2011
Revenues		$ 855,324,677	$ 759,974,100
Cost of sales	13	787,763,525	682,820,784
Gross profit		67,561,152	77,153,316
General and administrative expenses	13	29,771,531	24,631,936
Marketing, sales and distribution expenses	13	16,352,464	20,212,875
Earnings from operations		**21,437,157**	**32,308,505**
Other expenses (income):			
Unrealized foreign exchange (gain) loss	14	(4,064,964)	28,813,933
Finance income		(2,276,283)	(855,819)
Finance expense	12	16,934,620	10,976,438
Earnings (loss) before income tax		**10,843,784**	**(6,626,047)**
Current income tax	17	1,794,813	2,204,474
Deferred income tax (recovery)	17	2,237,386	(369,939)
Net earnings (loss)		**6,811,585**	**(8,460,582)**
Other comprehensive income (loss)			
Exchange differences on translation of foreign operations (no tax effect)		2,124,706	(12,505,713)
Total comprehensive income (loss)		**$ 8,936,291**	**$ (20,966,295)**
Basic net earnings (loss) per share	11	$ 0.34	$ (0.43)
Diluted net earnings (loss) per share	11	$ 0.34	$ (0.43)

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

Alliance GRAIN TRADERS Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the year ended

(Stated in Canadian Dollars)

	Share capital	Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total
Balance at January 1, 2011	$ 267,499,165	$ 383,357	$ (12,507,259)	$ 47,714,709	**$ 303,089,972**
Net loss	-	-	-	(8,460,582)	**(8,460,582)**
Other comprehensive loss due to changes in foreign exchange	-	-	(12,505,713)	-	**(12,505,713)**
Total comprehensive income (loss)	-	-	(12,505,713)	(8,460,582)	**(20,966,295)**
Issuance of shares pursuant to stock option plan	466,720	-	-	-	**466,720**
Dividends to shareholders	-	-	-	(11,542,154)	**(11,542,154)**
Other	-	(82,852)	-	-	**(82,852)**
Balance at December 31, 2011	**$ 267,965,885**	**$ 300,505**	**$ (25,012,972)**	**$ 27,711,973**	**$ 270,965,391**
Balance at January 1, 2012	$ 267,965,885	$ 300,505	$ (25,012,972)	$ 27,711,973	**$ 270,965,391**
Net earnings	-	-	-	6,811,585	**6,811,585**
Other comprehensive loss due to changes in foreign exchange	-	-	2,124,706	-	**2,124,706**
Total comprehensive income	-	-	2,124,706	6,811,585	**8,936,291**
Issuance of common shares related to acquisition	1,527,807	-	-	-	**1,527,807**
Share based compensation	-	313,770	-	-	**313,770**
Dividends to shareholders	-	-	-	(11,895,706)	**(11,895,706)**
Balance at December 31, 2012	**$ 269,493,692**	**$ 614,275**	**$ (22,888,266)**	**$ 22,627,852**	**$ 269,847,553**

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

Alliance GRAIN TRADERS Inc.

Consolidated Statements of Cash Flow
For the year ended December 31

(Stated in Canadian Dollars)

	Note		2012		2011
Cash from (used for) the following:					
Operating activities					
Net earnings (loss)		$	6,811,585	$	(8,460,582)
Items not involving cash:					
- Depreciation and amortization in general and administration			2,887,935		5,506,355
- Depreciation in cost of sales			9,948,088		6,725,631
- Unrealized foreign exchange (gain) loss			(4,064,964)		28,813,933
- Deferred income taxes (recovery)	17		2,237,386		(369,939)
- Current income tax	17		1,794,813		2,204,474
- Loss on disposal of property, plant and equipment			30,597		63,187
- Interest expense			16,070,206		8,998,919
- Share based compensation			313,770		-
- Bad debt expense			608,685		1,042,034
Interest paid			(15,587,736)		(7,648,666)
Income taxes refund (paid)			873,073		(5,562,726)
Non-cash working capital	16		22,852,086		(105,472,763)
			44,775,524		(74,160,143)
Financing activities					
Increase in bank indebtedness			6,856,549		114,572,309
(Decrease) increase in short term financing			(30,179,947)		8,750,168
Proceeds from long term debt			12,346,147		54,873,993
Repayment of long term debt			(10,831,087)		(8,495,920)
Dividends paid			(11,885,839)		(8,580,693)
			(33,694,177)		161,119,857
Investing activities					
Decrease (increase) in long term receivables			175,269		(801,943)
Purchase of property, plant and equipment and intangible assets			(34,054,861)		(41,711,069)
Proceeds from the sale of property, plant and equipment			727,008		101,229
Acquisitions, net of cash acquired			-		(8,900,315)
Other			(1,417,906)		-
			(34,570,490)		(51,312,098)
Effect of exchange rate changes on cash			378,787		(3,055,781)
(Decrease) increase in cash position		$	(23,110,356)	$	32,591,835
Cash position, beginning of the period		**$**	**56,220,307**	**$**	**23,628,472**
Cash position, end of the period		**$**	**33,109,951**	**$**	**56,220,307**

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

1. Reporting entity

Alliance Grain Traders Inc. ("AGT") 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 P.O. Box 30029 No. 1 Highway East, South Tower Road, Regina, Saskatchewan S4N 7K9. The consolidated financial statements of AGT are comprised of AGT and its subsidiaries. AGT through its subsidiaries in Canada, USA, China, Europe, Australia, South Africa 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, bulgur, rice and pasta. AGT's common shares are traded on the Toronto Stock Exchange under the symbol AGT.

2. Basis of presentation

(a) Statement of compliance

The consolidated financial statements and the notes thereto have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations as issued by the International Accounting Standards Board (IASB). All financial statements are expressed in Canadian dollars, AGT's presentation currency.

The consolidated financial statements were approved and authorized for issue by the Board of Directors on March 19, 2013.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value (note 14).

(c) Use of estimates and judgments

The preparation of the consolidated 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 consolidated financial statements are as follows:

2. Basis of presentation – continued

(c) Use of estimates and judgments - continued

Impairment of Long-Lived and Intangible Assets
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.

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.

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. 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 a deferred tax assets or liabilities in the financial statements. The calculation of income taxes requires the use of estimates. If these estimates prove to be inaccurate, future earnings may be materially impacted.

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 3c.

3. Significant accounting policies

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

3. Significant accounting policies – continued

(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.

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 consolidated financial statements from the date that control commences until the date that control ceases. 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 consolidated financial statements.

3. Significant accounting policies – continued

(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.

