



Consolidated Financial Statements

December 31, 2013

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 non-financial information that is disclosed is timely, complete, relevant and accurate. These systems of internal control also serve to safeguard AGT's assets. The systems of internal control are monitored by management.

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

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

A handwritten signature in blue ink, appearing to read "Murad Al-Katib", written over a horizontal line.

Murad Al-Katib
Chief Executive Officer
March 21, 2014

A handwritten signature in blue ink, appearing to read "Lori Ireland", written over a horizontal line.

Lori Ireland
Chief Financial Officer
March 21, 2014



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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, 2013 and December 31, 2012, 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, 2013 and December 31, 2012, 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 21, 2014
Regina, Canada

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

(Stated in thousands of Canadian Dollars)

	Note	2013	2012
Assets			
Cash		\$ 22,893	\$ 33,110
Trade accounts receivable	13	166,489	159,147
Inventory	4	236,123	188,882
Prepaid expenses and other		35,232	35,393
Income tax receivable		3,564	1,403
Total current assets		464,301	417,935
Property, plant and equipment	5	232,749	217,992
Intangible assets	6	8,748	9,249
Goodwill	6	56,722	60,780
Other		2,928	3,292
Deferred income tax assets	16	8,344	3,243
Total assets		\$ 773,792	\$ 712,491
Liabilities			
Bank indebtedness	7	\$ 110,805	\$ 205,549
Short term financing	8	-	12,402
Accounts payable and accrued liabilities		150,979	115,230
Derivative liability	13	15,191	348
Deferred revenue		13,142	7,027
Income taxes payable		3,906	2,075
Current portion of long-term debt and finance leases	9	6,061	5,752
Dividends payable		2,980	2,971
Total current liabilities		303,064	351,354
Long-term debt and finance leases	9	224,544	76,558
Deferred income tax liabilities	16	11,845	14,731
Total liabilities		539,453	442,643
Shareholders' equity			
Share capital	10	270,058	269,494
Contributed surplus		922	614
Accumulated other comprehensive loss		(37,640)	(22,888)
Retained earnings		999	22,628
Total shareholders' equity		234,339	269,848
Total liabilities and shareholders' equity		\$ 773,792	\$ 712,491

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

Director

Director



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

(Stated in thousands of Canadian Dollars)

	Note	2013	2012
Revenues		\$ 1,138,773	\$ 855,325
Cost of sales	12	1,042,760	787,764
Gross profit		96,013	67,561
General and administrative expenses	12	35,478	29,772
Marketing, sales and distribution expenses	12	19,198	16,352
Earnings from operations		41,337	21,437
Other expenses (income):			
Unrealized foreign exchange loss (gain)		27,674	(4,065)
Finance income		(29)	(2,276)
Finance expense	11	25,910	16,935
(Loss) earnings before income tax		(12,218)	10,843
Income tax (recovery) expense	16	(2,503)	4,031
Net (loss) earnings		(9,715)	6,812
Other comprehensive (loss) income			
Exchange differences on translation of foreign operations (no tax effect)		(14,752)	2,125
Total comprehensive (loss) income		\$ (24,467)	\$ 8,937
Basic net (loss) earnings per share	10	\$ (0.49)	\$ 0.34
Diluted net (loss) earnings per share	10	\$ (0.49)	\$ 0.34

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

Consolidated Statements of Changes in Equity

(Stated in thousands of Canadian Dollars)

	Share capital	Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total
Balance at January 1, 2012	\$ 267,966	\$ 300	\$ (25,013)	\$ 27,712	\$ 270,965
Net earnings	-	-	-	6,812	6,812
Other comprehensive income due to changes in foreign exchange	-	-	2,125	-	2,125
Total comprehensive income	-	-	2,125	6,812	8,937
Issuance of shares pursuant to acquisition	1,528	-	-	-	1,528
Share based compensation	-	314	-	-	314
Dividends to shareholders	-	-	-	(11,896)	(11,896)
Balance at December 31, 2012	\$ 269,494	\$ 614	\$ (22,888)	\$ 22,628	\$ 269,848
Balance at January 1, 2013	\$ 269,494	\$ 614	\$ (22,888)	\$ 22,628	\$ 269,848
Net loss	-	-	-	(9,715)	(9,715)
Other comprehensive loss due to changes in foreign exchange	-	-	(14,752)	-	(14,752)
Total comprehensive loss	-	-	(14,752)	(9,715)	(24,467)
Issuance of shares pursuant to stock option plan	564	(54)	-	-	510
Share based compensation	-	362	-	-	362
Dividends to shareholders	-	-	-	(11,914)	(11,914)
Balance at December 31, 2013	\$ 270,058	\$ 922	\$ (37,640)	\$ 999	\$ 234,339

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



Consolidated Statements of Cash Flow
For the years ended December 31

(Stated in thousands of Canadian Dollars)

	Note	2013	2012
Cash from (used for) the following:			
Operating activities			
Net (loss) earnings		\$ (9,715)	\$ 6,812
Items not involving cash	15	62,075	30,180
Interest paid		(15,495)	(15,588)
Income taxes (paid) recovered		(4,888)	873
Non-cash working capital	15	(32,666)	22,499
		(689)	44,776
Financing activities			
(Decrease) increase in bank indebtedness		(93,059)	6,857
Decrease in short term financing		(12,106)	(30,180)
Proceeds from long-term debt, net of issue costs		235,417	12,346
Repayment of long term debt		(89,252)	(10,831)
Dividends paid		(11,905)	(11,886)
		29,095	(33,694)
Investing activities			
Purchase of property, plant and equipment and intangible assets		(39,900)	(34,055)
Proceeds from the sale of property, plant and equipment		302	726
Other		824	(1,242)
		(38,774)	(34,571)
Effect of exchange rate changes on cash		151	379
Decrease in cash position		\$ (10,217)	\$ (23,110)
Cash position, beginning of the period		\$ 33,110	\$ 56,220
Cash position, end of the period		\$ 22,893	\$ 33,110

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(Stated in thousands of Canadian dollars)

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, India and Turkey, is engaged in the business of sourcing and processing a full range of specialty crops and products, including lentils, peas, chickpeas, beans, canary seed, 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.

