Unaudited interim condensed consolidated financial statements

Ag Growth International Inc.

March 31, 2016

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of financial position

[in thousands of Canadian dollars]

As at

	March 31, 2016	December 31, 2015
	$	$
Assets *[note 16]*		
Current assets		
Cash and cash equivalents	**35,516**	58,234
Cash held in trust *[note 5]*	**6,250**	250
Accounts receivable *[note 13]*	**78,763**	73,524
Inventory	**105,850**	98,722
Prepaid expenses and other assets *[note 25]*	**3,704**	2,790
Derivative instruments *[note 20]*	**409**	—
Due from vendor *[note 5]*	**1,411**	—
Income taxes recoverable	**188**	916
	232,091	234,436
Non-current assets		
Property, plant and equipment, net *[note 25]*	**163,822**	165,687
Goodwill *[note 8]*	**169,062**	164,081
Intangible assets, net *[note 7]*	**161,225**	163,781
Available-for-sale investment *[note 10]*	**900**	900
Other assets *[note 18]*	**2**	234
Income taxes recoverable	**3,981**	3,930
Deferred tax asset *[note 19]*	**—**	84
	498,992	498,697
Assets held for sale *[note 9]*	**6,521**	6,606
Total assets	**737,604**	739,739
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities *[note 22]*	**58,438**	47,721
Customer deposits	**20,577**	21,461
Dividends payable *[note 14[d]]*	**2,931**	2,883
Current portion of contingent consideration *[note 5[c]]*	**2,754**	2,687
Acquisition, transaction and financing costs payable *[notes 5 and 26]*	**941**	1,846
Other financial liabilities *[note 5[b]]*	**8,865**	9,017
Income taxes payable	**4,929**	4,472
Current portion of long-term debt *[note 16]*	**32,428**	34,600
Current portion of obligations under finance lease *[note 16[d]]*	**248**	209
Current portion of derivative instruments *[note 20]*	**10,321**	20,577
Provisions	**6,640**	6,550
	149,072	152,023
Non-current liabilities		
Long-term debt *[note 16]*	**112,501**	112,331
Due to vendor	**950**	800
Contingent consideration *[note 5]*	**4,720**	1,976
Convertible unsecured subordinated debentures *[note 17]*	**198,459**	197,585
Obligations under finance lease *[note 16[d]]*	**1,104**	1,177
Derivative instruments *[note 20]*	**2,769**	3,191
Deferred tax liability *[note 19]*	**35,112**	32,938
	355,615	349,998
Total liabilities	**504,687**	502,021
Shareholders' equity *[note 14]*		
Common shares	**246,640**	244,840
Accumulated other comprehensive income	**38,764**	42,560
Equity component of convertible debentures	**6,912**	6,912
Contributed surplus	**11,385**	10,193
Deficit	**(70,784)**	(66,787)
Total shareholders' equity	**232,917**	237,718
Total liabilities and shareholders' equity	**737,604**	739,739
Commitments and contingencies *[note 25]*		

See accompanying notes

On behalf of the Board of Directors:

(signed) Bill Lambert
Director

(signed) David A. White, CA, ICD.D
Director

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of income

[in thousands of Canadian dollars, except per share amounts]

	Three-month period ended	
	March 31, 2016 $	**March 31, 2015** $
Sales	**117,760**	87,259
Cost of goods sold *[note 6[d]]*	**80,757**	61,679
Gross profit	**37,003**	25,580
Expenses		
Selling, general and administrative *[note 6[e]]*	**26,651**	22,026
Other operating income *[note 6[a]]*	**(487)**	(569)
Finance costs *[note 6[c]]*	**5,959**	3,100
Finance expense (income) *[note 6[b]]*	**(2,201)**	2,690
	29,922	27,247
Profit (loss) before income taxes	**7,081**	(1,667)
Income tax expense (recovery) *[note 19]*		
Current	**1,449**	870
Deferred	**(65)**	872
	1,384	1,742
Profit (loss) for the period	**5,697**	(3,409)
Profit (loss) per share – basic *[note 23]*	**0.39**	(0.26)
Profit (loss) per share – diluted *[note 23]*	**0.38**	(0.26)

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of comprehensive income

[in thousands of Canadian dollars]

	Three-month period ended	
	March 31, 2016	**March 31, 2015**
	$	$
Profit (loss) for the period	**5,697**	(3,409)
Other comprehensive income (loss)		
Items that may be reclassified subsequently to profit or loss		
Change in fair value of derivatives designated as cash flow hedges	**6,872**	(13,142)
Losses on derivatives designated as cash flow hedges recognized in net earnings in the current period	**3,805**	1,337
Actuarial gains on defined benefit plans	**(177)**	—
Exchange differences on translation of foreign operations	**(11,413)**	17,515
Income tax effect on cash flow hedges	**(2,883)**	3,140
Other comprehensive income (loss) for the period	**(3,796)**	8,850
Total comprehensive income for the period	**1,901**	5,441

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statement of changes in shareholders' equity

[in thousands of Canadian dollars]

Three-month period ended March 31, 2016

	Common shares $	Equity component of convertible debentures $	Contributed surplus $	Deficit $	Cash flow hedge reserve $	Foreign currency reserve $	Defined benefit plan reserve $	Total equity $
As at January 1, 2016	**244,840**	**6,912**	**10,193**	**(66,787)**	**(17,358)**	**59,761**	**157**	**237,718**
Profit for the period	—	—	—	5,697	—	—	—	5,697
Other comprehensive income (loss)	—	—	—	—	7,794	(11,413)	(177)	(3,796)
Share-based payment transactions *[notes 14 and 15]*	342	—	1,192	—	—	—	—	1,534
Dividend reinvestment plan *[notes 14[d] and 14[e]]*	1,458	—	—	—	—	—	—	1,458
Dividends to shareholders *[note 14[d]]*	—	—	—	(8,778)	—	—	—	(8,778)
Dividends on share-based compensation awards *[note 14[d]]*	—	—	—	(916)	—	—	—	(916)
As at March 31, 2016	**246,640**	**6,912**	**11,385**	**(70,784)**	**(9,564)**	**48,348**	**(20)**	**232,917**

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statement of changes in shareholders' equity

[in thousands of Canadian dollars]

Three-month period ended March 31, 2015

	Common shares $	**Equity component of convertible debentures** $	**Contributed surplus** $	**Deficit** $	**Cash flow hedge reserve** $	**Foreign currency reserve** $	**Total equity** $
As at January 1, 2015	184,771	3,135	12,954	(5,972)	(6,545)	21,383	209,726
Loss for the period	—	—	—	(3,409)	—	—	(3,409)
Other comprehensive income (loss)	—	—	—	—	(8,665)	17,515	8,850
Share-based payment transactions *[notes 14 and 15]*	—	—	1,285	—	—	—	1,285
Dividend reinvestment plan transactions *[notes 14[d] and 14[e]]*	1,246	—	—	—	—	—	1,246
Dividends to shareholders *[note 14[d]]*	—	—	—	(7,908)	—	—	(7,908)
Dividends on share-based compensation awards *[note 14[d]]*	—	—	—	(205)	—	—	(205)
Equity component of convertible debentures	—	—	(6)	—	—	—	(6)
As at March 31, 2015	186,017	3,135	14,233	(17,494)	(15,210)	38,898	209,579

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of cash flows

[in thousands of Canadian dollars, except per share amounts]

