



# **UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013**

These unaudited condensed consolidated interim financial statements have been prepared by management of Alliance Grain Traders Inc. ("AGT") and have not been reviewed by AGT's auditors.



# **Unaudited Consolidated Statements of Financial Position** as at

(Stated in thousands of Canadian Dollars)

	Note	Mar 31, 2014	Dec 31, 2013
<b>Assets</b>			
Cash		\$ 20,274	\$ 22,893
Trade accounts receivable		162,875	166,489
Inventory	4	256,090	236,123
Prepaid expenses and other		30,550	35,232
Income tax receivable		4,131	3,564
<b>Total current assets</b>		<b>473,920</b>	<b>464,301</b>
Property, plant and equipment	5	244,186	232,749
Intangible assets	6	11,691	8,748
Goodwill	6	58,346	56,722
Other		2,808	2,928
Deferred income tax assets		8,286	8,344
<b>Total assets</b>		<b>\$ 799,237</b>	<b>\$ 773,792</b>
<b>Liabilities</b>			
Bank indebtedness		\$ 141,320	\$ 110,805
Accounts payable and accrued liabilities		107,870	150,979
Derivative liability		20,273	15,191
Deferred revenue		10,595	13,142
Income taxes payable		4,195	3,906
Current portion of long-term debt and finance leases	7	5,983	6,061
Dividends payable		2,980	2,980
<b>Total current liabilities</b>		<b>293,216</b>	<b>303,064</b>
Long-term debt and finance leases	7	242,349	224,544
Deferred income tax liabilities		12,372	11,845
<b>Total liabilities</b>		<b>547,937</b>	<b>539,453</b>
<b>Shareholders' equity</b>			
Share capital		270,058	270,058
Contributed surplus		1,012	922
Accumulated other comprehensive loss		(27,001)	(37,640)
Retained earnings		7,231	999
<b>Total shareholders' equity</b>		<b>251,300</b>	<b>234,339</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 799,237</b>	<b>\$ 773,792</b>

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



**Unaudited Consolidated Statements of Comprehensive Income (Loss)**  
**For the period ended March 31**

(Stated in thousands of Canadian Dollars)

	Note	2014	3 Months 2013
<b>Revenues</b>	\$	311,283	\$ 276,440
<b>Cost of sales</b>		284,014	254,231
<b>Gross profit</b>		27,269	22,209
General and administrative expenses		9,685	9,118
Marketing, sales and distribution expenses		5,890	4,327
<b>Earnings from operations</b>		<b>11,694</b>	<b>8,764</b>
<b>Other (income) expenses :</b>			
Unrealized foreign exchange (gain) loss		(7,149)	4,895
Finance income		(4)	(339)
Finance expense	10	7,931	5,768
<b>Earnings (loss) before income tax</b>		<b>10,916</b>	<b>(1,560)</b>
Income tax expense (recovery)		1,704	(1,180)
<b>Net earnings (loss)</b>		<b>9,212</b>	<b>(380)</b>
Other comprehensive income			
Exchange differences on translation of foreign operations (no tax effect)		10,639	1,128
<b>Total comprehensive income</b>	\$	<b>19,851</b>	\$ <b>748</b>
Basic net earnings (loss) per share	\$	0.46	\$ (0.02)
Diluted net earnings (loss) per share	\$	0.46	\$ (0.02)
Basic weighted average number of shares		19,865,521	19,809,741
Diluted weighted average number of shares		20,162,811	19,931,046