Foreign operations

The functional currency of AGT's subsidiary in Turkey – the Arbel Group, is the Turkish Lira, the functional currency of AGT's subsidiary in Australia - Australia Milling Group Pty Ltd. is the Australian Dollar, the functional currency in the United Kingdom - A. Poortman (London) Ltd. is the British Pound, the functional currency in the United States - United Pulse Trading Inc. is the US Dollar, the functional currency in South Africa – Advance Seeds Pty Ltd. is the South African Rand and the functional currency in China – Alliance Grain Traders (Tianjin) Co. Ltd. is the Chinese Renminbi.

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 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 other comprehensive income in the cumulative translation account.

(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 interest in transferred financial assets that is created or retained by AGT is recognized as a separate asset or liability.

3. Significant accounting policies – continued

(d) Financial instruments – continued

(i) Non-derivative financial assets – continued

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.

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. Financial assets at fair value through profit and loss include cash and foreign exchange derivatives. Foreign exchange derivatives are included in accounts receivable and accounts payable amounts respectively on the statement of financial position.

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. Loans and receivables comprise trade and other receivables.

(ii) Non-derivative financial liabilities
AGT initially recognizes debt securities issued on the date that they are originated at fair value. All other financial liabilities (including liabilities designated at fair value through net earnings) 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.

AGT has the following non-derivative financial liabilities: bank indebtedness, short term financing, accounts payable and accrued liabilities, long-term debt and finance leases and dividends payable. Such financial liabilities are recognized initially at fair value. Except for long term debt, transaction costs are expensed. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

3. Significant accounting policies – continued

(d) Financial instruments – continued

(ii) Non-derivative financial liabilities – continued

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. 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 for which the commencement date for capitalization is on or after January 1, 2010. 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.

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.

3. Significant accounting policies – continued

(f) Property, plant and equipment – continued

Recognition and measurement – continued

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. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that AGT will obtain ownership by the end of the lease term.

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
• Equipment under finance leases	Straight line	2 to 5 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 separately. 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).

Subsequent measurement
Goodwill is measured at cost less accumulated impairment losses.

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 — 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 ensure the carrying value does not exceed 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 (including equity securities) 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 at a specific asset level. All individually significant receivables are assessed for specific impairment.

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 impairment loss to decrease, the decrease in impairment loss is reversed through net earnings.

Impairment losses on available-for-sale financial assets are recognized through other comprehensive income. Any subsequent recovery in the fair value of an impaired available for-sale financial instrument is recognized in other comprehensive income.

3. Significant accounting policies – continued

(j) Impairment – continued

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, the recoverable amount is estimated each year at the same time.

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 can not 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 carrying amount does not exceed the 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.

3. Significant accounting policies – continued

(k) Employee benefits – continued

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 and non-market vesting conditions are 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 and non-market performance conditions at the vesting date.

Deferred Share Units

For cash-settled units, the fair value of the amount payable to employees is 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 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.

3. Significant accounting policies – continued

(m) Finance income and finance expense

Finance income is comprised of interest income on funds invested and gains on disposal of available-for-sale financial assets, 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 and fees on borrowings. 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.

(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.

3. Significant accounting policies – continued

(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.

(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 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 consolidated financial statements as their effective dates fall in periods beginning subsequent to the current reporting period.

Proposed standards	Description	Previous Standard	Effective Date
IFRS 10 - Consolidated Financial Statements	This provides a single model to be applied in the analysis of control of all investees.	SIC-12 -Consolidation - Special Purpose Entities IAS 27 -Consolidated and Separate Financial Statements	January 1, 2013
IFRS 11 - Joint Arrangements	Focuses on the rights and obligations of an arrangement rather than its legal form and requires a single method to account for interests in joint ventures or joint operations.	IAS 31 - Interests in Joint Ventures SIC 13 - Jointly Controlled Entities - Non-Monetary Contributions by Venturers	January 1, 2013
IFRS 12 - Disclosure of Interest in Other Entities	A new standard detailing disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off-statement of financial position vehicles.	Various - no direct replacement	January 1, 2013
IFRS 13 - Fair Value Measurement	Sets out a single framework for measuring fair value and disclosure requirements surrounding the inputs and assumptions used in determining fair value.	Various fair value measurement guidance contained in individual IFRS's - no direct replacement	January 1, 2013
IAS 32 - Financial Instruments: Presentation and IFRS 7 - Financial Instruments: Disclosures	Issued in December 2011. Clarifies the presentation and disclosure requirements related to the offsetting of financial assets and liabilities.	IAS 32 - Financial Instruments: Presentation and IFRS 7 - Financial Instruments: Disclosures	IFRS 7- January 1, 2013 IAS 32- January 1, 2014
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, 2015

Management is assessing the potential impact of standards and amendments effective in future years for impacts on both quantitative and qualitative disclosure. AGT does not expect any significant impact.

(Stated in Canadian dollars)

4. Business combinations

Acquisitions are 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 below summarizes the purchase price allocation and finalization of assets acquired and liabilities assumed in 2011. There were no differences noted in the finalization of these purchases.

Purchase price equation comprised of:	***i)*** **Canz Commodities**	***ii)*** **Advance Seed**	**Total**
Total purchase price	$ 6,622,158	$ 4,295,943	$ 10,918,101
Allocation of purchase price:			
Cash and cash equivalents	-	489,981	489,981
Accounts receivable	-	7,181,882	7,181,882
Inventory	-	4,855,881	4,855,881
Property, plant and equipment	6,622,158	4,005,375	10,627,533
Identifiable tangible assets	6,622,158	16,533,119	23,155,277
Bank indebtedness	-	(1,399,548)	(1,399,548)
Short term financing	-	(4,039,442)	(4,039,442)
Accounts payable and accrued liabilities	-	(6,690,823)	(6,690,823)
Deferred income tax asset	-	58,437	58,437
Deferred income tax liability	-	(284,334)	(284,334)
Intangible assets	-	118,534	118,534
	$ 6,622,158	$ 4,295,943	$ 10,918,101

i) On July 29, 2011, AGT acquired 100 percent of Canz Commodities, a chickpea and pulse processor in Narrabri, New South Wales Australia. The assets acquired include real property, storage and related handling equipment and a processing plant for pulses and grains, specializing in desi and kabuli chickpeas, faba beans, mung beans and albus lupins. The purchase price for Canz Commodities was $6.6 million. The Narrabri facility is currently operational with capital expansions and improvements commencing upon purchase. The facility is owned and operated by AGT's wholly owned subsidiary, Australia Milling Group PTY Ltd. Included in the 2011 figures of AGT has recognized additional revenues from this acquisition of approximately $7.6 million and additional earnings of approximately $0.47 million in 2011. If these facilities had been part of AGT's integrated operations for the entire 12 month period ending December 31, 2011, revenue would have increased by approximately $30.4 million, and net earnings would have increased by approximately $1.88 million.

ii) On October 11, 2011, AGT acquired South Africa based Advance Seed from Euro-Africa Trading, a European based holding company. The assets acquired include real property, storage and related handling equipment, a processing plant for pulses, popcorn and grains and grass seeds, as well as three warehouses and small packaging plants, supplying the wholesale and retail markets with a range of pulses, grains and popcorn. Certain processing facilities as well as the warehouse and small packaging plants are currently operational. Advance Seed continues to be run by the management team in place at the time of acquisition.