	Three-month period ended	
	March 31, 2016	**March 31, 2015**
	$	$
Operating activities		
Profit (loss) before income taxes for the period	**7,081**	(1,667)
Add (deduct) items not affecting cash		
Depreciation of property, plant and equipment	**2,741**	1,766
Amortization of intangible assets	**3,100**	1,349
Non-cash investment tax credit	**(51)**	(76)
Translation loss (gain) on foreign exchange	**(5,845)**	13,143
Non-cash component of interest expense	**1,069**	584
Share-based compensation expense	**616**	1,080
Loss on sale of property, plant and equipment	**10**	1
Gain on sale of assets held for sale	**—**	(131)
Employer contribution to defined benefit plan	**(103)**	—
Defined benefit plan expense	**157**	—
Non-cash movement in derivative instruments	**(320)**	—
Dividend receivable on equity swap	**(100)**	—
Dividends on share based compensation	**(55)**	—
	8,300	16,049
Net change in non-cash working capital balances related to operations *[note 11]*	**(5,174)**	(27,801)
Income tax paid	**(132)**	(40)
Cash provided by (used in) operating activities	**2,994**	(11,792)
Investing activities		
Acquisition of property, plant and equipment	**(1,156)**	(10,481)
Acquisition of Entringer, net of cash acquired *[note 5[d]]*	**(9,711)**	—
Changes to deposits related to property, plant and equipment	**—**	(2,578)
Transfer to cash held in trust	**(6,000)**	—
Proceeds from sale of property, plant and equipment	**26**	7
Proceeds from sale of assets held for sale	**—**	1,147
Development and purchase of intangible assets	**(567)**	(377)
Transaction costs paid and payable	**(839)**	469
Cash used in investing activities	**(18,247)**	(11,813)
Financing activities		
Repayment of obligation under finance leases	**(135)**	—
Costs related to issuance of long-term debt	**(10)**	—
Increase in bank indebtedness	**—**	5,095
Subscription receipts financing costs	**—**	(123)
Dividends paid in cash *[note 14[d]]*	**(7,320)**	(6,662)
Cash used in financing activities	**(7,465)**	(1,690)
Net decrease in cash and cash equivalents during the period	**(22,718)**	(25,295)
Cash and cash equivalents, beginning of period	**58,234**	25,295
Cash and cash equivalents, end of period	**35,516**	—
Supplemental cash flow information		
Interest paid	**2,139**	956

See accompanying notes

Ag Growth International Inc.

Notes to unaudited interim condensed consolidated financial statements

[in thousands of Canadian dollars, except where otherwise noted and per share data]

March 31, 2016

1. Organization

The unaudited interim condensed consolidated financial statements of Ag Growth International Inc. ["Ag Growth Inc."] for the three-month period ended March 31, 2016 were authorized for issuance in accordance with a resolution of the directors on May 4, 2016. Ag Growth International Inc. is a listed company incorporated and domiciled in Canada, whose shares are publicly traded at the Toronto Stock Exchange. The registered office is located at 198 Commerce Drive, Winnipeg, Manitoba, Canada.

2. Operations

Ag Growth Inc. conducts business in the grain handling, storage and conditioning market.

Included in these unaudited interim condensed consolidated financial statements are the accounts of Ag Growth Inc. and all of its subsidiary partnerships and incorporated companies; together, Ag Growth Inc. and its subsidiaries are referred to as "AGI" or the "Company".

3. Statement of compliance and basis of presentation

[a] Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standards ["IAS"] 34 – *Interim Financial Reporting* on a basis consistent with International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board ["IASB"].

The accounting policies applied by the Company in these unaudited interim condensed consolidated financial statements are the same as those applied by the Company in its audited annual consolidated financial statements as at and for the year ended December 31, 2015, except for the adoption of new standards and interpretations effective as of January 1, 2016. As required by IAS 34, the nature and effect of those changes are disclosed below.

Amendments to IAS 1, Presentation of Financial Statements

The amendments to IAS 1 are part of the IASB's initiative to improve presentation and disclosure in financial reports [the "Disclosure Initiative"]. The application of IAS 1 has not materially impacted the unaudited interim condensed consolidated financial statements.

These unaudited interim condensed consolidated financial statements do not include all the information and notes required by IFRS for annual financial statements and therefore should be read in conjunction with the audited annual consolidated financial statements and notes for the Company's fiscal year ended December 31, 2015, which are available on SEDAR at www.sedar.com.

[b] Basis of preparation

The unaudited interim condensed consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the parent company, Ag Growth International Inc. All values are rounded to the nearest thousand. They are prepared on the historical cost basis, except for derivative financial instruments and available-for-sale investments, which are measured at fair value.

Accounting measurements at interim dates, rather than at year end, inherently involve a greater reliance on estimates. In the opinion of management, the unaudited interim condensed consolidated financial statements include all adjustments of a normal recurring nature to present fairly the unaudited interim condensed consolidated financial position of the Company as at March 31, 2016.

[c] Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's unaudited interim condensed consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

Financial instruments: classification and measurement ["IFRS 9"]

In July 2014, on completion of the impairment phase of the project to reform accounting for financial instruments and replace IAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the final version of IFRS 9 Financial Instruments. IFRS 9 includes guidance on the classification and measurement of financial assets and financial liabilities, impairment of financial assets [i.e. recognition of credit losses], and a new hedge accounting model. Under the classification and measurement requirements for financial assets, financial assets must be classified and measured at either amortized cost or at fair value through profit or loss or through OCI, depending on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. The classification requirements for financial liabilities are unchanged from IAS 39. IFRS 9 requirements address the problem of volatility in net earnings arising from an issuer choosing to measure certain liabilities at fair value and require that the portion of the change in fair value due to changes in the entity's own credit risk be presented in OCI, rather than within net earnings. The new general hedge accounting model is intended to be simpler and more closely focus on how an entity manages its risks, replaces the IAS 39 effectiveness testing requirements with the principle of an economic relationship, and eliminates the requirement for retrospective assessment of hedge effectiveness. The new requirements for impairment of financial assets introduce an expected loss impairment model that requires more timely recognition of expected credit losses. IAS 39 impairment requirements are based on an incurred loss model where credit losses are not recognized until there is evidence of a trigger event. IFRS 9 is effective for annual periods beginning on or after January l, 2018 with early application permitted. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

Revenue from Contracts with Customers ["IFRS 15"]

IFRS 15, Revenue from Contracts with Customers, issued by the IASB in May 2014, is applicable to all revenue contracts and provides a model for the recognition and measurement of gains or losses from sales of some non-financial assets. The core principle is that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively [for example, service revenue and contract modifications] and improve guidance for multiple-element arrangements. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively, with earlier adoption permitted. Entities will transition following either a full or modified retrospective approach. The Company is currently evaluating the impact of the above standard on its consolidated financial statements.

Leases ["IFRS 16"]

In January 2016, the IASB released IFRS 16, Leases, to replace the previous leases Standard, IAS 17, Leases, and related Interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer [lessee] and the supplier [lessor]. IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. IFRS 16 also substantially carries forward the lessor accounting requirements. Accordingly, a lessor continues to classify its leases as operating lease or finance leases, and to account for those two types of leases differently.

IFRS 16 will be effective for the Company's fiscal year beginning on January 1, 2019, with earlier application permitted only if the Company applies IFRS 15, Revenue from contracts with customers. The Company has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

4. Seasonality of business

Interim period sales and earnings historically reflect some seasonality. The third quarter is typically the strongest primarily due to high in-season demand at the farm level. AGI's collections of accounts receivable are weighted towards the third and fourth quarters. This collection pattern, combined with seasonally high sales in the third quarter, result in accounts receivable levels increasing throughout the year and normally peaking in the third quarter. As a result of these working capital movements, historically, AGI's use of its bank revolver is typically highest in the first and second quarters, begins to decline in the third quarter as collections of accounts receivable increase, and is repaid in the third or fourth quarter of each year.

5. Business combinations

[a] Rem Grain Vac product line

Effective February 3, 2014, the Company acquired the assets related to the Rem Grain Vac product line ["Grain Vac"]. The acquisition of Grain Vac provides the Company with a complementary product line.

During 2015, the allocation of the purchase price to acquired assets and liabilities was finalized. As at March 31, 2016, the Company had cash held in trust of $250 [2015 – $250] relating to the acquisition of Grain Vac.

[b] Vicwest's Westeel Division

Effective May 20, 2015, the Company acquired substantially all of the assets of Vicwest's Westeel Division ["Westeel"], Canada's leading provider of grain storage solutions. The acquisition of Westeel provides the Company with an expanded growth platform within North America and around the world.

[in thousands of Canadian dollars, except where otherwise noted and per share data]

The purchase has been accounted for by the acquisition method with the results of Westeel included in the Company's net earnings from the date of acquisition. The assets acquired and liabilities assumed of Westeel on the date of acquisition have been recorded in the unaudited interim condensed consolidated financial statements at their estimated fair values as follows:

	$
Cash and cash equivalents	13,183
Accounts receivable	22,281
Inventory	27,555
Prepaid expenses and other assets	868
Investment in European subsidiary	5,481
Property, plant and equipment	43,371
Intangible assets	
Distribution network	37,600
Brand name	43,300
Order backlog	1,700
Goodwill	80,311
Other long term assets	702
Accounts payable and accrued liabilities	(21,932)
Customer deposits	(709)
Provisions	(1,172)
Income taxes payable	(4,825)
Deferred tax liability	(21,478)
Other liabilities	(3,172)
Obligations under finance leases	(1,422)
Purchase consideration	221,642

The goodwill of $80,311 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of accounts receivable acquired is $22,281. This consists of the gross contractual value of $23,300, less the estimated amount not expected to be collected of $1,019.