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



# Unaudited 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, 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)
<b>Total comprehensive loss</b>	-	-	(14,752)	(9,715)	(24,467)
Issuance of shares pursuant to acquisition	564	(54)	-	-	510
Amortization of options granted	-	362	-	-	362
Dividends to shareholders	-	-	-	(11,914)	(11,914)
<b>Balance at December 31, 2013</b>	<b>\$ 270,058</b>	<b>\$ 922</b>	<b>\$ (37,640)</b>	<b>\$ 999</b>	<b>\$ 234,339</b>
Balance at January 1, 2014	\$ 270,058	\$ 922	\$ (37,640)	\$ 999	\$ 234,339
Net earnings	-	-	-	9,212	9,212
Other comprehensive income due to changes in foreign exchange	-	-	10,639	-	10,639
<b>Total comprehensive income</b>	-	-	10,639	9,212	19,851
Issuance of shares pursuant to stock option plan	-	-	-	-	-
Amortization of options granted	-	90	-	-	90
Dividends to shareholders	-	-	-	(2,980)	(2,980)
<b>Balance at March 31, 2014</b>	<b>\$ 270,058</b>	<b>\$ 1,012</b>	<b>\$ (27,001)</b>	<b>\$ 7,231</b>	<b>\$ 251,300</b>

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



**Unaudited Consolidated Statements of Cash Flow**  
**For the period ended March 31**

(Stated in thousands of Canadian Dollars)

	Note	2014	2013
<b>Cash (used for) from the following:</b>			
<b>Operating activities</b>			
Net earnings (loss)		\$ 9,212	\$ (380)
Items not involving cash	11	5,947	11,700
Interest paid		(7,501)	(3,555)
Income taxes paid		(1,155)	(612)
Non-cash working capital	11	(34,427)	(47,041)
		( 27,924 )	( 39,888 )
<b>Financing activities</b>			
Increase (decrease) in bank indebtedness		29,750	(73,056)
Decrease in short term financing		-	11
Proceeds from long-term debt, net of issue costs		19,070	209,742
Repayment of long term debt		(1,617)	(81,427)
Dividends paid		(2,980)	(2,971)
		44,223	52,299
<b>Investing activities</b>			
Acquisition, net of cash acquired		(16,000)	-
Purchase of property, plant and equipment and intangible assets		(4,064)	(8,263)
Proceeds from the sale of property, plant and equipment		37	23
Other		-	( 2,144 )
		(20,027)	(10,384)
Effect of exchange rate changes on cash		1,109	1,637
<b>(Decrease) increase in cash position</b>		\$ (2,619)	\$ 3,664
<b>Cash position, beginning of the period</b>		\$ 22,893	\$ 33,110
<b>Cash position, end of the period</b>		\$ 20,274	\$ 36,774

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



## **Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

For the three months ended March 31, 2014 and 2013

(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 unaudited condensed consolidated interim financial statements of AGT are comprised of AGT and its subsidiaries. AGT is a processor of value-added pulses, staple foods and ingredients for export and domestic markets as well as a supplier of retail packaged and canned foods to retail and food service sectors. Through its offices and processing facilities located in some of the best agricultural growing regions in Canada, the U.S., Turkey, China, Australia, and South Africa, and its merchandising and sales offices in the U.K., the Netherlands, Spain and India as well as origination offices in Russia, AGT produces a full range of pulses, specialty crops, and food ingredients. Through its subsidiaries in Turkey, the Arbel Group, AGT also produces staple foods such as Arbella Pasta, rice, and milled wheat products, including bulgur and semolina. The results included in the unaudited condensed consolidated interim financial statements should not be taken as indicative of the performance to be expected for the full year due to the seasonal nature of AGT's business. AGT's common shares are traded on the Toronto Stock Exchange under the symbol AGT.

### **2. Basis of presentation**

#### **(a) Statement of compliance**

The unaudited condensed consolidated interim financial statements and the notes thereto have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. The unaudited condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with AGT's annual consolidated financial statements as at and for the year ended December 31, 2013. Except as disclosed in note 3, there have been no changes to AGT's accounting policies from those disclosed in AGT's annual consolidated financial statements as at and for the year ended December 31, 2013.

The unaudited condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on May 8, 2014.

#### **(b) Basis of measurement**

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

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

For the three months ended March 31, 2014 and 2013

(Stated in thousands of Canadian dollars)

**2. Basis of presentation – continued**

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

The preparation of the unaudited condensed consolidated interim 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 unaudited condensed consolidated interim financial statements are as follows:

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

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

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

- **Accounting for Income Taxes**

AGT operates in a number of tax jurisdictions and is required to estimate its income taxes in each of these jurisdictions in preparing its financial statements. Significant judgment is required related to the classification of transactions and assessment of probable outcomes. 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.