The consolidated financial statements were approved and authorized for issue by the Board of Directors on March 21, 2014.

(b) Basis of measurement

All financial statements are expressed in Canadian dollars, AGT's presentation currency. All financial information is presented in Canadian dollars and has been rounded to the nearest thousand, with the exception of share units and per share amounts. The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value (note 13).

(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:

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(Stated in thousands of Canadian dollars)

2. Basis of presentation – continued

(c) Use of estimates and judgments - continued

Impairment of long-lived and intangible assets

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

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

Accounting for income taxes

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

Derecognition of accounts receivable

Significant judgment is applied when determining whether financial instruments qualify for derecognition and whether substantially all of the risks, as well as the rights, control and ownership of the accounts receivable and their cash flows were transferred to a third party. AGT has removed the related accounts receivable from the statement of financial position and recognizes any costs in finance expense. See note 13.

Fair value of derivative instruments

The fair value of derivative instruments is estimated using inputs, including foreign exchange rates and interest rates (Level 2), as described in Note 13. These inputs are subject to change on a regular basis based on the interplay of various market forces. Consequently, the fair value of AGT's derivative instruments are subject to change each reporting period.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(Stated in thousands of Canadian dollars)

2. Basis of presentation – continued

(c) Use of estimates and judgments - continued

Functional currency

The identification of functional currency for each of the legal entities involves significant judgment. AGT has assessed the factors in determining the appropriate functional currency 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.

(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).

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(Stated in thousands of Canadian dollars)

3. Significant accounting policies – continued

(b) Basis of consolidation - continued

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. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The accounting policies of subsidiaries are consistent with the policies adopted by AGT.

Transactions eliminated on consolidation

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

(c) Foreign currency

Foreign currency transactions

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

Foreign operations

The functional currencies of AGT's subsidiaries are as follows:

Subsidiary	Location	Functional Currency
United Pulse Trading Inc.	United States of America	US Dollar (USD)
Australia Milling Group Pty Ltd.	Australia	Australian Dollar (AUD)
Arbel Group	Turkey	Turkish Lira (TL)
A. Poortman (London) Ltd.	United Kingdom	Great British Pounds (GBP)
Advance Seed Pty Ltd.	South Africa	South African Rand (ZAR)
AGT (Tianjin) Co. Ltd.	China	Chinese Renminbi (RMB)
AGT (India) Private Ltd.	India	Indian Rupee (INR)

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(Stated in thousands of Canadian dollars)

3. Significant accounting policies – continued

(c) Foreign currency - continued

Foreign operations - continued

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

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

(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 are created or retained by AGT are recognized as a separate asset or liability.

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

Refer to note 13 for current year presentation of financial assets by category. AGT categorizes its non-derivative financial assets as described below:

Financial assets at fair value through profit and loss

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(Stated in thousands of Canadian dollars)

3. Significant accounting policies – continued

(d) Financial instruments – continued

(i) Non-derivative financial assets - continued

Loans and receivables

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

(ii) Non-derivative financial liabilities

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

Subsequent to initial recognition, liabilities are categorized as fair value through profit and loss or other liabilities measured at amortized cost using the effective interest method. Refer to note 13 for current year presentation of financial liabilities by category.

(iii) Derivative financial instruments

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

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

(e) Share capital

Common shares

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(Stated in thousands of Canadian dollars)

3. Significant accounting policies – continued

(f) Property, plant and equipment

Recognition and measurement

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

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

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

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

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

Depreciation

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

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(Stated in thousands of Canadian dollars)

3. Significant accounting policies – continued

(f) Property, plant and equipment – continued

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

(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.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(Stated in thousands of Canadian dollars)

3. Significant accounting policies – continued

(g) Intangible assets - continued

(iii) Amortization

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

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

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

(h) Leased assets

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

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

(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.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(Stated in thousands of Canadian dollars)

3. Significant accounting policies – continued

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

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

Non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. Impairment of goodwill is tested at the cash generating unit group level, which cannot group at a level higher than an operating segment.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(Stated in thousands of Canadian dollars)

3. Significant accounting policies – continued

(j) Impairment - continued

Non-financial assets - continued

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.