[in thousands of Canadian dollars, except where otherwise noted and per share data]

Included in other liabilities is a put option liability which relates to Westeel's European subsidiary. The put option held by the European subsidiary's non-controlling shareholders provides them an option to put the remaining minority interest to the Company. Significant judgment was required to assess the date when the Company gained control over the European subsidiary and the Company determined that for the purposes of financial reporting such control was effective as at October 1, 2015. Factors relevant to this assessment included Board representation from the Company.

From the date of acquisition, Westeel contributed to the 2015 results $73,214 of revenue and $1,058 of net income. If the acquisition had taken place as at January 1, 2015, revenue from continuing operations in 2015 would have increased by an additional $60,806 and profit from continuing operations in 2015 would have increased by an additional $3,171.

The impacts on the cash flows on the acquisition of Westeel are as follows:

	$
Purchase consideration	221,642
Less cash acquired	(13,183)
Less cash acquired with European subsidiary	(2,466)
Purchase consideration transferred	205,993

The allocation of the purchase price to acquired assets and liabilities is preliminary, utilizing information available at the time the unaudited interim condensed consolidated financial statements were prepared. The final allocation of the purchase price and the working capital adjustment may change when more information becomes available.

Transaction costs related to the Westeel acquisition in the three-month period ended March 31, 2016 were nil [2015 – $1,065] and are included in selling, general and administrative expenses.

For the purposes of funding the purchase price, AGI issued $51.75 million subscription receipts [the "Subscription Receipts"] and $51.75 million aggregate principal amount extendible convertible unsecured subordinated debentures *[note 16]*. The remainder of the purchase price was funded by the Company through expanded credit facilities *[note 15].*

Upon the completion of the Westeel acquisition, the Subscription Receipt holders received one common share of AGI per Subscription Receipt *[note 13]*.

Notes to unaudited interim condensed consolidated financial statements

[in thousands of Canadian dollars, except where otherwise noted and per share data]

March 31, 2016

The assets and liabilities of the European subsidiary on the date of control have been recorded in the unaudited interim condensed consolidated financial statements at their estimated fair values:

	$
Cash and cash equivalents	2,466
Accounts receivable	3,417
Inventory	8,803
Prepaids expenses and other assets	1,243
Deferred tax asset	48
Property, plant and equipment	228
Intangible assets	
Distribution networks	1,780
Brand name	1,929
Order backlog	806
Goodwill	2,579
Accounts payable and accrued liabilities	(12,109)
Purchase consideration	11,190

The goodwill of $2,579 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of the accounts receivable acquired is $3,417. This consists of the gross contractual value of $3,517, less the estimated amount not expected to be collected of $100.

In the three-month period ended March 31, 2016, the Company identified certain non-refundable customer deposits recorded in the purchase price allocation These deposits related to projects that were terminated prior to acquisition, and should not have been included in the allocation of the purchase price. This has resulted in a decrease in accounts payable and a decrease in goodwill, each in the amount of $1,129 from the period previously reported.

From the date of acquisition, the European subsidiary contributed to the 2015 results $14,098 of revenue and $1,217 of net income. If the acquisition had taken place as at January 1, 2015, revenue from continuing operations in 2015 would have increased by an additional $17,223 and profit from continuing operations in 2015 would have increased by an additional $157.

The allocation of purchase consideration to the acquired assets and liabilities is preliminary, utilizing information available at the time unaudited interim condensed consolidated financial statements were prepared. The final allocation may change when more information becomes available.

There was no cash consideration exchanged at the date of control. The consideration given up or assumed consisted of the fair value of the previously held 51% interest in the European subsidiary and the recognition of a financial liability to acquire the remaining non-controlling interest based on the expected cash outflow which has been recorded as an other financial liability in the statement of financial position.

[in thousands of Canadian dollars, except where otherwise noted and per share data]

Transaction costs related to the European subsidiary acquisition in the three-month period ended March 31, 2016 were $60 [2015 – nil] and are included in selling, general and administrative expenses.

[c] GJ Vis Holdings Inc. [“Vis”]

Effective November 30, 2015, the Company acquired 100% of the outstanding shares of Vis, a manufacturer of commercial fertilizer and feed handling equipment. The acquisition of Vis provides the Company with a new capability and experience in the planning, design and manufacture of high throughput industrial fertilizer handling equipment.

The purchase has been accounted for by the acquisition method with the results of Vis included in the Company’s net earnings from the date of acquisition. The assets and liabilities of Vis on the date of acquisition have been recorded in the unaudited interim condensed consolidated financial statements at their estimated fair values:

	$
Accounts receivable	1,073
Inventory	2,770
Prepaids expenses and other assets	89
Income taxes receivable	46
Property, plant and equipment	4,080
Intangible assets	
Distribution network	2,643
Brand name	2,473
Order backlog	583
Goodwill	3,545
Accounts payable and accrued liabilities	(847)
Customer deposits	(832)
Deferred tax liability	(1,674)
Purchase consideration	13,949

The goodwill of $3,545 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of the accounts receivable acquired is $1,073. This consists of the gross contractual value of $1,123, less the estimated amount not expected to be collected of $50.

From the date of acquisition, Vis contributed to the 2015 results $1,353 of revenue and $196 of net income. If the acquisition had taken place as at January 1, 2015, revenue from continuing operations in 2015 would have increased by an additional $13,854, and profit from continuing operations in 2015 would have increased by an additional $451.

[in thousands of Canadian dollars, except where otherwise noted and per share data]

The impacts on the cash flows on the acquisition of Vis are as follows:

	$
Cash paid	10,000
Contingent consideration	4,663
Working capital adjustment receivable	(714)
Purchase consideration	13,949

The allocation of the purchase price to acquired assets and liabilities is preliminary, utilizing information available at the time the unaudited interim condensed consolidated financial statements were prepared. The final allocation of the purchase price and the working capital adjustment may change when more information becomes available.

Transaction costs related to the Vis acquisition in the three-month period ended March 31, 2016 were $24 [2015 – nil] and are included in selling, general and administrative expenses.

The contingent consideration is based on Vis meeting predetermined earnings targets in 2016 and 2017. A maximum payment of $3,000 in 2016 and $2,000 in 2017 would be required if Vis meets the targets. The Company believes the likelihood of the maximum payment is very high. The present value of the contingent consideration has been determined using a 5% discount rate. $2,754 has been recorded in current liabilities and $1,976 has been recorded in non-current liabilities.

[in thousands of Canadian dollars, except where otherwise noted and per share data]

[d] Entringer Industrial S.A. ["Entringer"]

Effective March 9, 2016, the Company acquired 100% of the outstanding shares of Entringer S.A. ["Entrlnger"], a Brazilian based manufacturer of grain bins, bucket elevators, dryers and cleaners. The acquisition of Entringer provides a strategic position for AGI's entry into the expanding agricultural market in Brazil.

The purchase has been accounted for by the acquisition method with the results of Entringer included in the Company's net earnings from the date of acquisition. The assets and liabilities of Entringer on the date of acquisition have been recorded in the unaudited interim condensed consolidated financial statements at their estimated fair values:

	$
Cash and cash equivalents	1,215
Accounts receivable	1,271
Inventory	1,121
Prepaids expenses and other assets	160
Property, plant and equipment	4,123
Intangible assets	
Distribution network	1,000
Brand name	300
Goodwill	8,030
Accounts payable and accrued liabilities	(4,660)
Other liabilities	(301)
Purchase consideration	12,259

The goodwill of $8,030 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of the accounts receivable acquired is $1,271. This consists of the gross contractual value of $1,521 less the estimated amount not expected to be collected of $250.

From the date of acquisition, Entringer contributed to the 2016 results $43 of revenue and $300 of net loss. If the acquisition had taken place as at January 1, 2016, revenue from continuing operations in 2016 would have increased by an additional $1,096 and profit from continuing operations in 2016 would have decreased by an additional $1,819.