(Stated in Canadian dollars)

4. Business combinations – continued

AGT has paid cash for the initial purchase of 82 percent of the outstanding shares of Advance Seed, with the remaining 18 percent of the purchase price recorded as a liability as at December 31, 2011. This was ultimately settled through a share issuance in 2012 of 65,775 shares. Included in the 2011 figures of these consolidated financial statements AGT has recognized additional revenues from this acquisition of approximately $11.3 million and additional earnings of approximately $0.2 million. If these facilities had been part of AGT's integrated operations for the entire 12 month period ending December 31, 2011, revenue would have increased by approximately $45.2 million, and net earnings would have increased by approximately $0.8 million.

5. Inventory

	Dec 31, 2012	Dec 31, 2011
Raw materials	$ 85,656,035	$ 53,581,696
Processed product	51,703,354	36,428,285
Split production	12,402,359	19,264,868
Packaged product	35,014,929	71,191,443
Other	4,105,050	2,843,479
	$ 188,881,727	$ 183,309,771

	Dec 31, 2012	Dec 31, 2011
Inventory expensed in cost of goods sold	$ 524,817,880	$ 449,203,604

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6. 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, 2010	$ 14,808,994	$ 50,988,577	$ 95,858,294	$ 4,773,971	$ 3,117,703	$ 28,444,270	**$ 197,991,809**
Additions	2,614,400	752,126	3,324,658	596,236	819,815	33,351,104	**41,458,339**
Disposals	-	-	(133,230)	(115,014)	(3,049)	-	**(251,293)**
Acquisition through business combinations	934,803	5,016,592	4,379,049	214,808	82,281	-	**10,627,533**
Asset reclassified within the schedule	-	(46,318)	69,362	(8,007)	(15,037)	-	**-**
Transfer from construction in progress	-	11,198,102	28,574,274	1,424,543	248,688	(41,445,607)	**-**
Effects of movement in exchange rates	(545,070)	(2,475,347)	(8,597,327)	(185,850)	(205,805)	(1,876,082)	**(13,885,481)**
Balance at December 31, 2011	$ 17,813,127	$ 65,433,732	$ 123,475,080	$ 6,700,687	$ 4,044,596	$ 18,473,685	**$ 235,940,907**
Additions	416,801	3,220,701	2,713,254	400,151	399,581	25,593,119	**32,743,607**
Disposals	-	-	(595,195)	(392,394)	(781)	-	**(988,370)**
Transfer from construction in progress	-	3,834,378	6,596,914	43,003	197,657	(10,671,952)	**-**
Effects of movements in exchange rates	276,202	10,772,908	1,722,715	22,726	48,656	(11,129,904)	**1,713,303**
Balance at December 31, 2012	$ 18,506,130	$ 83,261,719	$ 133,912,768	$ 6,774,173	$ 4,689,709	$ 22,264,948	**$ 269,409,447**
Accumulated Depreciation							
Balance at December 31, 2010	$ -	$ 4,353,422	$ 21,549,935	$ 1,956,752	$ 1,446,267	$ -	**$ 29,306,376**
Depreciation for the year	-	1,520,036	9,242,738	705,300	447,522	-	**11,915,596**
Disposals	-	-	(56,894)	(27,392)	(2,591)	-	**(86,877)**
Effects of movements in exchange rates	-	(219,859)	(2,058,244)	(126,531)	(110,767)	-	**(2,515,401)**
Balance at December 31, 2011	$ -	$ 5,653,599	$ 28,677,535	$ 2,508,129	$ 1,780,431	$ -	**$ 38,619,694**
Depreciation for the year	-	1,997,662	9,067,120	905,148	577,971	-	**12,547,901**
Disposals	-	-	(144,912)	(85,643)	(210)	-	**(230,765)**
Effects of movements in exchange rates	-	35,561	390,051	18,372	36,822	-	**480,806**
Balance at December 31, 2012	$ -	$ 7,686,822	$ 37,989,794	$ 3,346,006	$ 2,395,014	$ -	**$ 51,417,636**
Net Book Value at December 31, 2011	**$ 17,813,127**	**$ 59,780,133**	**$ 94,797,545**	**$ 4,192,558**	**$ 2,264,165**	**$ 18,473,685**	**$ 197,321,213**
Net Book Value at December 31, 2012	**$ 18,506,130**	**$ 75,574,897**	**$ 95,922,974**	**$ 3,428,167**	**$ 2,294,695**	**$ 22,264,948**	**$ 217,991,811**
Assets under finance lease, December 31, 2011	$ -	$ -	$ 4,815,844	$ 102,894	$ 190,714	$ -	$ 5,109,452
Assets under finance lease, December 31, 2012	$ -	$ -	$ 3,402,421	$ 84,450	$ 147,756	$ -	$ 3,634,627

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7. Intangible assets and goodwill