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

Deferred share units granted to executives and senior management are recorded at the fair value of the amount payable and recognized as an expense with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to payment. The liability is re-measured 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.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(Stated in thousands of Canadian dollars)

3. Significant accounting policies – continued

(l) Provisions

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

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

(m) Finance income and finance expense

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

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

(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.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(Stated in thousands of Canadian dollars)

3. Significant accounting policies – continued

(n) Income tax – continued

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

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

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

(o) Earnings per share

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

(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.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(Stated in thousands of Canadian dollars)

3. Significant accounting policies – continued

(q) New standards and interpretations

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

Proposed standards	Description	Previous Standard	Effective Date
IAS 32 - Financial Instruments: Presentation	Issued in December 2011. Clarifies the presentation requirements related to the offsetting of financial assets and liabilities.	IAS 32 - Financial Instruments: Presentation	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	To be determined
Annual Improvements to IFRS (2010 - 2012) and (2011 - 2013)	Issued in December 2013. Amendments were made to various standards, including IFRS 2 Shared-based Payment, IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement, and IAS 24 Related Party Disclosure.	IFRS 2 Shared-based Payment, IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement, and IAS 24 Related Party Disclosure	July 1, 2014

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. AGT intends to adopt the above standards in accordance with their effective dates.

On January 1, 2013, AGT adopted the following new or amended standards as issued by the IASB: IFRS 7 Financial Instruments: Disclosures, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interest in Other Entities and IFRS 13 Fair Value Measurement. None of these standards had a material impact on AGT’s financial statements.

Additionally, AGT has early adopted an amendment to IAS 36 *Impairment of Assets*. This amendment reverses the unintended requirement in IFRS 13 *Fair Value Measurement* to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite life intangible assets have been allocated. As a result of early adoption, AGT does not expect any significant impact to the financial statements.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(Stated in thousands of Canadian dollars)

4. Inventory

	2013	2012
Raw materials	\$ 114,055	\$ 85,656
Processed product	57,014	51,704
Split production	12,308	12,402
Packaged product	47,536	35,015
Other	5,210	4,105
	\$ 236,123	\$ 188,882

	2013	2012
Inventory expensed in cost of goods sold	\$ 669,526	\$ 524,818

5. Property, plant and equipment

Cost	Land	Building and site improvement	Plant and Equipment	Motor Vehicles	Fixtures and Fittings	Construction in Progress	Total
Balance at December 31, 2011	\$ 17,813	\$ 65,434	\$ 123,475	\$ 6,700	\$ 4,044	\$ 18,474	\$ 235,940
Additions	417	3,221	2,713	400	400	25,593	32,744
Disposals	-	-	(595)	(392)	(1)	-	(988)
Transfers between categories	-	14,297	7,153	43	198	(21,691)	-
Effects of movement in exchange rates	276	310	1,167	23	49	(111)	1,714
Balance at December 31, 2012	\$ 18,506	\$ 83,262	\$ 133,913	\$ 6,774	\$ 4,690	\$ 22,265	\$ 269,410
Additions	199	2,956	2,987	899	691	31,635	39,367
Disposals	-	(104)	(365)	(540)	(303)	-	(1,312)
Transfers between categories	1,545	15,321	25,898	184	353	(43,301)	-
Effects of movements in exchange rates	(1,485)	(3,925)	(7,432)	(242)	(172)	838	(12,418)
Balance at December 31, 2013	\$ 18,765	\$ 97,510	\$ 155,001	\$ 7,075	\$ 5,259	\$ 11,437	\$ 295,047
Accumulated Depreciation							
Balance at December 31, 2011	\$ -	\$ 5,654	\$ 28,678	\$ 2,508	\$ 1,780	\$ -	\$ 38,620
Depreciation	-	1,998	9,067	905	578	-	12,548
Disposals	-	-	(145)	(86)	-	-	(231)
Effects of movements in exchange rates	-	36	390	18	37	-	481
Balance at December 31, 2012	\$ -	\$ 7,688	\$ 37,990	\$ 3,345	\$ 2,395	\$ -	\$ 51,418
Depreciation	-	2,884	10,101	901	653	-	14,539
Disposals	-	(1)	(81)	(444)	(36)	-	(562)
Effects of movements in exchange rates	-	(308)	(2,595)	(104)	(90)	-	(3,097)
Balance at December 31, 2013	\$ -	\$ 10,263	\$ 45,415	\$ 3,698	\$ 2,922	\$ -	\$ 62,298
Net Book Value at December 31, 2012	\$ 18,506	\$ 75,574	\$ 95,923	\$ 3,429	\$ 2,295	\$ 22,265	\$ 217,992
Net Book Value at December 31, 2013	\$ 18,765	\$ 87,247	\$ 109,586	\$ 3,377	\$ 2,337	\$ 11,437	\$ 232,749
Assets under finance lease, December 31, 2012	\$ -	\$ -	\$ 3,402	\$ 84	\$ 148	\$ -	\$ 3,634
Assets under finance lease, December 31, 2013	\$ -	\$ -	\$ 2,316	\$ 99	\$ 150	\$ -	\$ 2,565

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(Stated in thousands of Canadian dollars)

6. 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, 2011	\$ 3,006	\$ 379	\$ 5,786	\$ 152	\$ 9,323	\$ 59,552	\$ 68,875
Additions	-	1,268	-	43	1,311	-	1,311
Effects of movements in exchange rates	91	10	151	5	257	1,228	1,485
Balance at December 31, 2012	\$ 3,097	\$ 1,657	\$ 5,937	\$ 200	\$ 10,891	\$ 60,780	\$ 71,671
Additions	-	23	-	510	533	-	533
Effects of movements in exchange rates	(344)	84	(95)	(33)	(388)	(4,058)	(4,446)
Balance at December 31, 2013	\$ 2,753	\$ 1,764	\$ 5,842	\$ 677	\$ 11,036	\$ 56,722	\$ 67,758
Accumulated Amortization							
Balance at December 31, 2011	\$ -	\$ 97	\$ 714	\$ 108	\$ 919	\$ -	\$ 919
Amortization	-	60	593	43	696	-	696
Effects of movements in exchange rates	-	(1)	25	3	27	-	27
Balance at December 31, 2012	\$ -	\$ 156	\$ 1,332	\$ 154	\$ 1,642	\$ -	\$ 1,642
Amortization	-	65	590	53	708	-	708
Effects of movements in exchange rates	-	(17)	(25)	(20)	(62)	-	(62)
Balance at December 31, 2013	\$ -	\$ 204	\$ 1,897	\$ 187	\$ 2,288	\$ -	\$ 2,288
Net carrying amounts							
At December 31, 2012	3,097	1,501	4,605	46	9,249	60,780	70,029
At December 31, 2013	2,753	1,560	3,945	490	8,748	56,722	65,470