## **Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

For the three months ended March 31, 2014 and 2013

(Stated in thousands of Canadian dollars)

### **2. Basis of presentation – continued**

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

- **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 9.

- **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 8. 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.

- **Functional currency**

The identification of functional currency for each of the legal entities involves significant judgment. AGT has utilized this judgment and summarized the results in note 3c of AGT's 2013 annual consolidated financial statements.

### **3. Significant accounting policies**

These unaudited condensed consolidated interim financial statements and notes thereto have been prepared using accounting policies consistent with those used in preparing AGT's 2013 annual consolidated financial statements. While management believes that the disclosures presented are adequate to make the information not misleading, these unaudited condensed consolidated interim financial statements and notes thereto should be read in conjunction with AGT's interim management's discussion and analysis (MD&A) and the 2013 annual consolidated financial statements and notes thereto.

The accounting policies have been applied consistently by AGT's entities.

#### **(a) 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 unaudited condensed consolidated interim financial statements as their effective dates fall in periods beginning subsequent to the current reporting period.



## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2014 and 2013

(Stated in thousands of Canadian dollars)

### 3. Significant accounting policies- continued

Proposed standards	Description	Previous Standard	Effective Date
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.

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

On January 1, 2013, AGT adopted the following new 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 early adopted an amendment to IAS 36 *Impairment of Assets* during 2013. 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.

### 4. Inventory

	Mar 31, 2014	Dec 31, 2013
Raw materials	\$ 107,996	\$ 114,055
Processed product	62,888	57,014
Split production	14,091	12,308
Packaged product	66,103	47,536
Other	5,012	5,210
	<b>\$ 256,090</b>	<b>\$ 236,123</b>

  

	Mar 31, 2014	Mar 31, 2013
Inventory expensed in cost of goods sold	\$ 225,330	\$ 208,084

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2014 and 2013

(Stated in thousands of Canadian dollars)

### 5. Property, plant and equipment

Cost	Land	Building and site improvement	Plant and Equipment	Motor Vehicles	Fixtures and Fittings	Construction in Progress	Total
Balance at December 31, 2012	\$ 18,506	\$ 83,262	\$ 133,913	\$ 6,774	\$ 4,690	\$ 22,265	\$ 269,410
Additions	199	2,956	2,987	899	691	31,635	39,367
Disposals	-	(104)	(365)	(540)	(303)	-	(1,312)
Transfers between categories	1,545	15,321	25,898	184	353	(43,301)	-
Effects of movement in exchange rates	(1,485)	(3,925)	(7,432)	(242)	(172)	838	(12,418)
Balance at December 31, 2013	\$ 18,765	\$ 97,510	\$ 155,001	\$ 7,075	\$ 5,259	\$ 11,437	\$ 295,047
Additions	-	72	1,071	198	291	2,363	3,995
Disposals	-	-	(14)	(49)	(11)	-	(74)
Acquisitions through business combinations	-	281	2,728	137	212	-	3,358
Transfers between categories	649	2,427	2,637	31	(95)	(5,649)	-
Effects of movements in exchange rates	846	2,945	5,555	125	166	312	9,949
Balance at March 31, 2014	\$ 20,260	\$ 103,235	\$ 166,978	\$ 7,517	\$ 5,822	\$ 8,463	\$ 312,275
<b>Accumulated Depreciation</b>							
Balance at December 31, 2012	\$ -	\$ 7,688	\$ 37,990	\$ 3,345	\$ 2,395	\$ -	\$ 51,418
Depreciation	-	2,884	10,101	901	653	-	14,539
Disposals	-	(1)	(81)	(444)	(36)	-	(562)
Effects of movements in exchange rates	-	(308)	(2,595)	(104)	(90)	-	(3,097)
Balance at December 31, 2013	\$ -	\$ 10,263	\$ 45,415	\$ 3,698	\$ 2,922	\$ -	\$ 62,298
Depreciation	-	772	2,877	239	182	-	4,070
Disposals	-	-	(9)	(42)	(9)	-	(60)
Effects of movements in exchange rates	-	210	1,430	50	91	-	1,781
Balance at March 31, 2014	\$ -	\$ 11,245	\$ 49,713	\$ 3,945	\$ 3,186	\$ -	\$ 68,089
<b>Net Book Value at December 31, 2013</b>	\$ 18,765	\$ 87,247	\$ 109,586	\$ 3,377	\$ 2,337	\$ 11,437	\$ 232,749
<b>Net Book Value at March 31, 2014</b>	\$ 20,260	\$ 91,990	\$ 117,265	\$ 3,572	\$ 2,636	\$ 8,463	\$ 244,186
Assets under finance lease, December 31, 2013	\$ -	\$ -	\$ 2,316	\$ 99	\$ 150	\$ -	\$ 2,565
Assets under finance lease, March 31, 2014	\$ -	\$ -	\$ 2,228	\$ 91	\$ 142	\$ -	\$ 2,461