Cost	Indefinite Life Intangible Assets- Brands	Rights	Customer Relationships	Other Intangible Assets	**Total Intangible Assets**	Goodwill	**Total**
Balance at December 31, 2010	$ 3,562,674	$ 77,982	$ 1,777,121	$ 3,702,352	**$ 9,120,129**	$ 67,372,070	**$ 76,492,199**
Additions	-	211,685	-	41,045	**252,730**	-	**252,730**
Acquisitions through business combinations	-	131,251	-	-	**131,251**	-	**131,251**
Reclass of Intangibles	-	-	4,571,121	(3,562,674)	**1,008,447**	(746,244)	**262,203**
Effects of movements in exchange rates	(556,362)	(41,688)	(561,710)	(28,879)	**(1,188,639)**	(7,073,810)	**(8,262,449)**
Balance at December 31, 2011	$ 3,006,312	$ 379,230	$ 5,786,532	$ 151,844	**$ 9,323,918**	$ 59,552,016	**$ 68,875,934**
Additions	-	1,268,088	-	43,166	**1,311,254**	-	**1,311,254**
Effects of movements in exchange rates	91,369	9,679	150,517	4,798	**256,363**	1,227,977	**1,484,340**
Balance at December 31, 2012	$ 3,097,681	$ 1,656,997	$ 5,937,049	$ 199,808	**$ 10,891,535**	$ 60,779,993	**$ 71,671,528**
Accumulated Amortization							
Balance at December 31, 2010	$ -	$ 44,906	$ 31,264	$ 198,791	**$ 274,961**	$ -	**$ 274,961**
Amortization for the period	-	62,508	597,941	32,603	**693,052**	-	**693,052**
Reclass of Intangibles within the schedule	-	-	88,571	(105,416)	**(16,845)**	-	**(16,845)**
Effects of movements in exchange rates	-	(10,770)	(4,002)	(18,423)	**(33,195)**	-	**(33,195)**
Balance at December 31, 2011	$ -	$ 96,644	$ 713,774	$ 107,555	**$ 917,973**	$ -	**$ 917,973**
Amortization for the period	-	59,685	593,373	43,186	**696,244**	-	**696,244**
Effects of movements in exchange rates	-	(617)	25,052	3,120	**27,555**	-	**27,555**
Balance at December 31, 2012	$ -	$ 155,712	$ 1,332,199	$ 153,861	**$ 1,641,772**	$ -	**$ 1,641,772**
Net carrying amounts							
At December 31, 2011	**3,006,312**	**282,586**	**5,072,758**	**44,289**	**8,405,945**	**59,552,016**	**67,957,961**
At December 31, 2012	**3,097,681**	**1,501,285**	**4,604,850**	**45,947**	**9,249,763**	**60,779,993**	**70,029,756**

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).

(Stated in Canadian dollars)

7. Intangible assets and goodwill - continued

Intangible assets are assessed for impairment regularly, with detailed impairment testing 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.

	Dec 31, 2012		Dec 31, 2011	
	Goodwill	Indefinite Life Intangible Asset	Goodwill	Indefinite Life Intangible Asset
Turkey	$ 38,998,195	$ 3,097,681	$ 37,843,080	$ 3,006,312
Canada	18,399,191	-	18,399,190	-
United Kingdom	3,320,963	-	3,247,628	-
	$ 60,718,349	$ 3,097,681	$ 59,489,898	$ 3,006,312
Units without significant allocations	61,644	-	62,118	-
Total	$ 60,779,993	$ 3,097,681	$ 59,552,016	$ 3,006,312

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 (EBITDA)** growth rate. AGT used budgeted earnings before interest, taxes, depreciation and amortization as an approximation for baseline cash flows. The assumptions are as follows:

KEY ASSUMPTIONS

	Dec 31, 2012		Dec 31, 2011	
	Discount Rate	EBITDA** Growth	Discount Rate	EBITDA** Growth
Turkey	13%	4%	13%	10%
Canada	11%	8%	6%	0%
United Kingdom	13%	0%	8%	0%

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.

7. Intangible assets and goodwill - continued

Budgeted EBITDA** growth

Budgeted EBITDA** was projected based on AGT's 2013 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 EBIDTA** has been assumed for this terminal period.

** AGT provides some non-IFRS measures in its management discussion and analysis and other public documents as supplementary information that Management believes may be useful to investors to explain AGT's financial results. EBITDA** (earnings before finance expense, income taxes, depreciation and amortization, one time set up costs and any effects of non-cash foreign exchange adjustment) is one of these measures.

8. Bank indebtedness

At December 31, 2012, AGT had total operating lines with varying maturity dates and other facilities available of $289.8 million (December 31, 2011 - $280.2 million), $130 million of which is secured by a general security agreement. Interest rates on CDN and USD operating credits range from 3% to 16% (December 31, 2011 - 3% to 17%) with varying maturity dates. Subsequent to year end, a new banking agreement was signed. Refer to note 22 for details

9. Short term financing

At December 31, 2012, AGT had unsecured financing instruments in place, with maturities ranging from April to August 2013, and bearing interest rates ranging from 6.75% to 7.5% (December 31, 2011 – 1.5% to 2.7%).

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10. Long term debt

	Dec 31, 2012	Dec 31, 2011
Term Debt		
Loan payable, bearing an interest rate of 8.7%, due February 2012, secured by inventory and accounts receivable.	$ -	$ 2,554,218
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.	49,998,471	49,998,471
Loan payable, bearing an interest rate of prime plus 1.1%, with combined principal and interest payments of $368,921 to October 2017, secured by property, plant and equipment.	19,397,043	20,000,000
Loans payable, bearing interest rates varying from 1.00% to 6.75% (2011: 4% to 8%), with monthly payments of $82,599, due dates ranging from January 2014 to July 2022, secured by property, plant and equipment.	3,815,847	4,681,118
Loan payable, bearing an interest rate of 5.25% and 3.25%, due December 31, 2017, secured by Minot equipment with monthly payments of $134,916.	7,262,770	-
Loan payable, bearing an interest rate of Canadian Bankers Acceptance rate plus 3.75%, monthly principal payments of $6,900, due October 2017, unsecured.	402,200	485,000
Finance Leases		
Leases payable, bearing interest rates ranging from 3.2% to 6.5%, with monthly payments of $120,634, due dates ranging from August 2013 to April 2016, secured by equipment.	1,231,730	2,628,750
Leases payable, bearing interest rates from 8.5% to 9.25% (2011: 8.5% to 9.75%), with monthly payments of $5,892, due dates ranging from April 2014 to February 2016, secured by equipment.	170,774	189,683
Lease payable, bearing 0% interest with monthly payments of $16,091, due November 2012, secured by equipment.	-	176,997
Lease payable, bearing an interest rate of 10.25%, with monthly payments of $3,844, due February 2013, secured by equipment.	4,006	30,374
Leases payable, bearing interest rates varying from 8.9% to 11.1% with monthly payments of $796, due dates ranging from November 2015 to August 2017, secured by equipment.	27,449	20,525
	$ 82,310,290	$ 80,765,136
Total current portion	(5,752,164)	(6,203,319)
	$ 76,558,126	$ 74,561,817

(Stated in Canadian dollars)

10. Long term debt - continued

The estimated principal repayments for term loans and future minimum payments for finance leases in each of the next five years and thereafter are as follows:

	Term debt	Finance leases	Total
2013	$ 4,584,724	$ 1,167,440	$ 5,752,164
2014	6,181,436	209,143	6,390,579
2015	57,285,926	45,567	57,331,493
2016	6,164,426	10,570	6,174,996
2017	5,640,380	1,239	5,641,619
thereafter	1,019,439	-	1,019,439
	$ 80,876,331	$ 1,433,959	$ 82,310,290

Given that the majority of long term debt is variable rate debt, the carrying value approximates its fair value.