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). The remaining useful life for the key customer relationships is seven years.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(Stated in thousands of Canadian dollars)

6. 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.

2013			2012		
Segment	Goodwill	Indefinite Life Intangible Asset	Goodwill	Indefinite Life Intangible Asset	
Pulses and Grains Processing					
Turkey	\$ 14,823	\$ -	\$ 27,482	\$ -	
Canada	18,399	-	18,399	-	
Trading and Distribution					
Turkey	5,000	-	11,516	-	
United Kingdom	3,618	-	3,321	-	
Food Ingredients and Packaged Food					
Turkey	14,823	2,741.00	-	3,084.00	
	\$ 56,663	\$ 2,741	\$ 60,718	\$ 3,084	
Units without significant allocations	59	-	62	-	
Total	\$ 56,722	\$ 2,741	\$ 60,780	\$ 3,084	

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 utilized by management are considered conservative in nature and it is not expected that a reasonably possible change in assumptions would result in a CGU's recoverable amount exceeding its carrying value. The assumptions are as follows:

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(Stated in thousands of Canadian dollars)

6. Intangible assets and goodwill - continued

Budgeted EBITDA** growth

Segment	2013		2012	
	Discount Rate	EBITDA** Growth	Discount Rate	EBITDA** Growth
Pulses and Grains Processing				
Turkey	18%	6%	13%	4%
Canada	17%	6%	11%	8%
Trading and Distribution				
Turkey	16%	0%	13%	4%
United Kingdom	17%	0%	13%	0%
Food Ingredients and Packaged Food				
Turkey	18%	6%	13%	4%

Discount rate

Discount rates are pre-tax measures that reflect risks specific to the CGU based on the weighted average cost of capital for that CGU. Pre-tax discount rates were determined from post-tax rates of 11% for Turkey, 9% for Canada, and 10% for the United Kingdom (2012 - 12% for Turkey, 10% for Canada, and 10% for the United Kingdom). Differences arise between the post-tax and pre-tax discount rates for each CGU because of the timing of future tax cash flows and discrepancies between the carrying amount of an asset and its tax base.

Budgeted EBITDA** (refer to note 18), as a basis for cash flows from a CGU, 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 EBITDA** has been assumed for this terminal period.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(Stated in thousands of Canadian dollars)

7. Bank indebtedness

At December 31, 2013, AGT had total operating lines available of \$177.5 million (December 31, 2012 - \$289.8 million). Included in these facilities is a syndicated debt facility of \$150.0 million (December 31, 2012 - \$130.0) secured by a general security agreement and security interests against real property owned by AGT and certain of its subsidiaries, maturing in January 2016. The weighted average interest rate on operating credits is 3.8% (December 31, 2012 - 5.8%).

8. Short term financing

During 2013, all short term financing arrangements were repaid. 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%.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(Stated in thousands of Canadian dollars)

9. Long term debt

	2013	2012
Term Debt		
Senior secured second lien notes, bearing an interest rate of 9%, with semi-annual payments of interest only, beginning August 2013 and concluding February 2018, secured by a general security agreement and security interests against real property owned by AGT and certain of its subsidiaries. ¹	\$ 120,455	\$ -
Loan payable, bearing an interest rate of Canadian Bankers Acceptance rate plus 2.25%, with monthly payments of interest only and quarterly payments of \$1,500,000 principal, due January 2016, secured by certain property, plant and equipment.	83,734	-
Loan payable, bearing an interest rate of prime plus 0.75%, with monthly payments of interest only, due January 2016, secured by certain property, plant and equipment.	26,111	-
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
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
Loans payable, bearing interest rates varying from 1.00% to 6.75%, with monthly payments of \$82,599, due dates ranging from January 2014 to July 2022, secured by property, plant and equipment.	-	3,816
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.	-	7,263
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
Finance Leases		
Leases payable, bearing interest rates ranging from 3.2% to 11.1% (2012: 3.2% to 11.1%), with total monthly payments of \$28,773 (2012: \$131,166), due dates ranging from May 2014 to October 2017 (2012: August 2013 to August 2017), secured by equipment.	305	1,434
	\$ 230,605	\$ 82,310
Total current portion	(6,061)	(5,752)
	\$ 224,544	\$ 76,558

¹ On February 14, 2013, AGT issued senior secured second lien notes in the amounts of \$125 million. These notes bear interest at 9% per annum (effective interest of 10.1%) and mature on February 14, 2018. The proceeds after deducting expenses were \$119.7 million. Optional early redemption features of the notes are:

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(Stated in thousands of Canadian dollars)

9. Long term debt - continued

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

	Term debt	Finance leases	Total
2014	\$ 5,830	\$ 231	\$ 6,061
2015	5,830	57	5,887
2016	98,185	13	98,198
2017	-	4	4
2018	120,455	-	120,455
	\$ 230,300	\$ 305	\$ 230,605

For the long term debt that is variable rate debt, the carrying value approximates its fair value. For the long term debt that is fixed rate debt, the fair value as at December 31, 2013 was \$134,782 (December 31, 2012- nil).