[in thousands of Canadian dollars, except where otherwise noted and per share data]

The impacts on the cash flows on the acquisition of Entringer are as follows:

	$
Cash paid	10,926
Contingent consideration	2,744
Due from Vendor	(1,411)
Purchase consideration	12,259

The allocation of the purchase price to acquired assets and liabilities is preliminary, utilizing information available at the time the unaudited interim condensed consolidated financial statements were prepared. The final allocation of the purchase price and the working capital adjustment may change when more information becomes available.

Transaction costs related to the Entringer acquisition in the period ended March 31, 2016 were $116 [2015 – nil] and are included in selling, general and administrative expenses.

The contingent consideration is based on Entringer meeting predetermined earnings targets in 2016, 2017 and 2018. A maximum payment of $1,800 in each of 2017, 2018 and 2019 would be required if Entringer meets the targets. The Company believes the likelihood of the maximum payment is low. The present value of the contingent consideration has been determined using a 5% discount rate. $2,744 has been recorded in non-current liabilities.

Notes to unaudited interim condensed consolidated financial statements

[in thousands of Canadian dollars, except where otherwise noted and per share data]

March 31, 2016

6. Other expenses (income)

	Three-month period ended	
	March 31, 2016	**March 31, 2015**
	$	$
[a] Other operating income		
Net loss on disposal of property, plant and equipment	**10**	1
Net gain on disposal of assets held for sale	**—**	(131)
Other	**(497)**	(439)
	(487)	(569)
[b] Finance expense (income)		
Interest income from banks	**(28)**	(15)
Loss (gain) on foreign exchange	**(2,173)**	2,705
	(2,201)	2,690
[c] Finance costs		
Interest on overdrafts and other finance costs	**33**	64
Interest, including non-cash interest, on debts and borrowings	**2,248**	646
Interest, including non-cash interest, on convertible debentures *[note 16]*	**3,678**	2,390
	5,959	3,100
[d] Cost of goods sold		
Depreciation	**2,530**	1,599
Amortization of intangible assets	**1,325**	162
Warranty provision	**90**	336
Cost of inventory recognized as an expense	**76,812**	59,582
	80,757	61,679
[e] Selling, general and administrative expenses		
Depreciation	**211**	167
Amortization of intangible assets	**1,775**	1,187
Minimum lease payments recognized as an operating lease expense	**698**	417
Selling, general and administrative	**23,685**	19,178
Transaction costs	**282**	1,077
	26,651	22,026
[f] Employee benefits expense		
Wages and salaries	**33,853**	25,861
Share-based payment transaction expense *[note 14[d]]*	**616**	1,080
Pension costs	**932**	607
	35,401	27,548
Included in cost of goods sold	**22,854**	17,978
Included in selling general and administrative expense	**12,547**	9,570
	35,401	27,548

[in thousands of Canadian dollars, except where otherwise noted and per share data]

7. Intangible assets

	$
Balance, January 1, 2015	75,618
Internal development	1,760
Acquired	93,565
Amortization	(8,610)
Impairment	(2,185)
Exchange differences	3,633
Balance, December 31, 2015	163,781
Internal development	567
Acquired	1,300
Amortization	(3,100)
Exchange differences	(1,323)
Balance, March 31, 2016	**161,225**

8. Goodwill

	March 31, 2016 $	**December 31, 2015** $
Balance, beginning of period	**164,081**	71,356
Acquisition *[note 5]*	**6,901**	87,564
Impairment *[note 12]*	**—**	(414)
Exchange differences	**(1,920)**	5,575
Balance, end of period	**169,062**	164,081

9. Assets held for sale

In the three-month period ended March 31, 2015, AGI sold land and buildings in Lethbridge, Alberta and the related carrying amount of $1,101 was removed from assets held for sale. In the three-month period ended June 30, 2015, AGI acquired Westeel, which included land and building in Regina, Saskatchewan that met the definition of assets held for sale. The related carrying amount of $4,100 has been recorded as assets held for sale. In the three-month period ended September 30, 2015, AGI transferred all production activities from an existing facility to a new facility, both located in Decatur, Illinois. AGI concluded that the grounds, building and selected equipment at the existing Decatur, Illinois facility met the definition of assets held for sale. The related carrying amount of $1,271 has been recorded as assets held for sale.

As at March 31, 2016, assets held for sale consist of land, grounds, buildings and selected equipment in Winnipeg, Manitoba, Regina, Saskatchewan and Decatur, Illinois.

[in thousands of Canadian dollars, except where otherwise noted and per share data]

10. Available-for-sale investment

In fiscal 2009, AGI invested $2 million in a privately held Canadian farming company ["Investco"]. In conjunction with AGI's investment, Investco made a $2 million deposit to AGI for future purchases of grain handling and storage equipment to support their farming operations and AGI was to become a strategic supplier to Investco. The deposit was fully utilized in 2014. AGI assesses at each reporting period whether there is any objective evidence that its investment is impaired. In 2014, AGI had concluded its investment in Investco was impaired based on external information available and observable conditions and as a result, AGI recorded a $1.1 million charge to reflect management's estimate of the fair value of its investment in Investco.

11. Net change in non-cash working capital

The net change in the non-cash working capital balances related to operations is calculated as follows:

	March 31, 2016	**March 31, 2015**
	$	$
Accounts receivable	**(3,968)**	(15,996)
Inventory	**(6,007)**	(15,824)
Prepaid expenses and other assets	**(754)**	(195)
Accounts payable and accrued liabilities	**7,025**	5,698
Customer deposits	**(1,310)**	(1,820)
Provisions	**(160)**	336
	(5,174)	(27,801)

12. Impairment of Mepu and Applegate

During 2015, AGI conducted a strategic review regarding operations in Union City, USA and Yläne, Finland. Management concluded that these operations were no longer strategically aligned with the business objectives of AGI and accordingly determined to exit the businesses by way of divestiture or disposal. As a result, the Company concluded that certain of the assets of these CGU's were impaired and incurred impairment charges of $13,439 during the fourth quarter of 2015 to reflect the FVLCS of these assets. These non-cash impairment charges have been recorded to income.

Management's estimate of the recoverable amount of these assets was based on external information and observable conditions where possible, supplemented by internal analysis as required, which falls within Level 3 of the fair value hierarchy – refer to note 20[c] for further details related to the determination of fair value.

As at March 31, 2016, Mepu and Applegate are continuing operations.

[in thousands of Canadian dollars, except where otherwise noted and per share data]

13. Accounts receivable

As is typical in the agriculture sector, AGI may offer extended terms on its accounts receivable to match the cash flow cycle of its customer. The following table sets forth details of the age of trade accounts receivable that are not overdue, as well as an analysis of overdue amounts and the related allowance for doubtful accounts:

	March 31, 2016	**December 31, 2015**
	$	$
Total accounts receivable	**80,138**	77,820
Less allowance for doubtful accounts	**(1,375)**	(4,296)
Total accounts receivable, net	**78,763**	73,524
Of which		
Neither impaired nor past due	**61,441**	44,624
Not impaired and past the due date as follows		
Within 30 days	**8,385**	18,745
31 to 60 days	**2,151**	5,046
61 to 90 days	**700**	2,835
Over 90 days	**7,461**	6,570
Less allowance for doubtful accounts	**(1,375)**	(4,296)
Total accounts receivable, net	**78,763**	73,524

[in thousands of Canadian dollars, except where otherwise noted and per share data]

14. Equity

[a] Common shares

Authorized
Unlimited number of voting common shares without par value

Issued
14,653,602 common shares

	Shares #	Amount $
Balance, January 1, 2015	13,165,627	184,771
Dividend reinvestment plan costs	—	(16)
Dividend reinvestment shares issued from treasury	132,165	5,252
Exercise of grants under DDCP *[note 15[b]]*	10,934	396
Settlement of 2012 SAIP obligation	163,678	5,162
Dividends on 2012 SAIP	5,914	137
Share issuance related to Westeel acquisition *[note 5[b]]*	1,112,050	49,138
Balance, December 31, 2015	14,590,368	244,840
Dividend reinvestment shares issued from treasury *[note 14[e]]*	52,241	1,458
Settlement of 2012 SAIP obligation	10,993	342
Balance, March 31, 2016	**14,653,602**	**246,640**

[b] Contributed surplus

	Three-month period ended March 31, 2016 $	Year ended December 31, 2015 $
Balance, beginning of period	**10,193**	12,954
Equity-settled director compensation *[note 15[b]]*	**108**	268
Exercise of grants under DDCP	**—**	(396)
Dividends on 2012 SAIP	**916**	881
Settlement of 2012 SAIP dividends	**(43)**	(1,066)
Obligation under 2012 SAIP *[note 15[a]]*	**508**	2,736
Settlement of 2012 SAIP obligation	**(303)**	(5,184)
2015 convertible unsecured subordinated debentures	**6**	—
Balance, end of period	**11,385**	10,193

[c] Accumulated other comprehensive income

Accumulated other comprehensive income is comprised of the following:

Cash flow hedge reserve

The cash flow hedge reserve contains the effective portion of the cash flow hedge relationships incurred as at the reporting date.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of hedging net investments in foreign operations.