11. Share capital

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

b) Issued – 19,808,852 common shares

	# of Common Shares	Amount
Issued and outstanding December 31, 2010	19,706,078	$ 267,499,165
Issuance of shares pursuant to stock option plan	36,999	466,720
Balance, December 31, 2011	19,743,077	$ 267,965,885
Issuance of shares pursuant to acquisition	65,775	1,527,807
Balance, December 31, 2012	19,808,852	$ 269,493,692

(Stated in Canadian dollars)

11. Share capital – continued

c) Stock option plan

On April 21, 2008 AGT issued options to acquire 605,000 units of AGT, each exercisable for one share of AGT at a price of $9.00 per share until April 21, 2013. Subsequently 75,000 options were cancelled and never exercised. Options vest annually starting in 2010, over a three year period ending in 2012.

Additionally, AGT issued 400,000 options on April 16, 2012 and 25,000 options on June 18, 2012. All options were issued at $12.71 per share. The options vest in 3 equal tranches starting in 2014 and ending in 2016.

The options have a risk free interest rate ranging from 2.25% to 3.00%, an expected volatility ranging from 25.00%-33.93%, expected time until exercise is 5 years and the dividend yield ranges from 4.8% to 10.00%.

The Black-Scholes options valuation model used by AGT 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. AGT'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:

	2012		**2011**	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Stock options outstanding, beginning of year	390,169	$ 9.00	427,168	$ 9.00
Granted	425,000	12.71	-	-
Exercised	-	-	(36,999)	9.00
Stock options outstanding, end of year	815,169	$ 10.93	390,169	$ 9.00
Stock options exercisable, end of year	390,169	$ 9.00	246,836	$ 9.00

(Stated in Canadian dollars)

11. Share capital – continued

d) Deferred share and other plans

During the year, AGT implemented a long term incentive plan, which included deferred share units to executives and certain other senior management. The number of deferred share units is determined based 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 the each employee, divided by the average price. These deferred shares will be settled in cash, at the vesting date. The vesting dates for the shares 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 in employee benefits.

As at December 31, 2012, the accrued payable is $764,391, broken down as follows: $249,512 payable in 2013, $375,555 payable in 2014 and $139,424 payable in 2015. These amounts are recorded in employee compensation in general and administrative.

If all of the outstanding deferred share units were to vest at December 31, 2012, the total payable would have been $2,076,134. This is summarized below as:

	Dec 31, 2012	
	Number of Share Units	**Fair Value of Units**
Granted during the period	161,329	2,106,956
Forfeited during the period	(2,360)	(30,822)
Outstanding at the end of the period	158,969	$ 2,076,134

(Stated in Canadian dollars)

11. Share capital – continued

e) Per share amounts

	Dec 31, 2012	Dec 31, 2011
Basic earnings per share computation		
Net (loss) earnings attributable to equity holders	$ 6,811,585	$ (8,460,582)
Weighted average common shares outstanding	19,788,185	19,725,023
Basic (loss) earnings per common share	**$ 0.34**	**$ (0.43)**
Diluted earnings per share computation		
Net (loss) earnings attributable to equity holders	$ 6,811,585	$ (8,460,582)
Weighted average common shares outstanding	19,788,185	19,725,023
Dilutive effect of stock options	185,330	-
Weighted average common shares outstanding assuming dilution	19,973,515	19,725,023
Diluted (loss) earnings per common share	**$ 0.34**	**$ (0.43)**

There was no dilutive impact of stock options in 2011 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 246,836 shares for the purposes of calculating weighted average common shares outstanding assuming dilution.

During 2012, AGT had a dividend per share of $0.60 per share (2011 - $0.58 per share).

12. Finance expense

	Dec 31, 2012	Dec 31, 2011
Interest current	$ 12,990,325	$ 6,546,122
Interest on long term debt	3,079,881	2,452,797
Trade finance fees and expense	864,414	1,977,519
	$ 16,934,620	$ 10,976,438

(Stated in Canadian dollars)

12. Finance expense – continued

	Dec 31, 2012	Dec 31, 2011
Borrowing costs capitalized during the period	$ 768,201	$ 1,962,105
Capitalization rate	6.80%	11.35%

Borrowing costs capitalized in 2012 were comprised mainly of debt amounts that were directly attributable to the construction of assets in AGT's Turkish subsidiary and construction of the facility in Minot.

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 into the cost of sales, general administrative expenses and marketing, sales and distribution expense lines. The nature of these expenses is as follows:

	Dec 31, 2012	Dec 31, 2011
Employee salaries and benefits	$ 40,040,425	$ 34,044,724
Depreciation	12,836,023	12,231,986

14. 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. AGT, as part of its operations, may carry a number of financial instruments including cash, bank indebtedness, short term financing, accounts receivable, accounts payable and accrued liabilities, dividends payable, and current and long-term debt and finance leases.

Notes to the Consolidated Financial Statements
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14. Financial instruments – continued

Fair values – continued

AGT's financial instruments are classified as follows:

	Fair value	Amortized cost		Total	
December 31, 2012	Through Profit or Loss	Loans and receivables	Other financial liabilities	Carrying amount	Fair value
Financial Assets					
Cash	33,109,951	-	-	33,109,951	33,109,951
Accounts receivables	-	182,254,980	-	182,254,980	182,254,980
Foreign exchange derivatives *	901,201	-	-	901,201	901,201
Financial Liabilities					
Bank indebtedness	-	-	205,548,758	205,548,758	205,548,758
Short term financing	-	-	12,401,810	12,401,810	12,401,810
Accounts payable and accrued liablities	-	-	115,230,570	115,230,570	115,230,570
Long-term debt and finance leases	-	-	82,310,290	82,310,290	82,310,290
Foreign exchange derivatives *	347,685	-	-	347,685	347,685
Dividend payable	-	-	2,971,328	2,971,328	2,971,328

	Fair value	Amortized cost		Total	
December 31, 2011	Through Profit or Loss	Loans and receivables	Other financial liabilities	Carrying amount	Fair value
Financial Assets					
Cash	56,220,307	-	-	56,220,307	56,220,307
Accounts receivables	-	171,179,212	-	171,179,212	171,179,212
Foreign exchange derivatives *	343,154	-	-	343,154	343,154
Financial Liabilities					
Bank indebtedness	-	-	197,868,017	197,868,017	197,868,017
Short term financing	-	-	42,370,877	42,370,877	42,370,877
Accounts payable and accrued liablities	-	-	75,845,030	75,845,030	75,845,030
Long-term debt and finance leases	-	-	80,765,136	80,765,136	80,765,136
Foreign exchange derivatives *	1,656,049	-	-	1,656,049	1,656,049
Dividend payable	-	-	2,961,461	2,961,461	2,961,461

* Foreign exchange derivatives are included in accounts receivable and accounts payable amounts respectively on the statement of financial position

14. Financial instruments – continued

Fair values – continued

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.