10. Share capital

(a) Authorized

Unlimited number of voting common shares without par value

(b) Issued and outstanding

	# of Common Shares	Amount
Issued and outstanding December 31, 2011	19,743,077	\$ 267,966
Issuance of shares pursuant to acquisition	65,775	1,528
Balance, December 31, 2012	19,808,852	\$ 269,494
Issuance of shares pursuant to stock option plan	56,669	564
Balance, December 31, 2013	19,865,521	\$ 270,058

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(Stated in thousands of Canadian dollars)

10. Share capital – continued

(c) Stock option plan

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

	2013		2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Stock options outstanding, beginning of year	815,169	\$ 10.93	390,169	\$ 9.00
Granted	-	-	425,000	12.71
Exercised	(56,669)	9.00	-	-
Stock options outstanding, end of year	758,500	\$ 11.08	815,169	\$ 10.93
Stock options exercisable, end of year	333,500	\$ 9.00	390,169	\$ 9.00

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(Stated in thousands of Canadian dollars)

10. Share capital – continued

(d) Deferred share units and other plans

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

As at December 31, 2013, the accrued payable is \$2,330 (December 31, 2012 - \$764), broken down as follows: \$1,222 payable in 2014 and \$863 payable in 2015 and \$245 payable in 2016 (December 31, 2012 - \$249 payable in 2013, \$376 payable in 2014 and \$139 payable in 2015). These amounts are recorded in employee compensation in general and administrative expenses.

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

	2013	2012
	Number of DSU's	Number of DSU's
Opening at the beginning of the period	158,969	-
Granted during the period	158,052	161,329
Forfeited during the period	-	(2,360)
Vested and settled during the period	(25,397)	-
Outstanding at the end of the period	291,624	158,969
Fair value at December 31	\$ 4,326	\$ 2,076

Notes to the Consolidated Financial Statements

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(Stated in thousands of Canadian dollars)

10. Share capital – continued

(e) Per share amounts

	2013	2012
Basic earnings per share computation		
Net (loss) earnings attributable to equity holders	\$ (9,715)	\$ 6,812
Weighted average common shares outstanding	19,850,589	19,788,185
Basic (loss) earnings per common share	\$ (0.49)	\$ 0.34
Diluted earnings per share computation		
Net (loss) earnings attributable to equity holders	\$ (9,715)	\$ 6,812
Weighted average common shares outstanding	19,850,589	19,788,185
Dilutive effect of stock options	-	185,330
Weighted average common shares outstanding assuming dilution	19,850,589	19,973,515
Diluted (loss) earnings per common share	\$ (0.49)	\$ 0.34

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

During 2013, issued dividends of \$0.60 per share on an annualized basis (2012 - \$0.60 per share).

11. Finance expense

	2013	2012
Interest bank indebtedness	\$ 5,825	\$ 12,580
Interest on long term debt	11,360	3,080
Trade finance fees and expenses	7,093	1,275
Amorization of bond discount and fees	1,110	-
Foreign exchange on financing activities	522	-
	\$ 25,910	\$ 16,935

Borrowing costs of \$299 (2012 - \$768) have been removed from finance expense and capitalized during the period.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(Stated in thousands of Canadian dollars)

12. 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:

	2013	2012
Employee salaries and benefits	\$ 55,135	\$ 43,091
Depreciation and amortization	15,068	12,836

13. Financial instruments

Fair values

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

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(Stated in thousands of Canadian dollars)

13. Financial instruments – continued

Fair values – continued

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 2012 or 2013.

The following items, shown in the consolidated statement of financial position as at December 31, 2012 and 2013 are measured at fair value on a recurring basis using level 2 inputs:

2013	Level 2	Total	Change in fair value recognized in net earnings
Derivative liability	\$ (15,191)	\$ (15,191)	\$ (15,389)
	\$ (15,191)	\$ (15,191)	\$ (15,389)
2012	Level 2	Total	Change in fair value recognized in net earnings
Derivative asset	\$ 546	\$ 546	\$ 203
Derivative liability	\$ (348)	\$ (348)	\$ 1,308
	\$ 198	\$ 198	\$ 1,511

* Derivative assets are included in prepaid expenses and other on the statement of financial position.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(Stated in thousands of Canadian dollars)

13. Financial instruments – continued

Fair values – continued

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

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

	Fair value	Amortized cost		Total	
	Through Profit or Loss	Loans and receivables	Other financial liabilities	Carrying amount	Fair value
2012					
Financial Assets					
Cash	-	33,110	-	33,110	33,110
Trade accounts receivables	-	159,147	-	159,147	159,147
Derivative asset *	546	-	-	546	546
Financial Liabilities					
Bank indebtedness	-	-	205,549	205,549	205,549
Short term financing	-	-	12,402	12,402	12,402
Accounts payable and accrued liabilities	-	-	115,230	115,230	115,230
Long-term debt and finance leases	-	-	82,310	82,310	82,310
Derivative liability	348	-	-	348	348
Dividend payable	-	-	2,971	2,971	2,971

* Derivative assets are included in prepaid expenses and other on the statement of financial position

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(Stated in thousands of Canadian dollars)