[d] Dividends paid and proposed

In the three-month period ended March 31, 2016, the Company declared dividends of $8,778 or $0.60 per common share [2015 – $7,908 or $0.60 per common share] and dividends on share compensation awards of $916 [2015 – $205]. For the three-month period ended March 31, 2016, 52,241 common shares were issued to shareholders from treasury under the dividend reinvestment plan [the “DRIP”]. In the three-month period ended March 31, 2016, dividends paid to shareholders were financed $7,320 [2015 – $6,662] from cash on hand and $1,458 [2015 – $1,246] by the DRIP.

AGI’s dividend policy is to pay cash dividends on or about the 15th of each month to shareholders of record on the last business day of the previous month. The Company’s current monthly dividend rate is $0.20 per common share. Subsequent to March 31, 2016, the Company declared dividends of $0.20 per common share on April 30, 2016.

[e] Dividend reinvestment plan

On March 5, 2013, the Company announced the adoption of the DRIP. Eligible shareholders who elect to reinvest dividends under the DRIP will initially receive common shares issued from treasury at a discount of 4% from the market price of the common shares, with the market price being equal to the volume-weighted average trading price of the common shares on the Toronto Stock Exchange for the five trading days preceding the applicable dividend payment date. The Company incurred costs of nil [2015 – nil] with respect to administration of the DRIP.

[f] Shareholder protection rights plan

On December 20, 2010, the Company’s Board of Directors adopted a Shareholders’ Protection Rights Plan [the “Rights Plan”]. Specifically, the Board of Directors has implemented the Rights Plan by authorizing the issuance of one right [a “Right”] in respect of each common share [the “Common Shares”] of the Company. If a person or a Company, acting jointly or in concert, acquires [other than pursuant to an exemption available under the Rights Plan] beneficial ownership of 20% or more of the Common Shares, Rights [other than those held by such acquiring person which will become void] will separate from the Common Shares and permit the holder thereof to purchase that number of Common Shares having an aggregate market price [as determined in accordance with the Rights Plan] on the date of consummation or occurrence of such acquisition of Common Shares equal to four times the exercise price of the Rights for an amount in cash equal to the exercise price. The exercise price of the Rights pursuant to the Rights Plan is $150 per Right.

[g] Preferred shares

On May 14, 2014, the shareholders of AGI approved the creation of two new classes of preferred shares, each issuable in one or more series without par value and each with such rights, restrictions, designations and provisions as the Company's Board of Directors may, at any time from time to time determine, subject to an aggregate maximum number of authorized preferred shares. In particular, no preferred shares of either class may be issued if:

[i] The aggregate number of preferred shares that would then be outstanding would exceed 50% of the aggregate number of common shares then outstanding; or

[ii] The maximum aggregate number of common shares into which all of the preferred shares then outstanding could be converted in accordance with their terms would exceed 20% of the aggregate number of common shares then outstanding; or

[iii] The aggregate number of votes which the holders of all preferred shares then outstanding would be entitled to cast at any meeting of the shareholders of the Company [other than meetings at which only holders of preferred shares are entitled to vote] would exceed 20% of the aggregate number of votes which the holders of all common shares then outstanding would be entitled to cast at any such meeting.

As at March 31, 2016 and December 31, 2015, no preferred shares were issued or outstanding.

15. Share-based compensation plans

[a] Share award incentive plan [“SAIP”]

The 2012 SAIP

On May 11, 2012, the shareholders of AGI approved a Share Award Incentive Plan [the “2012 SAIP”] which authorizes the Board to grant Restricted Share Awards [“Restricted Awards”] and Performance Share Awards [“Performance Awards”] [collectively the “Share Awards”] to persons who are officers, employees or consultants of the Company and its affiliates. Share Awards may not be granted to Non-Management Directors.

A total of 465,000 common shares are available for issuance under the 2012 SAIP. At the discretion of the Board, the 2012 SAIP provides for cumulative adjustments to the number of common shares to be issued pursuant to Share Awards on each date that dividends are paid on the common shares. The 2012 SAIP provides for accelerated vesting in the event of a change in control, retirement, death or termination without cause.

Each Restricted Award will entitle the holder to be issued the number of common shares designated in the Restricted Award with such common shares to be issued as to one-third on each of the third, fourth and fifth anniversary dates of the date of grant, subject to earlier vesting in certain events. The Company has an obligation to settle any amount payable in respect of a Restricted Award by common shares issued from treasury of the Company.

Each Performance Award requires the Company to deliver to the holder at the Company's discretion either the number of common shares designated in the Performance Award multiplied by a Payout Multiplier or the equivalent amount in cash after the third and prior to the fourth anniversary date of the grant. The Payout Multiplier is determined based on an assessment of the achievement of pre-defined measures in respect of the applicable period. The Payout Multiplier may not exceed 200%.

The Company intends to settle the Share Award by common shares.

As at March 31, 2016, 296,000 Restricted Awards and 110,000 Performance Awards have been granted. The Company has accounted for the Share Awards as equity-settled plans. The fair values of the Restricted Awards and the Performance Awards were based on the share price as at the grant date and the assumption that there will be no forfeitures. All Performance Awards vested in 2015 and there is no expense related to Performance Awards in the three-month period ended March 31, 2016. During the three-month period ended March 31, 2016, AGI expensed $508 for the 2012 SAIP [2015 – $1,023].

[b] Directors' deferred compensation plan ["DDCP"]

Under the DDCP, every Director receives a fixed base retainer fee, an attendance fee for meetings and a committee chair fee, if applicable, and a predetermined minimum of the total compensation must be taken in common shares. A Director will not be entitled to receive the common shares he or she has been granted until a period of three years has passed since the date of grant or until the Director ceases to be a Director, whichever is earlier. The Directors' common shares are fixed based on the fees eligible to him or her for the respective period and his or her decision to elect for cash payments for dividends related to the common shares; therefore, the Director's remuneration under the DDCP vests directly in the respective service period. The three-year period [or any shorter period until a Director ceases to be a Director] qualifies only as a waiting period to receive the vested common shares.

For the three-month period ended March 31, 2016, an expense of $108 [2015 – $57] was recorded for the share grants, and a corresponding amount has been recorded to contributed surplus. The share grants were measured with the contractual agreed amount of service fees for the respective period.

The total number of common shares issuable pursuant to the DDCP shall not exceed 70,000, subject to adjustment in lieu of dividends, if applicable. For the three-month period ended March 31, 2016, 2,850 [2015 – 1,079] common shares were granted under the DDCP and as at March 31, 2016, a total of 57,422 [2015 – 48,614] common shares had been granted under the DDCP and 18,436 [2015 – 7,502] common shares had been issued.

[in thousands of Canadian dollars, except where otherwise noted and per share data]

[c] Summary of expenses recognized under share-based payment plans

For the three-month period ended March 31, 2016, an expense of $616 [2015 - $1,080] was recognized for employee and Director services rendered.

A summary of the status of the options under the 2012 SAIP is presented below:

	2012 SAIP	
	Restricted awards	**Performance awards**
	#	#
Outstanding, January 1, 2015	241,000	110,000
Granted	16,000	—
Vested	(54,383)	(110,000)
Forfeited	(8,283)	—
Balance, December 31, 2015	194,334	—
Granted	33,000	—
Vested	(1,223)	—
Forfeited	(1,777)	
Balance, March 31, 2016	**224,334**	**—**

There is no exercise price on the 2012 SAIP awards.