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2014 and 2013

(Stated in thousands of Canadian dollars)

### 6. Intangibles and goodwill

Cost	Indefinite Life Intangible Assets- Brands		Rights	Customer Relationships	Other Intangible Assets	Total Intangible Assets	Goodwill	Total						
Balance at December 31, 2012	\$	3,097	\$	1,657	\$	5,937	\$	200	\$	10,891	\$	60,780	\$	71,671
Additions		-		23		-		510		533		-		533
Effects of movements in exchange rates		(344)		84		(95)		(33)		(388)		(4,058)		(4,446)
Balance at December 31, 2013	\$	2,753	\$	1,764	\$	5,842	\$	677	\$	11,036	\$	56,722	\$	67,758
Additions		-		17		-		52		69		-		69
Acquisitions through business combinations		2,741		-		-		-		2,741		-		2,741
Effects of movements in exchange rates		115		30		258		13		416		1,624		2,040
Balance at March 31, 2014	\$	5,609	\$	1,811	\$	6,100	\$	742	\$	14,262	\$	58,346	\$	72,608
Accumulated Amortization														
Balance at December 31, 2012	\$	-	\$	156	\$	1,332	\$	154	\$	1,642	\$	-	\$	1,642
Amortization		-		65		590		53		708		-		708
Effects of movements in exchange rates		-		(17)		(25)		(20)		(62)		-		(62)
Balance at December 31, 2013	\$	-	\$	204	\$	1,897	\$	187	\$	2,288	\$	-	\$	2,288
Amortization		-		15		155		19		189		-		189
Effects of movements in exchange rates		-		7		80		7		94		-		94
Balance at March 31, 2014	\$	-	\$	226	\$	2,132	\$	213	\$	2,571	\$	-	\$	2,571
Net carrying amounts														
At December 31, 2013		2,753		1,560		3,945		490		8,748		56,722		65,470
At March 31, 2014		5,609		1,585		3,968		529		11,691		58,346		70,037

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2014 and 2013

(Stated in thousands of Canadian dollars)

### 7. Long term debt

	Mar 31, 2014	Dec 31, 2013
<b>Term Debt</b>		
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. <sup>1</sup>	\$ 120,679	\$ 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.	82,265	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.	44,122	26,111
Non-interest bearing promissory note payable, with annual payments of \$333,334 beginning January 2016 and concluding January 2018.	1,000	-
<b>Finance Leases</b>		
Leases payable, bearing interest rates ranging from 3.2% to 11.1% (2013: 3.2% to 11.1%), with total monthly payments of \$46,418 (2013: \$28,733), due dates ranging from May 2014 to March 2018 (2013: May 2014 to October 2017), secured by equipment.	266	305
	\$ 248,332	\$ 230,605
Total current portion	(5,983)	(6,061)
	\$ 242,349	\$ 224,544

<sup>1</sup> 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

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
2014-2015	\$ 5,830	\$ 153	\$ 5,983
2015-2016	120,557	69	120,626
2016-2017	333	30	363
2017-2018	121,013	14	121,027
2018-2019	333	-	333
	\$ 248,066	\$ 266	\$ 248,332

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 March 31, 2014 was \$133,979 (December 31, 2013- \$134,782).