13. Financial instruments – continued

Risk management

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

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

Credit risk

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

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

	2013	2012
Cash	\$ 22,893	\$ 33,110
Trade accounts receivables	166,489	159,147
Derivative asset *	-	546

* Derivative assets are included in prepaid expenses and other on the statement of financial position

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

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

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13. Financial instruments – continued

Credit risk – continued

The aging of customer receivables is as follows:

	2013	2012
Current	\$ 101,863	\$ 107,235
1-30 days	38,968	31,869
31-60 days	8,665	5,033
Greater than 60 days	16,993	15,010
	<u>\$ 166,489</u>	<u>\$ 159,147</u>

The above table reflects a listing of trade accounts receivable, net of an allowance for doubtful accounts of \$1,063 at December 31, 2013 (December 31, 2012 - \$1,270)

On December 21, 2012, AGT entered into a Master Receivables Purchase Agreement. This agreement allows the sale of specific Turkish trade accounts receivable that are insured through Export Development Canada (EDC) to the Bank of Nova Scotia (BNS). The agreement permits AGT to securitize up to \$42,544 (\$40,000 USD) worth of insured receivables. AGT has derecognized the receivables from the Consolidated Statement of Financial Position as substantially all of the risks and rewards of ownership have been transferred.

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

As at December 31, 2013, AGT has sold for cash proceeds \$42,308 (December 31, 2012 –nil) of trade accounts receivable from the Consolidated Statement of Financial Position and incurred \$273 (December 31, 2012 – nil) in transaction fees, which are included in finance expense.

AGT is also exposed to credit risk through the cross currency swap it has entered as a part of the management of its senior secured second lien notes. A 25 basis point change in the credit risk of either AGT or the counterparty to the swap would have an impact on unrealized foreign exchange gain/(loss) of \$1,372 or \$(1,128) (December 31, 2012 – nil).

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(Stated in thousands of Canadian dollars)

13. Financial instruments – continued

Foreign currency risk

AGT enters into various transactions denominated in various foreign currencies that are subject to exchange rate fluctuations. As of December 31st AGT has entered into \$249,619 (2012 - \$172,373) of foreign exchange contracts with maturities of less than two years, to manage risks associated with entering into new sales contracts denominated in US dollars, Euros, British pounds, and Australian dollars. AGT has also entered into a \$175,625 (2012 - nil) cross currency swap as a part of the management of its senior secured second lien notes which are disclosed in note 9. 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.

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, 2013, 33% of the foreign exchange contracts expire within 90 days (December 31, 2012- 73%). The impact of a 1% change in foreign exchange rates would have an approximate impact on net earnings of \$4,252 (December 31, 2012- \$1,724).

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:

2013	Carrying Amount	Contractual cash flows	1 year	2 years	3 - 5 years	More than 5 years
Bank indebtedness	\$ 110,805	\$ 111,229	\$ 111,229	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	150,979	150,979	150,979	-	-	-
Long-term debt and finance leases	230,605	294,327	21,538	21,132	251,657	-
Derivative liability	15,191	15,191	15,191	-	-	-
Dividend payable	2,980	2,980	2,980	-	-	-
	\$ 510,560	\$ 574,706	\$ 301,917	\$ 21,132	\$ 251,657	\$ -
2012	Carrying Amount	Contractual cash flows	1 year	2 years	3 - 5 years	More than 5 years
Bank indebtedness	\$ 205,549	\$ 205,549	\$ 205,549	\$ -	\$ -	\$ -
Short term financing	12,402	12,402	12,402	-	-	-
Accounts payable and accrued liabilities	115,230	115,230	115,230	-	-	-
Long-term debt and finance leases	82,310	91,911	9,079	9,398	72,315	1,119
Derivative liability	348	348	348	-	-	-
Dividend payable	2,971	2,971	2,971	-	-	-
	\$ 418,810	\$ 428,411	\$ 345,579	\$ 9,398	\$ 72,315	\$ 1,119

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

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13. Financial instruments – continued

Liquidity risk - continued

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

Interest rate risk

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

AGT is exposed to interest rate fluctuations on its variable-rate debt. The impact of a 1% change in interest rates would have an approximate impact on pre-tax net earnings of \$1,098 (December 31, 2012 - \$698). Changes in market interest rates cause the fair value of long term debt with fixed interest rates to fluctuate but do not affect net earnings as AGT's debt is carried at amortized cost and the carrying value does not change as interest rate changes.

Commodity risk

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

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

14. 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.

Notes to the Consolidated Financial Statements

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(Stated in thousands of Canadian dollars)

14. 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:

	2013	2012
Long-term debt and finance leases	\$ 224,544	\$ 76,558
Bank indebtedness and current portion long-term debt	116,866	211,301
Short term financing	-	12,402
Cash	(22,893)	(33,110)
Net debt	\$ 318,517	\$ 267,151
Shareholders' equity	234,339	269,848
Total capital	\$ 552,856	\$ 536,999

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, 2013 and 2012, AGT met these requirements. AGT expects to be in compliance with covenants for 2014.