The fair value of cash, bank indebtedness, accounts receivable, accounts payable and accruals, and dividends payable approximate their carrying values given their short-term maturities. The fair value of long-term debt and finance leases approximate their carrying value.

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.

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 2011 or 2012.

(Stated in Canadian dollars)

14. Financial instruments – continued

Fair values - continued

The following items, shown in the consolidated statement of financial position as at December 31, 2011 and 2012 are measured at fair value on a recurring basis using level 1 or level 2 inputs:

December 31, 2012	Level 1	Level 2	Total	Change in fair value recognized in net earnings
Asset (Liability)				
Cash	$ 33,109,951	$ -	$ 33,109,951	$ -
Foreign exchange derivatives *	-	553,516	553,516	1,866,411
	$ 33,109,951	$ 553,516	$ 33,663,467	$ 1,866,411

December 31, 2011	Level 1	Level 2	Total	Change in fair value recognized in net earnings
Asset (Liability)				
Cash	$ 56,220,307	$ -	$ 56,220,307	$ -
Foreign exchange derivatives *	-	(1,312,895)	(1,312,895)	(4,526,457)
	$ 56,220,307	$ (1,312,895)	$ 54,907,412	$ (4,526,457)

* Foreign exchange derivatives are included in accounts receivable and accounts payable amounts respectively on the statement of financial position

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.

(Stated in Canadian dollars)

14. Financial instruments – continued

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:

	Dec 31, 2012	Dec 31, 2011
Cash	$ 33,109,951	$ 56,220,307
Accounts receivables	182,254,980	171,179,212
Foreign exchange derivatives *	901,201	343,154

* Foreign exchange derivatives are included in accounts receivable on the statement of financial position

AGT ages 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.

The aging of customer receivables is as follows:

	Dec 31, 2012	Dec 31, 2011
Current	$ 131,243,194	$ 46,811,961
1-30 days	31,869,152	42,777,964
31-60 days	5,033,359	48,768,172
Greater than 60 days	15,010,476	33,164,269
	$ 183,156,181	$ 171,522,366

The above table reflects a listing of accounts receivable, net of any allowance for doubful accounts.

14. Financial instruments – continued

Credit risk – continued

The movement schedule of provision for doubtful accounts is as follows:

		Dec 31, 2012		Dec 31, 2011
Allowance for doubtful accounts - beginning	$	2,099,463	$	1,061,487
Recoveries		(1,045,270)		(4,058)
Provision for losses		608,685		1,042,034
Write Offs		(393,275)		-
Allowance for doubtful accounts - ending	$	1,269,603	$	2,099,463

On February 6, 2013 AGT submitted the first draw against a Master Receivables Purchase Agreement that was signed with The Bank of Nova Scotia on December 21, 2012.

This agreement allows the sale of specific Turkish trade accounts receivable that are insured through EDC, to The Bank of Nova Scotia.

AGT continues to be involved in the collection of the accounts receivables and submission of those collections to The Bank of Nova Scotia with any uncollected amounts resulting in EDC making a payment to the third party.

Foreign currency risk

AGT enters into various transactions denominated in various foreign currencies that are subject to exchange rate fluctuations. AGT 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, Euros, British pounds, Australian dollars, South African Rand and Turkish Lira. For the Arbel Group, transactions in foreign currency expose AGT to foreign currency risk, arising mainly from fluctuation of foreign currency used in conversion of foreign assets and liabilities into Turkish Lira.

In the prior year, the unrealized foreign exchange loss was primarily the result of a devaluation of the Turkish Lira and fluctuations in the US Dollar, partially offset by an increase in the value of the Australian Dollar and results from the revaluation of certain foreign denominated loans, receivables and derivative contracts. The same conditions were not as prevalent in 2012.

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. At December 31, 2012, 73% of the foreign exchange contracts expire within 90 days (December 31, 2011- 79%). The impact of a 1% change in foreign exchange rates would have an approximate impact on net earnings of $1,723,739 (December 31, 2011- $2,763,890).

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14. Financial instruments – continued

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:

December 31, 2012	Carrying Amount	Contractual cash flows	1 year	2 years	3 - 5 years	More than 5 years
Bank indebtedness	$ 205,548,758	$ 205,548,758	$ 205,548,758	$ -	$ -	$ -
Short term financing	12,401,810	12,401,810	12,401,810	-	-	-
Accounts payable and accrued liablities *	115,230,570	115,230,570	115,230,570	-	-	-
Long-term debt and finance leases	82,310,290	91,911,730	9,079,134	9,398,389	72,315,389	1,118,818
Dividend payable	2,971,328	2,971,328	2,971,328	-	-	-
Foreign exchange derivatives *	347,685	347,685	347,685	-	-	-
	$ 418,810,441	$ 428,411,881	$ 345,579,285	$ 9,398,389	$ 72,315,389	$ 1,118,818

December 31, 2011	Carrying Amount	Contractual cash flows	1 year	2 years	3 - 5 years	More than 5 years
Bank indebtedness	$ 197,868,017	$ 197,868,017	$ 197,868,017	$ -	$ -	$ -
Short term financing	42,370,877	42,370,877	42,370,877	-	-	-
Accounts payable and accrued liablities *	75,845,030	75,845,030	75,845,030	-	-	-
Long-term debt and finance leases	80,765,136	112,339,468	9,568,766	8,642,044	71,421,897	22,706,761
Dividend payable	2,961,461	2,961,461	2,961,461	-	-	-
Foreign exchange derivatives *	1,656,049	1,656,049	1,656,049	-	-	-
	$ 401,466,570	$ 433,040,902	$ 330,270,200	$ 8,642,044	$ 71,421,897	$ 22,706,761

* Foreign exchange derivatives are included in the accounts payable amounts on the statement of financial position

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.