[in thousands of Canadian dollars, except where otherwise noted and per share data]

16. Long-term debt and obligations under finance leases

	Interest rate %	Maturity	March 31, 2016 $	December 31, 2015 $
Current portion of long-term debt				
Series A secured notes [U.S. dollar denominated]	6.8	2016	**32,428**	34,600
Total current long-term debt			**32,428**	34,600
Non-current portion of long-term debt				
Series B secured notes	4.4	2025	**25,000**	25,000
Term A secured loan	3.4	2019	**50,000**	50,000
Term B secured loan	3.4	2022	**40,000**	40,000
Total non-current long-term debt			**115,000**	115,000
Less deferred financing costs			**2,499**	2,669
Long-term debt			**112,501**	112,331
Current portion of obligations under finance leases	Euribor +2	2017	**248**	209
Non-current portion of obligations under finance leases	Euribor +2	2017	**1,104**	1,177
Obligations under finance leases			**1,352**	1,386
Total interest-bearing loans and borrowings			**146,281**	148,317

[a] Bank indebtedness

AGI has operating facilities of $20.0 million and U.S. $5.0 million. The facilities bear interest at prime plus 0.2% to prime plus 1.75% per annum based on performance calculations. The effective interest rate during the three-month period ended March 31, 2016 on AGI's Canadian dollar operating facility was 4.0% [2015 – 3.0%] and on its U.S. dollar operating facility was 3.5% [2015 – 3.3%]. As at March 31, 2016, there was nil [December 31, 2015 – nil] outstanding under these facilities. The facilities mature March 19, 2019.

Collateral for the operating facilities ranks pari passu with the Series A secured notes and include a general security agreement over all assets, first position collateral mortgages on land and buildings, assignments of rents and leases and security agreements for patents and trademarks.

[b] Long-term debt

The Series A secured notes were issued on October 29, 2009. The non-amortizing notes bear interest at 6.8% payable quarterly and mature on October 29, 2016. The Series A secured notes are denominated in U.S. dollars. Collateral for the Series A secured notes and term loans ranks pari passu and include a general security agreement over all assets, first position collateral mortgages on land and buildings, assignments of rents and leases and security agreements for patents and trademarks.

The Series B secured notes were issued on May 22, 2015. The non-amortizing notes bear interest at 4.4% payable quarterly and mature on May 22, 2025. Collateral for the Series B secured notes and term loans ranks pari passu and include a general security agreement over all assets, first position collateral mortgages on land and buildings, assignments of rents and leases and security agreements for patents and trademarks.

The Term A secured loan was issued on May 20, 2015 and matures on May 19, 2019. The facilities bear interest at BA plus 2.5% per annum based on performance calculations. Interest on the non-amortizing loan has been fixed at 3.8% through an interest rate swap contract *[note 20].* Collateral for the Term A loan and secured notes ranks pari passu and include a general security agreement over all assets, first position collateral mortgages on land and buildings, assignments of rents and leases and security agreements for patents and trademarks.

The Term B secured loan was issued on May 20, 2015 and matures on May 19, 2022. The facilities bear interest at BA plus 2.5% per annum based on performance calculations. Interest on the non-amortizing loan has been fixed at 4.3% through an interest rate swap contract *[note 20].* Collateral for the Term B loan and secured notes ranks pari passu and include a general security agreement over all assets, first position collateral mortgages on land and buildings, assignments of rents and leases and security agreements for patents and trademarks.

AGI has revolver facilities of $105 million and U.S. $45 million. The facilities bear interest at prime plus 0.2% to prime plus 1.75% per annum based on performance calculations. As at March 31, 2016, there was nil [December 31, 2015 – nil] outstanding under these facilities. The facilities mature May 19, 2019.

[c] Covenants

AGI is subject to certain financial covenants in its credit facility agreements which must be maintained to avoid acceleration of the termination of the agreement. The financial covenants require AGI to maintain a debt to earnings before interest, taxes, depreciation and amortization [“EBITDA”] ratio of less than 3.25 and to provide debt service coverage of a minimum of 1.0. The covenant calculations exclude the convertible unsecured subordinated debentures from the definition of debt. As at March 31, 2016 and December 31, 2015, AGI was in compliance with all financial covenants.

[in thousands of Canadian dollars, except where otherwise noted and per share data]

[d] Obligations under finance lease

The Company has a real estate lease that matures on December 31, 2017. The lease is denominated in Euros and bears interest at Euribor plus 2%.

17. Convertible unsecured subordinated debentures

	March 31, 2016	December 31, 2015
	$	$
Principal amount	**213,000**	213,000
Equity component	**(9,922)**	(9,922)
Accretion	**2,644**	2,193
Financing fees, net of amortization	**(7,263)**	(7,686)
Convertible unsecured subordinated debentures	**198,459**	197,585

2013 Debentures

In December 2013, the Company issued $86.3 million aggregate principal amount of convertible unsecured subordinated debentures [the "2013 Debentures"] at a price of $1,000 per 2013 Debenture. The net proceeds of the offering, after payment of the underwriters' fee of $3.5 million and expenses of the offering of $0.6 million, were approximately $82.2 million. The 2013 Debentures bear interest at an annual rate of 5.25% payable semi-annually on June 30 and December 31. The maturity date of the 2013 Debentures is December 31, 2018.

Each 2013 Debenture is convertible into common shares of the Company at the option of the holder at any time on the earlier of the maturity date and the date of redemption of the 2013 Debenture, at a conversion price of $55.00 per common share being a conversion rate of approximately 18.1818 common shares per $1,000 principal amount of 2013 Debentures. No conversion options were exercised during the three-month period ended March 31, 2016 [year ended December 31, 2014 – nil]. As at March 31, 2016, AGI has reserved 1,568,182 common shares for issuance upon conversion of the 2013 Debentures.

The 2013 Debentures are not redeemable before December 31, 2016. On and after December 31, 2016 and prior to December 31, 2017, the 2013 Debentures may be redeemed, in whole or in part, at the option of the Company at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the common shares during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. On and after December 31, 2017, the 2013 Debentures may be redeemed, in whole or in part, at the option of the Company at a price equal to their principal amount plus accrued and unpaid interest.

On redemption or at maturity, the Company may, at its option, elect to satisfy its obligation to pay the principal amount of the 2013 Debentures by issuing and delivering common shares. The Company may also elect to satisfy its obligations to pay interest on the 2013 Debentures by delivering common shares. The Company does not expect to exercise the option to satisfy its obligations to pay the principal amount or interest by delivering common shares. The number of any shares issued will be determined based on market prices at the time of issuance.

The Company presents and discloses its financial instruments in accordance with the substance of its contractual arrangement. Accordingly, upon issuance of the 2013 Debentures, the Company recorded a liability of $86,250, less related offering costs of $3,847. The liability component has been accreted using the effective interest rate method, and during the three-month period ended March 31, 2016, the Company recorded accretion of $217 [2015 – $203], non-cash interest expense relating to financing costs of $186 [2015 – $175] and interest expense of $1,132 [2015 – $1,132]. The estimated fair value of the holder's option to convert the 2013 Debentures to common shares in the total amount of $4,480 has been separated from the fair value of the liability and is included in shareholders' equity, net of income tax of $1,134 and its pro rata share of financing costs of $211.

2014 Debentures

In December 2014, the Company issued $51.8 million aggregate principal amount of extendible convertible unsecured subordinated debentures [the "2014 Debentures"] at a price of $1,000 per 2014 Debenture. The 2014 Debentures bear interest at an annual rate of 5.25% payable semi-annually on June 30 and December 31. The maturity date of the 2014 Debentures is December 31, 2019.

Each 2014 Debenture is convertible into common shares of the Company at the option of the holder at any time on the earlier of the maturity date and the date of redemption of the 2014 Debenture, at a conversion price of $65.57 per common share being a conversion rate of approximately 15.2509 common shares per $1,000 principal amount of 2014 Debentures. No conversion options were exercised during the three-month period ended March 31, 2016 [2015 – nil]. As at March 31, 2016, AGI has reserved 789,233 common shares for issuance upon conversion of the 2014 Debentures.

The 2014 Debentures are not redeemable before December 31, 2017. On and after December 31, 2017 and prior to December 31, 2018, the 2014 Debentures may be redeemed, in whole or in part, at the option of the Company at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the common shares during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. On and after December 31, 2018, the 2014 Debentures may be redeemed, in whole or in part, at the option of the Company at a price equal to their principal amount plus accrued and unpaid interest.