15. Cash flow support

Items not involving cash

	Note	2013	2012
Depreciation and amortization in general and administration		3,463	2,888
Depreciation in cost of sales		11,605	9,948
Amortization of discounts on long term debt		1,110	-
Unrealized foreign exchange loss (gain)		27,674	(4,065)
Loss on disposal of property, plant and equipment		448	31
Interest expense	11	17,185	15,660
Share based compensation		2,052	1,078
Bad debt expense		1,041	609
Income tax (recovery) expense		(2,503)	4,031
		62,075	30,180

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

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15. Cash flow support - continued

Non-cash working capital

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

	2013	2012
(Increase) decrease in current assets:		
Trade accounts receivable	\$ (12,579)	\$ 12,732
Inventory	(59,420)	(3,211)
Prepaid expenses and other	(1,939)	(30,806)
	<u>\$ (73,938)</u>	<u>\$ (21,285)</u>
Increase in current liabilities:		
Accounts payable, accrued liabilities, deferred revenue and derivative liability	41,272	43,784
	<u>\$ 41,272</u>	<u>\$ 43,784</u>
	<u>\$ (32,666)</u>	<u>\$ 22,499</u>

16. Income taxes

(a) Tax rate reconciliation

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

	2013	2012
Net (loss) earnings before income taxes	\$ (12,218)	\$ 10,843
Combined federal and provincial rate	25.50%	25.44%
Computed income tax (recovery) expense	(3,116)	2,758
from:		
Difference between Canadian rate and rates applicable to subsidiaries in other countries	(720)	321
Permanent differences and other	1,333	952
Income tax (recovery) expense	<u>\$ (2,503)</u>	<u>\$ 4,031</u>
Current	5,555	1,794
Deferred	(8,058)	2,237
	<u>\$ (2,503)</u>	<u>\$ 4,031</u>

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(Stated in thousands of Canadian dollars)

16. 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:

	2013	2012
Assets:		
Operating loss carry forwards	\$ 17,278	\$ 5,409
Share issuance costs and financing costs	398	936
Investment incentive	307	349
Unrealized foreign exchange losses	651	-
Other costs and adjustments	1,274	990
	<u>\$ 19,908</u>	<u>\$ 7,684</u>
Liabilities:		
Property, plant and equipment	\$ 21,696	\$ 16,828
Goodwill and intangible assets	814	1,012
Unrealized foreign exchange gains	254	206
Other costs and adjustments	645	1,126
	<u>23,409</u>	<u>19,172</u>
Net deferred income tax liability	<u>\$ 3,501</u>	<u>\$ 11,488</u>
Deferred income tax classified as follows:		
Deferred income tax assets	\$ 8,344	\$ 3,243
Deferred income tax liabilities	11,845	14,731
Net deferred income tax liability	<u>\$ 3,501</u>	<u>\$ 11,488</u>

(c) Movement in net deferred tax assets and liabilities

	2013	2012
Deferred income tax liability at January 1	\$ 11,488	\$ 9,177
Origination and reversal of temporary differences	(8,058)	2,237
Foreign exchange adjustments and other	71	74
Net deferred income tax liability at December 31	<u>\$ 3,501</u>	<u>\$ 11,488</u>

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

(Stated in thousands of Canadian dollars)

16. Income taxes - continued

(d) Income tax losses

At December 31, 2013, income tax losses carried forward of \$63,210 (2012 - \$24,458) are available to reduce taxable income. These losses expire as follows:

Year of expiry	Canada	Turkey	United States	Australia	Total
2015	\$ -	\$ 4,171	\$ -	\$ -	\$ 4,171
2016	-	9,024	-	-	9,024
2017	-	1,665	-	-	1,665
2018	-	2,432	-	-	2,432
2030	2,771	-	-	-	2,771
2032	4,738	-	-	-	4,738
2033	21,584	-	14,678	-	36,262
Thereafter	-	-	-	2,147	2,147
	\$ 29,093	\$ 17,292	\$ 14,678	\$ 2,147	\$ 63,210

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

17. 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, India 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:

	2013	2012
Short term benefits (wage, bonus, vacation paid out, directors fees)	\$ 2,198	\$ 2,426
Post employment benefits (RRSP)	86	85
Other long term benefits including stock based compensation (long term incentive plan)	1,454	899
Total	\$ 3,738	\$ 3,410

Notes to the Consolidated Financial Statements

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17. Related party transactions - continued

(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

	2013	2012
Accounts receivable	\$ 317	\$ 801
Accounts payable	2,621	1,641

	2013	2012
Purchases	\$ 7,200	\$ 8,445

AGT contracted labour and construction support for ongoing construction projects from entities owned or controlled by directors of AGT or its subsidiaries. The amounts in the above table are largely attributable to these transactions.

Notes to the Consolidated Financial Statements

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18. 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 three segments: (1) pulses and grains processing (2) trading and distribution and (3) food ingredients and packaged food.

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.

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

Food and food ingredients is the newest segment which AGT operates. During the fourth quarter of 2013, the Company strengthened reporting abilities in this segment to allow improved disclosure of these results. This segment includes the results from the newly commissioned pulse fractionation plant in Minot, North Dakota. Additionally, results from the pasta, bulgur and semolina plants in Turkey are included. Finally, the results from the operations in South Africa are included. Starting in 2014, the results of the newly formed AGT CLIC Foods Inc. will be represented in the food and food ingredients segment. See subsequent event note (note 21).

AGT's chief operating decision maker evaluates segment performance on the basis of EBITDA** (refer to note 6). Management believes that EBITDA** is an important indicator of AGT's ability to generate liquidity through operating cash flow to fund future working capital needs, service outstanding debt and fund future capital expenditures and uses the metric for this purpose.