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2014 and 2013

(Stated in thousands of Canadian dollars)

### 8. Financial instruments

#### Fair values

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

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

Level 1 – values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

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

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

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

				Change in fair value recognized in net earnings
Mar 31, 2014	Level 2	Total		
Derivative asset	\$ 1,792	\$ 1,792	\$	1,792
Derivative liability	\$ (20,273)	\$ (20,273)	\$	(5,082)
	\$ (18,481)	\$ (18,481)	\$	(3,290)
Dec 31, 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)

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

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2014 and 2013

(Stated in thousands of Canadian dollars)

### 9. Accounts receivable securitization

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 \$44,220 (\$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 March 31, 2014, AGT has sold for cash proceeds \$44,220 (December 31, 2013 – \$42,308) of trade accounts receivable from the unaudited consolidated Statement of Financial Position and incurred \$150 (March 31, 2013- \$30) in transaction fees, included in finance expense.

### 10. Finance expense

	Mar 31, 2014	Mar 31, 2013
Interest bank indebtedness	\$ 1,585	\$ 2,077
Interest on long term debt	3,463	1,558
Trade finance fees and expenses	2,369	1,972
Amorization of bond discount and fees	318	161
Foreign exchange on financing activities	196	-
	<b>\$ 7,931</b>	<b>\$ 5,768</b>

### 11. Cash flow support

#### Items not involving cash

	Note	Mar 31, 2014	Mar 31, 2013
Depreciation and amortization in general and administration		646	1,142
Depreciation in cost of sales		3,615	2,720
Amortization of discounts on long term debt		318	161
Unrealized foreign exchange (gain) loss		(7,149)	4,895
(Gain) loss on disposal of property, plant and equipment		(23)	14
Interest expense	10	5,048	3,635
Share based compensation		791	270
Bad debt expense		997	43
Income tax expense (recovery)		1,704	(1,180)
		<b>5,947</b>	<b>11,700</b>

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

For the three months ended March 31, 2014 and 2013

(Stated in thousands of Canadian dollars)

**11. 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:

	Mar 31, 2014	Mar 31, 2013
<b>Decrease (increase) in current assets:</b>		
Trade accounts receivable	\$ 10,625	\$ (7,843)
Inventory	(3,470)	(6,275)
Prepaid expenses and other	6,262	5,264
	<u>\$ 13,417</u>	<u>\$ (8,854)</u>
<b>Increase in current liabilities:</b>		
Accounts payable, accrued liabilities, deferred revenue and derivative liability	(47,844)	(38,187)
	<u>\$ (47,844)</u>	<u>\$ (38,187)</u>
	<u>\$ (34,427)</u>	<u>\$ (47,041)</u>

**12. Related party transactions**

The unaudited 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:

	Mar 31, 2014	Mar 31, 2013
Short term benefits (wage, bonus, vacation paid out, directors fees)	\$ 698	\$ 568
Post employment benefits (RRSP)	22	22
Other long term benefits including stock based compensation (long term incentive plan)	463	283
<b>Total</b>	<u>\$ 1,183</u>	<u>\$ 873</u>



## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2014 and 2013

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### 12. 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.

	Mar 31, 2014	Dec 31, 2013
Accounts receivable	\$ 381	\$ 317
Accounts payable	2,659	2,621

	Mar 31, 2014	Mar 31, 2013
Purchases	\$ 2,446	\$ 1,899

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 Unaudited Condensed Consolidated Interim Financial Statements

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### 13. 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, Turkey and China.