On redemption or at maturity, the Company may, at its option, elect to satisfy its obligation to pay the principal amount of the 2014 Debentures by issuing and delivering common shares. The Company may also elect to satisfy its obligation to pay interest on the 2014 Debentures by delivering sufficient common shares. The Company does not expect to exercise the option to satisfy its obligations to pay the principal amount or interest by delivering common shares. The number of shares issued will be determined based on market prices at the time of issuance.

The Company presents and discloses its financial instruments in accordance with the substance of its contractual arrangement. Accordingly, upon issuance of the 2014 Debentures, the Company recorded a liability of $51,750, less related offering costs of $2,663 and the estimated fair value of the holder's conversion option. The liability component has been accreted using the effective interest rate method, and during the three-month period ended March 31, 2016, the Company recorded accretion of $98 [2015 – nil], non-cash interest expense relating to financing costs of $113 [2015 – nil] and interest expense on the 5.25% coupon of $679 [2015 – nil]. The estimated fair value of the holder's option to convert the 2014 Debentures to common shares in the total amount of $2,165 has been separated from the fair value of the liability and is included in shareholders' equity, net of income tax of $557 and its pro rata share of financing costs of $111.

2015 Debentures

In September 2015, the Company issued $75.0 million aggregate principal amount of convertible unsecured subordinated debentures [the "2015 Debentures"] at a price of $1,000 per 2015 Debenture. The 2015 Debentures bear interest at an annual rate of 5.00% payable semi-annually on June 30 and December 31. The maturity date of the 2015 Debentures is December 31, 2020.

Each 2015 Debenture is convertible into common shares of the Company at the option of the holder at any time on the earlier of the maturity date and the date of redemption of the 2015 Debenture, at a conversion price of $60.00 per common share being a conversion rate of approximately 16.6667 common shares per $1,000 principal amount of 2015 Debentures. No conversion options were exercised during the three-month period ended March 31, 2016. As at March 31, 2016, AGI has reserved 1,250,000 common shares for issuance upon conversion of the 2015 Debentures.

The 2015 Debentures are not redeemable before December 31, 2018. On and after December 31, 2018 and prior to December 31, 2019, the 2015 Debentures may be redeemed, in whole or in part, at the option of the Company at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the common shares during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. On and after December 31, 2018, the 2015 Debentures may be redeemed, in whole or in part, at the option of the Company at a price equal to their principal amount plus accrued and unpaid interest.

[in thousands of Canadian dollars, except where otherwise noted and per share data]

On redemption or at maturity, the Company may, at its option, elect to satisfy its obligation to pay the principal amount of the 2015 Debentures by issuing and delivering common shares. The Company may also elect to satisfy its obligation to pay interest on the 2015 Debentures by delivering sufficient common shares. The Company does not expect to exercise the option to satisfy its obligations to pay the principal amount or interest by delivering common shares. The number of shares issued will be determined based on market prices at the time of issuance.

The Company presents and discloses its financial instruments in accordance with the substance of its contractual arrangement. Accordingly, upon issuance of the 2015 Debentures, the Company recorded a liability of $75,000, less related offering costs of $3,509 and the estimated fair value of the holder's conversion option. The liability component has been accreted using the effective interest rate method, and during the three-month period ended March 31, 2016, the Company recorded accretion of $136 [2015 – nil], non-cash interest expense relating to financing costs of $139 [2015 – nil] and interest expense on the 5.00% coupon of $938 [2015 – nil]. The estimated fair value of the holder's option to convert the 2015 Debentures to common shares in the total amount of $3,277 has been separated from the fair value of the liability and is included in shareholders' equity, net of income tax of $835 and its pro rata share of financing costs of $162.

18. Retirement benefit plans

During the three-month period ended March 31, 2016, the expenses associated with the Company's defined pension benefit was $157 [2015 – nil]. At March 31, 2016, the accrued pension benefit was $2 [December 31, 2015 – $234] which is included in other assets on the unaudited interim condensed consolidated statements of financial position.

19. Income taxes

The major components of income tax expense for the three-month periods ended March 31, 2016 and 2015 are as follows:

Unaudited interim condensed consolidated statements of income

	2016 $	**2015** $
Current tax expense		
Current income tax charge	**1,449**	870
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	**(65)**	872
Income tax expense reported in the unaudited interim condensed consolidated statement of income	**1,384**	1,742

Notes to unaudited interim condensed consolidated financial statements

[in thousands of Canadian dollars, except where otherwise noted and per share data]

March 31, 2016

Unaudited interim condensed consolidated statement of comprehensive income

	2016 $	2015 $
Deferred tax related to items charged or credited directly to other comprehensive income during the period		
Unrealized gain (loss) on derivatives	**2,883**	(3,140)
Exchange differences on translation of foreign operations	**(759)**	1,012
Income tax charged (credited) directly to other comprehensive income	**2,124**	(2,128)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

	As at March 31, 2016 $	As at December 31, 2015 $
Inventories	**(90)**	(90)
Property, plant and equipment and other assets	**(20,453)**	(21,115)
Intangible assets	**(32,427)**	(32,833)
Deferred financing costs	**(600)**	(611)
Accruals and long-term provisions	**3,978**	4,238
Tax loss carryforwards expiring between 2020 to 2036	**1,804**	1,614
Investment tax credits	**(627)**	(627)
Canadian exploration expenses	**12,941**	13,218
Capitalized development expenditures	**(1,120)**	(1,060)
Convertible debentures	**(1,965)**	(2,087)
SAIP liability	**—**	82
Derivative instruments	**(87)**	—
Other comprehensive income	**3,534**	6,417
Net deferred tax liability	**(35,112)**	(32,854)
Reflected in the statement of unaudited interim condensed consolidated financial position as follows		
Deferred tax assets	**—**	84
Deferred tax liabilities	**(35,112)**	(32,938)
Deferred tax liability, net	**(35,112)**	(32,854)

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences and loss carryforwards become deductible. Based on the analysis of taxable temporary differences and future taxable income, management of the Company is of the opinion that there is convincing evidence available for the probable realization of all deductible temporary differences of the Company's tax entities incurred other than losses in its Finnish operations of 6,826 Euros [December 31, 2015 – 6,283 Euros] and its Brazilian operations of 3,757 BRL [December 31, 2015 – 2,764 BRL]. Accordingly, the Company has recorded a deferred tax asset for all other deductible temporary differences as at March 31, 2016 and as at December 31, 2015.

Included in the current year's income tax expense was nil [December 31, 2015 – $1,652] withholding tax paid on the repatriation of surplus from a subsidiary. As at March 31, 2016, there was no recognized deferred tax liability [December 31, 2015 – nil] for taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries. The Company has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future. The temporary differences associated with investments in subsidiaries, for which a deferred tax asset has not been recognized, aggregate to $622 [December 31, 2015 – $622].

Income tax provisions, including current and deferred income tax assets and liabilities, and income tax filing positions require estimates and interpretations of federal and provincial income tax rules and regulations, and judgments as to their interpretation and application to AGI's specific situation. The amount and timing of reversals of temporary differences will also depend on AGI's future operating results, acquisitions and dispositions of assets and liabilities. The business and operations of AGI are complex, and AGI has executed a number of significant financings, acquisitions, reorganizations and business combinations over the course of its history. The computation of income taxes payable as a result of these transactions involves many complex factors, as well as AGI's interpretation of and compliance with relevant tax legislation and regulations. While AGI believes that its tax filing positions are probable to be sustained, there are a number of tax filing positions that may be the subject of review by taxation authorities. Therefore, it is possible that additional taxes could be payable by AGI, and the ultimate value of AGI's income tax assets and liabilities could change in the future, and that changes to these amounts could have a material effect on unaudited interim condensed consolidated financial statements.

There are no income tax consequences to the Company attached to the payment of dividends in either 2016 or 2015 by the Company to its shareholders.

20. Financial instruments and financial risk management

[a] Management of risks arising from financial instruments

AGI's principal financial liabilities, other than derivatives, comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company has deposits, trade and other receivables, and cash and short-term deposits that are derived directly from its operations. The Company also holds an available-for-sale investment and enters into derivative transactions.