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

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

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

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18. Segmented Reporting- continued

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

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

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

2012	Pulses and Grain Processing	Trading and Distribution	Corporate and Eliminations	Consolidated
Revenue	\$ 642,376	\$ 291,413	\$ (78,464)	\$ 855,325
Cost of sales	596,938	269,290	(78,464)	787,764
Gross profit	45,438	22,123	-	67,561
Earnings (loss) before income taxes	26,104	7,575	(22,836)	10,843
Net earnings (loss)	26,104	7,575	(26,868)	6,812
EBITDA**	\$ 38,079	\$ 8,368	\$ (7,057)	\$ 39,391

Notes to the Consolidated Financial Statements

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(Stated in thousands of Canadian dollars)

18. Segmented Reporting- continued

		Pulses and Grain Processing	Trading and Distribution	Food Ingredients and Packaged Foods	Corporate and Eliminations	Consolidated
2013						
Assets	\$	542,031	\$ 182,141	\$ 196,051	\$ (146,431)	\$ 773,792
Liabilities		491,357	60,152	88,321	(100,377)	539,453
Intangible assets		1,731	2,127	4,890	-	8,748
Goodwill		33,281	8,618	14,823	-	56,722
Purchase of property, plant and equipment		14,409	211	24,747	-	39,367
Depreciation and amortization		12,020	517	1,113	1,418	15,068
		Pulses and Grain Processing	Trading and Distribution	Corporate and Eliminations	Consolidated	
2012						
Assets	\$	771,787	\$ 167,172	\$ (226,468)	\$	712,491
Liabilities		589,526	98,400	(245,283)		442,643
Intangible assets		6,910	2,339	-		9,249
Goodwill		45,943	14,837	-		60,780
Purchase of property, plant and equipment		32,279	465	-		32,744
Depreciation and amortization		10,753	676	1,407		12,836

19. Sales and selected geographic information

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

Sales by product line

	2013	2012
Pulses and specialty crops	\$ 774,184	\$ 619,852
Pasta, semolina and bulgur	135,024	104,646
Rice, other commodities and miscellaneous revenue	229,565	130,827
Total	\$ 1,138,773	\$ 855,325

Sales derived from customers located in the following geographic areas:

	2013	2012
Canada	\$ 41,603	\$ 35,535
Americas / Caribbean, excluding Canada	97,693	93,204
Asia / Pacific Rim	260,283	204,486
Europe / Middle East / Africa	739,194	522,100
Total	\$ 1,138,773	\$ 855,325

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(Stated in thousands of Canadian dollars)

19. Sales and selected geographic information - continued

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

	Property, plant and equipment	
	2013	2012
Turkey	\$ 74,119	\$ 83,143
Canada	58,829	60,966
North America, excluding Canada	58,812	35,401
Australia	32,252	34,442
China	4,662	582
South Africa	4,075	3,458
Total	\$ 232,749	\$ 217,992

	Intangibles	
	2013	2012
Turkey	\$ 4,822	\$ 5,661
United Kingdom	2,127	2,237
China	1,346	1,249
Canada	385	-
South Africa	68	102
Total	\$ 8,748	\$ 9,249

	Goodwill	
	2013	2012
Turkey	\$ 34,647	\$ 38,998
Canada	18,399	18,399
United Kingdom	3,618	3,321
Australia	47	52
North America, excluding Canada	11	10
Total	\$ 56,722	\$ 60,780

Notes to the Consolidated Financial Statements

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20. Commitments and contingencies

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

At December 31, 2013, AGT had a letter of credit in favour of the Canadian Grain Commission in the amount of \$10,000 (December 31, 2012 - \$12,000). The letter of credit is callable by the beneficiary in the event of a producer grain payment default. The letter of credit expires in at December 31, 2014.

At December 31, 2013, AGT had a letter of credit in favour of Lloyd's Bank in the United Kingdom in the amount of \$12,800 (December 31, 2012 – nil). This letter of credit serves as security for the operating line in the United Kingdom and is callable in the event of a default by AGT's subsidiary.

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.

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21. Subsequent events

a) Acquisition subsequent to year end

On January 13, 2014, AGT finalized a transaction to purchase substantially all of the assets of Quebec-based CLIC International Inc (CLIC). CLIC is a Canadian ethnic and traditional retail food packager and canner and retail and food service distributor. The acquired assets include inventory, retail packaging and canning production-related equipment, all CLIC and associated retail brands, retail and food service listings. The consideration transferred for the purchase of the assets of CLIC was \$15 million, plus a \$1 million promissory note.

Under IFRS 3, AGT has determined that the asset purchase qualifies as a business combination. The preliminary purchase price allocation is comprised of:

Purchase price equation comprised of:

	CLIC
Total purchase price	\$ 16,000

Allocation of purchase price:

Working capital	\$ 9,900
Property, plant and equipment	3,359
Net identifiable tangible assets	13,259
Intangible assets	2,741
Total net assets	\$ 16,000

Some acquisition costs related to the CLIC purchase were recorded in the current year Statement of Comprehensive Income. These amounts totalled \$194 and were recorded in general and administration expenses.

The purchase price allocation has not been finalized as AGT continues to assess the fair values of the assets acquired. AGT expects to finalize the purchase price allocation before the end of the current fiscal year, December 31, 2014.

b) Replacement of existing credit facility

On January 30, 2014, Advance Seed signed an overdraft agreement with Standard Bank South Africa in the amount of 80 million South African Rand. The facility replaces the facility in effect at December 31, 2013 in South Africa and is subject to an annual review. The agreement was completed on market-based terms which were substantially unchanged from the previous facility.