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

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, as well as the results from the pasta, bulgur and semolina plants in Turkey and the operations in South Africa. Starting in 2014, the results of the newly formed AGT CLIC Foods Inc. have been represented in the food and food ingredients segment. See business combination note (note 15).

AGT's chief operating decision maker evaluates segment performance on the basis of EBITDA\*\*. 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) trading and distribution. 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 Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2014 and 2013

(Stated in thousands of Canadian dollars)

### 13. Segmented Reporting- continued

Three months ended March 31, 2014	Pulses and Grain Processing	Trading and Distribution	Food Ingredients and Packaged Food	Corporate and Eliminations	Consolidated
Revenue	\$ 206,964	\$ 96,164	\$ 52,722	\$ (44,567)	\$ 311,283
Cost of sales	192,480	90,417	45,684	(44,567)	284,014
Gross profit	14,484	5,747	7,038	-	27,269
<b>Earnings (loss) before income tax</b>	<b>8,454</b>	<b>1,942</b>	<b>3,854</b>	<b>(3,334)</b>	<b>10,916</b>
<b>Net earnings (loss)</b>	<b>8,454</b>	<b>1,942</b>	<b>3,854</b>	<b>(5,038)</b>	<b>9,212</b>
<b>EBITDA**</b>	<b>\$ 11,134</b>	<b>\$ 2,021</b>	<b>\$ 5,588</b>	<b>\$ (1,667)</b>	<b>\$ 17,076</b>

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

Three months ended March 31, 2014	Pulses and Grain Processing	Trading and Distribution	Corporate and Eliminations	Consolidated
Revenue	\$ 236,845	\$ 113,674	\$ (39,236)	\$ 311,283
Cost of sales	218,044	105,206	(39,236)	284,014
Gross profit	18,801	8,468	-	27,269
<b>Earnings (loss) before income taxes</b>	<b>11,365</b>	<b>2,885</b>	<b>(3,334)</b>	<b>10,916</b>
<b>Net earnings (loss)</b>	<b>11,365</b>	<b>2,885</b>	<b>(5,038)</b>	<b>9,212</b>
<b>EBITDA**</b>	<b>\$ 15,546</b>	<b>\$ 3,197</b>	<b>\$ (1,667)</b>	<b>\$ 17,076</b>

Three months ended March 31, 2013	Pulses and Grain Processing	Trading and Distribution	Corporate and Eliminations	Consolidated
Revenue	\$ 198,301	\$ 103,302	\$ (25,163)	\$ 276,440
Cost of sales	182,412	96,982	(25,163)	254,231
Gross profit	15,889	6,320	-	22,209
<b>Earnings (loss) before income taxes</b>	<b>9,260</b>	<b>2,770</b>	<b>(13,589)</b>	<b>(1,560)</b>
<b>Net earnings (loss)</b>	<b>9,260</b>	<b>2,770</b>	<b>(12,409)</b>	<b>(380)</b>
<b>EBITDA**</b>	<b>\$ 12,806</b>	<b>\$ 2,937</b>	<b>\$ (2,169)</b>	<b>\$ 13,574</b>

## Notes to the Unaudited Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2014 and 2013

(Stated in thousands of Canadian dollars)

### 13. Segmented Reporting- continued

	Pulses and Grain Processing	Trading and Distribution	Food Ingredients and Packaged Foods	Corporate and Eliminations	Consolidated
<b>As at Mar 31, 2014</b>					
Assets	\$ 602,232	\$ 129,344	\$ 248,595	\$ (180,934)	\$ 799,237
Liabilities	519,052	42,575	121,575	(135,265)	547,937
Intangible assets	1,759	2,143	7,789	-	11,691
Goodwill	33,907	8,993	15,446	-	58,346
Purchase of property, plant and equipment	2,687	82	4,584	-	7,353
	Pulses and Grain Processing	Trading and Distribution	Food Ingredients and Packaged Foods	Corporate and Eliminations	Consolidated
<b>Dec 31, 2013</b>					
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