14. Financial instruments – continued

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 long term debt. The impact of a 1% change in interest rates would have an approximate impact on net earnings of $697,977 (December 31, 2011 - $704,835).

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.

15. 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), short term financing, long-term debt and finance leases 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 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 Canadian dollars)

15. 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:

		Dec 31, 2012		Dec 31, 2011
Long-term debt and finance leases	$	76,558,126	$	74,561,817
Bank indebtedness and current portion long-term debt		211,300,922		204,071,336
Short term financing		12,401,810		42,370,877
Cash and cash equivalents		(33,109,951)		(56,220,307)
Net debt	**$**	**267,150,907**	**$**	**264,783,723**
Shareholders' equity		269,847,553		270,965,391
Total capital	**$**	**536,998,460**	**$**	**535,749,114**

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, 2012 and 2011, AGT met these requirements.

16. Non-cash working capital

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

		Dec 31, 2012		Dec 31, 2011
(Increase) decrease in current assets:				
Accounts receivable	$	(11,276,613)	$	(41,936,853)
Inventory		(3,211,111)		(76,446,097)
Prepaid expenses and deposits		(6,798,225)		2,841,694
	$	(21,285,949)	$	(115,541,256)
Increase in current liabilities:				
Accounts payable, accrued liabilities and deferred revenue		44,138,035		10,068,493
	$	44,138,035	$	10,068,493
	$	22,852,086	$	(105,472,763)

(Stated in Canadian dollars)

17. 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. 2012 combined federal and provincial rates are lower than rates in 2011 primarily due to reductions in the Canadian federal tax rate that became effective in 2012. The reasons for these differences are as follows:

	Dec 31, 2012	Dec 31, 2011
Net earnings (loss) before income taxes	$ 10,843,784	$ (6,626,047)
Combined federal and provincial rate	25.44%	26.98%
Computed income tax expense (recovery)	2,758,659	(1,787,707)
Increase (decrease) in taxes resulting from:		
Difference between Canadian rate and rates applicable to subsidiaries in other countries	321,070	2,200,390
Permanent differences and other	952,470	1,421,852
Income tax expense	4,032,199	1,834,535
Current	1,794,813	2,204,474
Deferred	2,237,386	(369,939)
	$ 4,032,199	$ 1,834,535

(Stated in Canadian dollars)

17. 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:

	Dec 31, 2012	Dec 31, 2011
Assets:		
Operating loss carry forwards	$ 5,409,002	$ 4,783,256
Inventory	-	10,509
Share issuance costs and financing costs	935,889	1,407,124
Investment incentive	349,461	335,320
Other costs and adjustments	990,460	2,504,835
	$ 7,684,812	$ 9,041,044
Liabilities:		
Property, plant and equipment	$ (16,828,003)	$ (14,884,783)
Goodwill and intangible assets	(1,012,275)	(1,162,582)
Unrealized foreign exchange gains	(206,406)	(1,190,432)
Other costs and adjustments	(1,126,649)	(980,116)
	(19,173,333)	(18,217,913)
Net deferred income tax liability	$ (11,488,521)	$ (9,176,869)
Deferred income tax classified as follows:		
Deferred income tax assets	$ 3,242,920	$ 2,988,292
Deferred income tax liabilities	(14,731,441)	(12,165,161)
Net deferred income tax liability	$ (11,488,521)	$ (9,176,869)

(Stated in Canadian dollars)

17. Income taxes - continued

c) Movement in net deferred tax assets and liabilities

	Dec 31, 2012	Dec 31, 2011
Deferred income tax liability at January 1	$ (9,176,868)	$ (9,508,543)
Origination and reversal of temporary differences	(2,237,386)	369,939
Foreign exchange adjustments and other	(74,267)	442,161
Deferred income tax liability acquired on Advance Seed acquisition	-	(225,897)
Deferred income tax liability on finalization of Poortman purchase price equation	-	(254,528)
Deferred income tax liability at December 31	$ (11,488,521)	$ (9,176,868)

d) Income tax losses

At December 31, 2012, income tax losses carried forward of $24,457,924 (2011 - $18,343,573) are available to reduce taxable income. These losses expire as follows:

Year of expiry	Canada	Turkey	Total
2014	$ -	$ 284,008	$ 284,008
2015	-	4,695,179	4,695,179
2016	-	10,157,349	10,157,349
2017	-	1,873,914	1,873,914
2030	2,770,787	-	2,770,787
2031	-	-	-
2032	4,676,687	-	4,676,687
	$ 7,447,474	$ 17,010,450	$ 24,457,924

(Stated in Canadian dollars)

18. Related party transactions

The consolidated financial statements of AGT include the accounts of AGT and its directly wholly-owned subsidiaries incorporated in Canada, USA, China, Europe, Australia, South Africa and Turkey.

(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:

	Dec 31, 2012	Dec 31, 2011
Short term benefits (wage, bonus, vacation paid out, directors fees)	$ 2,425,750	$ 2,425,596
Post employment benefits (RRSP)	84,800	84,800
Other long term benefits including stock based compensation (long term incentive plan)	898,766	915,000
Total	$ 3,409,316	$ 3,425,396

(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

	Dec 31, 2012	Dec 31, 2011
Accounts receivable	$ 801,143	$ 543,433
Accounts payable	1,640,551	368,221
Purchases	$ 8,444,941	$ 4,264,414

19. Segmented Reporting

As of July 1, 2012, improvements were made to management information systems to allow the review by AGT's chief operating decision maker of 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 two segments: (1) pulses and grains processing and (2) supply chain management and distribution.

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, and Turkey. In addition to this, pasta, bulgur and semolina results are included in this segment.

Supply chain management 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 and China. The segment also includes AGT operations in Southern Africa.

AGT's chief operating decision maker evaluates segment performance on the basis of EBITDA** (earnings before finance expense, income taxes, depreciation and amortization, one-time costs and any effects of non-cash foreign exchange adjustment). AGT provides some non-IFRS measures in its management discussion and analysis and other public documents as supplementary information that Management believes may be useful to investors to explain AGT's financial results.

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.

Prior to July 1, 2012, AGT reviewed its operations as a single operating segment as the management reporting to accurately track segment performance was not in place. Management has determined that the cost to develop reliable comparative information would be excessive. Comparative information previously disclosed on AGT's operations as a single operating segment is now included under Note 20.