### 14. Sales and selected geographic information

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

	Mar 31, 2014	Mar 31, 2013
Pulses and specialty crops	\$ 193,961	\$ 201,506
Pasta, semolina and bulgur	44,120	32,456
Rice, other commodities and miscellaneous revenue	73,202	42,478
<b>Total</b>	<b>\$ 311,283</b>	<b>\$ 276,440</b>

Sales derived from customers located in the following geographic areas:

	Mar 31, 2014	Mar 31, 2013
Canada	\$ 15,789	\$ 7,681
Americas / Caribbean, excluding Canada	18,686	25,141
Asia / Pacific Rim	56,888	62,328
Europe / Middle East / Africa	219,920	181,290
<b>Total</b>	<b>\$ 311,283</b>	<b>\$ 276,440</b>

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

For the three months ended March 31, 2014 and 2013

(Stated in thousands of Canadian dollars)

**14. Sales and selected geographic information - continued**

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

	<b>Property, plant and equipment</b>	
	<b>Mar 31, 2014</b>	<b>Dec 31, 2013</b>
Turkey	\$ 77,090	\$ 74,119
Canada	61,488	58,829
North America, excluding Canada	61,434	58,812
Australia	34,713	32,252
China	5,295	4,662
South Africa	4,166	4,075
<b>Total</b>	<b>\$ 244,186</b>	<b>\$ 232,749</b>

	<b>Intangibles</b>	
	<b>Mar 31, 2014</b>	<b>Dec 31, 2013</b>
Turkey	\$ 4,966	\$ 4,822
Canada	3,145	385
United Kingdom	2,143	2,127
China	1,355	1,346
South Africa	82	68
<b>Total</b>	<b>\$ 11,691</b>	<b>\$ 8,748</b>

	<b>Goodwill</b>	
	<b>Mar 31, 2014</b>	<b>Dec 31, 2013</b>
Turkey	\$ 36,102	\$ 34,647
Canada	18,399	18,399
United Kingdom	3,783	3,618
Australia	51	47
North America, excluding Canada	11	11
<b>Total</b>	<b>\$ 58,346</b>	<b>\$ 56,722</b>

**Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

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**15. Business combinations**

On January 13, 2014, AGT finalized a transaction to purchase substantially all of the assets of Quebec-based CLIC International Inc (CLIC). CLIC is a Canadian ethnic and traditional retail food packager and canner and retail and food service distributor. The acquired assets include inventory, retail packaging and canning production-related equipment, all CLIC and associated retail brands, retail and food service listings. 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	\$ 9,901
Property, plant and equipment	3,358
Net identifiable tangible assets	13,259
Intangible assets	2,741
Total net assets	\$ 16,000

Included in the current period Statement of Comprehensive Income is \$6,958 of revenue, and \$631 of net earnings attributable to the acquisition of CLIC. If the acquisition had occurred on January 1, 2014, the expected revenue from the acquisition would have been approximately \$8,223, and the net earnings approximately \$745.

Some acquisition costs related to the CLIC purchase were recorded in the current year Statement of Comprehensive Income. These amounts totalled \$152 (March 31, 2013 – nil) and were recorded in general and administration expenses.

Included in the working capital amounts above were accounts receivable of \$3,130. These amounts represent the fair value of the assets, none of which were considered uncollectable by AGT as at the purchase date.

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.



## **Notes to the Unaudited Condensed Consolidated Interim Financial Statements**

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(Stated in thousands of Canadian dollars)

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

At March 31, 2014, AGT had a letter of credit in favour of Lloyd's Bank in the United Kingdom in the amount of \$13,266 (December 31, 2013 – \$12,800). This letter of credit serves as security for the operating line in the United Kingdom and is callable in the event of a default by AGT's subsidiary.

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

### **17. Subsequent event**

On April 25<sup>th</sup> a fire occurred at AGT's processing facility in Alberta, Canada which resulted in damage and the ceasing of operations at the facility. The property and contents are insured under AGT's North American policy. Management is currently investigating the extent of the damage to the facility but does not expect a material financial impact as a result.