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19. Segmented Reporting- continued

Year ended December 31, 2012	Pulses and Grain Processing	Supply Chain Management and Distribution	Corporate and Eliminations	Consolidated
Revenue	$ 642,375,744	$ 291,412,560	$ (78,463,627)	**$ 855,324,677**
Cost of sales	596,937,628	269,289,524	(78,463,627)	**787,763,525**
Gross profit	45,438,116	22,123,036	-	**67,561,152**
General administrative expenses and other	13,567,817	8,065,244	8,138,470	**29,771,531**
Marketing, sales and distribution expenses	8,042,568	6,482,812	1,827,084	**16,352,464**
Earnings from operations	**23,827,731**	**7,574,980**	**(9,965,554)**	**21,437,157**
Unrealized foreign exchange gain	-	-	(4,064,964)	**(4,064,964)**
Finance income	(2,276,283)	-	-	**(2,276,283)**
Finance expense	-	-	16,934,620	**16,934,620**
Earnings before income taxes	**26,104,014**	**7,574,980**	**(22,835,210)**	**10,843,784**
Current income tax	-	-	1,794,813	**1,794,813**
Deferred income tax	-	-	2,237,386	**2,237,386**
Net earnings	**26,104,014**	**7,574,980**	**(26,867,409)**	**6,811,585**
Depreciation	10,752,820	676,472	1,406,733	**12,836,025**
Unrealized foreign exchange gain	-	-	(4,064,964)	**(4,064,964)**
Finance expense	-	-	16,934,620	**16,934,620**
Net tax expense	-	-	4,032,199	**4,032,199**
Non-recurring and other expenses	1,222,089	116,318	1,503,506	**2,841,913**
EBITDA**	**$ 38,078,923**	**$ 8,367,770**	**($7,055,315)**	**$ 39,391,378**

As at December 31, 2012	Pulses and Grain Processing	Supply Chain Management and Distribution	Corporate and Eliminations	Consolidated
Assets	$ 771,786,628	$ 167,172,103	($226,467,775)	**$ 712,490,956**
Liabilities	589,525,691	98,399,679	(245,281,967)	**442,643,403**
Intangible assets	5,661,638	3,588,125	-	**9,249,763**
Goodwill	45,942,975	14,837,018	-	**60,779,993**

(Stated in Canadian dollars)

20. Sales and selected geographic information

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

Sales by product line

	Dec 31, 2012	Dec 31, 2011
Pulses and specialty crops	$ 642,667,893	$ 625,333,939
Pasta, semolina and bulgur	104,646,263	70,408,682
Rice, other commodities and miscellaneous revenue	108,010,521	64,231,479
Total	$ 855,324,677	$ 759,974,100

Sales derived from customers located in the following geographic areas:

	Dec 31, 2012	Dec 31, 2011
Canada	$ 35,535,307	$ 43,153,351
Americas / Caribbean, excluding Canada	93,203,610	118,260,712
Asia / Pacific Rim	204,485,407	88,344,670
Europe / Middle East / Africa	522,100,353	510,215,367
Total	$ 855,324,677	$ 759,974,100

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

	Property, plant and equipment	
	Dec 31, 2012	Dec 31, 2011
Canada	$ 60,966,045	$ 62,518,921
North America, excluding Canada	35,400,896	22,551,380
Australia	34,441,416	33,700,950
Turkey	83,142,544	74,056,916
South Africa	3,458,474	3,898,123
China	582,436	594,923
Total	$ 217,991,811	$ 197,321,213

	Intangibles	
	Dec 31, 2012	Dec 31, 2011
Turkey	$ 5,661,667	$ 5,816,404
United Kingdom	2,237,383	2,467,269
China	1,248,802	-
South Africa	101,911	122,272
Total	$ 9,249,763	$ 8,405,945

(Stated in Canadian dollars)

20. Sales and selected geographic information - continued

	Goodwill	
	Dec 31, 2012	**Dec 31, 2011**
Canada	$ 18,399,191	$ 18,399,191
North America, excluding Canada	9,949	10,213
Australia	51,695	51,934
Turkey	38,998,195	37,843,080
United Kingdom	3,320,963	3,247,598
Total	$ 60,779,993	$ 59,552,016

21. 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, 2012, AGT had a letter of credit in favour of the Canadian Grain Commission in the amount of $12 million (December 31, 2011 - $10 million). The letter of credit is callable by the beneficiary in the event of a producer grain payment default. The letter of credit expires in two instances: $2 million at February 28, 2013 and the remaining $10 million at December 31, 2013.

AGT has several signed contracts relating to the construction of the food processing plant in Minot. These contracts have approximately $3 million outstanding at December 31, 2012. In addition to this, AGT signed an agreement in February 2013 for a construction contract relating to the plant in China that is worth approximately $4.5 million.

AGT has various legal matters pending which, in the opinion of management, will not have a material effect on AGT's 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.

22. Subsequent events

On January 24, 2013, AGT entered into an aggregate amount of $300 million credit facilities with The Bank of Nova Scotia and a syndicate of six other lenders: HSBC Bank Canada, Canadian Imperial Bank of Commerce, Farm Credit Canada, Alberta Treasury Branches, Export Development Canada and ICICI Bank Canada. The credit facilities include an aggregate amount of $270 million senior secured credit facilities and a $30 million accordion that increases the size of the facilities to $300 million. The credit facilities will be used for general corporate purposes as well as to consolidate AGT's existing bank credit facilities and long-term debt and contains financing tranches that may be utilized for future permitted acquisitions and capital expenditures as set forth in the credit facilities. The new facilities have maturity dates of January 24, 2016 which may be extended at the request of AGT for one-year periods with the consent of the syndicate and are subject to certain other terms and conditions. The terms of the credit facilities include customary conditions, events of default, covenants and representations and warranties. The credit facilities are secured by first charge on assets of AGT and certain subsidiaries.

On Feb 14, 2013, the company closed an offering of senior secured second lien notes. These notes are due in five years (2018) and are secured by a second charge on the assets of AGT and certain subsidiaries. The Notes will bear interest at an annual rate of 9.0% and were sold at a price of 99.5% of the principal amount of $125 million for gross proceeds of $124.375 million. The net proceeds from this agreement were to repay indebtedness under certain existing credit facilities and for general corporate purposes. The Notes were offered in all provinces of Canada and in the United States by a syndicate of underwriters led by Scotia Capital Inc., CIBC World Markets Inc. and GMP Securities L.P., and including AltaCorp Capital Inc. and Canaccord Genuity Corp., by way of a private placement under applicable securities laws.