The Company's activities expose it to a variety of financial risks: market risk [including foreign exchange and interest rate], credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to mitigate certain risk exposures. The Company does not purchase any derivative financial instruments for speculative purposes. Risk management is the responsibility of the corporate finance function, which has the appropriate skills, experience and supervision. The Company's domestic and foreign operations along with the corporate finance function identify, evaluate and, where appropriate, mitigate financial risks. Material risks are monitored and are regularly discussed with the Audit Committee of the Board of Directors. The Audit Committee reviews and monitors the Company's financial risk-taking activities and the policies and procedures that were implemented to ensure that financial risks are identified, measured and managed in accordance with Company policies.

The risks associated with the Company's financial instruments are as follows:

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Components of market risk to which AGI is exposed are discussed below. Financial instruments affected by market risk include trade accounts receivable and payable, available-for-sale investments and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at March 31, 2016 and December 31, 2015.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant. The analyses exclude the impact of movements in market variables on the carrying value of provisions and on the non-financial assets and liabilities of foreign operations.

The following assumptions have been made in calculating the sensitivity analyses:

- The unaudited interim condensed consolidated statements of financial position sensitivity relates to derivatives.
- The sensitivity of the relevant unaudited interim condensed consolidated statements of income item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held as at March 31, 2016 and December 31, 2015, including the effect of hedge accounting.
- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges as at March 31, 2016 and December 31, 2015 for the effects of the assumed underlying changes.

Foreign currency risk

The objective of the Company's foreign exchange risk management activities is to minimize transaction exposures and the resulting volatility of the Company's earnings, subject to liquidity restrictions, by entering into foreign exchange forward contracts. Foreign currency risk is created by fluctuations in the fair value or cash flows of financial instruments due to changes in foreign exchange rates and exposure.

[in thousands of Canadian dollars, except where otherwise noted and per share data]

A significant part of the Company's sales are transacted in U.S. dollars and, as a result, fluctuations in the rate of exchange between the U.S. and Canadian dollar can have a significant effect on the Company's cash flows and reported results. To mitigate exposure to the fluctuating rate of exchange, AGI enters into foreign exchange forward contracts and denominates a portion of its debt in U.S. dollars. As at March 31, 2016, AGI's U.S. dollar denominated debt totalled $32.4 million [December 31, 2015 – $34.6 million] and the Company has entered into the following foreign exchange forward contracts to sell U.S. dollars in order to hedge its foreign exchange risk on revenue:

Settlement dates	**Face value** U.S. $	**Average rate** Cdn $
April – December 2016	83,000	1.18
January – February 2017	9,000	1.25

The Company enters into foreign exchange forward contracts to mitigate foreign currency risk relating to certain cash flow exposures. The hedged transactions are expected to occur within a maximum 24-month period. The Company's foreign exchange forward contracts reduce the Company's risk from exchange movements because gains and losses on such contracts offset gains and losses on transactions being hedged. The Company's exposure to foreign currency changes for all other currencies is not material.

AGI's sales denominated in U.S. dollars for the three-month period ended March 31, 2016 were U.S. $43.9 million, and the total of its cost of goods sold and its selling, general and administrative expenses denominated in that currency were U.S. $30.0 million. Accordingly, a 10% increase or decrease in the value of the U.S. dollar relative to its Canadian counterpart would result in a $4.4 million increase or decrease in sales and a total increase or decrease of $3.0 million in its cost of goods sold and its selling, general and administrative expenses. In relation to AGI's foreign exchange hedging contracts, a 10% increase or decrease in the value of the U.S. dollar relative to its Canadian counterpart would result in a $2.4 million increase or decrease in the foreign exchange gain and a $11.9 million increase or decrease to other comprehensive income.

The counterparties to the contracts are three multinational commercial banks and therefore credit risk of counterparty non-performance is remote. Realized gains or losses are included in net earnings, and for the three-month period ended March 31, 2016, the Company realized a loss on its foreign exchange contracts of $3,583 [2015 – $1,931].

The open foreign exchange forward contracts as at March 31, 2016 are as follows:

		Notional Canadian dollar equivalent		
	Notional amount of currency sold $	**Contract amount** $	**Cdn $ equivalent** $	**Unrealized loss** $
U.S. dollar contract	**92,000**	**1.19**	**109,101**	**(10,321)**

The terms of the foreign exchange forward contracts have been negotiated to match the terms of the commitments. There were no highly probable transactions for which hedge accounting has been claimed that have not occurred and no significant element of hedge ineffectiveness requiring recognition in the unaudited interim condensed consolidated statements of income.

The cash flow hedges of the expected future sales were assessed to be highly effective and a net unrealized loss of $10,321 [2015 – $20,713], with a deferred tax asset of $3,534 [2015 – $5,510] relating to the hedging instruments, is included in accumulated other comprehensive income.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Furthermore, as AGI regularly reviews the denomination of its borrowings, the Company is subject to changes in interest rates that are linked to the currency of denomination of the debt. AGI's Series A secured notes, Series B secured notes and convertible unsecured subordinated debentures outstanding at March 31, 2016 and December 31, 2015 are at a fixed rate of interest.

Interest rate swap contracts

On May 22, 2015, the Company entered into interest rate swap contracts to manage its exposure to fluctuations in interest rates on its core borrowings. Through these contracts, the Company agreed to receive interest on notional amounts from the counterparty and pay interest on the same notional amounts at rates between 3.84% and 4.32%. The notional amounts are $90,000 in aggregate resetting the last business day of each month. The contracts expire in May 2019 and May 2022.

The interest rate swap contracts are derivative financial instruments designated as a cash flow hedges and changes in the fair value were recognized as a component of other comprehensive income to the extent that it has been assessed to be effective.

The amount of loss recorded in other comprehensive income during the three-month period ended March 31, 2016 was $768 [2015 – nil].

Equity swap

On March 18, 2016, the Company entered into an equity swap agreement with a financial institution to manage the cash flow exposure due to fluctuations in its share price related to the SAIP.

Pursuant to this agreement, the Counterparty has agreed to pay the Company the total return of the defined underlying common shares which includes both the dividend income they may generate and any capital appreciation. In return, the Company has agreed to pay the Counterparty a funding cost calculated daily based on floating rate option [CAD-BA-COOR] plus a spread of 2.0% and any administrative fees or expenses which are incurred by the Counterparty directly.

As at March 31, 2016, the equity swap agreement covered 500,000 common shares of the Company at a price of $34.10 and the agreement matures on March 22, 2019.

Credit risk

Credit risk is the risk that a customer will fail to perform an obligation or fail to pay amounts due, causing a financial loss. A substantial portion of AGI's accounts receivable are with customers in the agriculture industry and are subject to normal industry credit risks. A portion of the Company's sales and related accounts receivable are also generated from transactions with customers in overseas markets, several of which are in emerging markets such as countries in Eastern Europe. It is often common business practice for international customers to pay invoices over an extended period of time. Accounts receivable is subject to credit risk exposure and the carrying values reflect management's assessment of the associated maximum exposure to such credit risk. The Company regularly monitors customers for changes in credit risk. The Company's credit exposure is mitigated through the use of credit practices that limit transactions according to the customer's credit quality and due to the accounts receivable being spread over a large number of customers. Trade receivables from international customers are often insured for events of non-payment through third-party export insurance. In cases where the credit quality of a customer does not meet the Company's requirements, a cash deposit or letter of credit is received before goods are shipped.

Assessments about the recoverability of financial assets, including accounts receivable, require significant judgment in determining whether there is objective evidence that a loss event has occurred and estimates of the amount and timing of future cash flows. The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability to collect on its trade receivables which is netted against the accounts receivable on the unaudited interim condensed consolidated statements of financial position. Emerging markets are subject to various additional risks including currency exchange rate fluctuations, foreign economic conditions and foreign business practices. One or more of these factors could have a material effect on the future collectability of such receivables. In assessing whether objective evidence of impairment exists at each reporting period the Company considers its past experience of collecting payments, historical loss experience, customer credit ratings and financial data as available, collateral on amounts owing including insurance coverage from export credit agencies, as well as observable changes in national or local economic conditions.

The Company does not believe that any single customer group represents a significant concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that AGI will encounter difficulties in meeting its financial liability obligations. AGI manages its liquidity risk through cash and debt management. In managing liquidity risk, AGI has access to committed short- and long-term debt facilities as well as to equity markets, the availability of which is dependent on market conditions. AGI believes it has sufficient funding through the use of these facilities to meet foreseeable borrowing requirements.

[in thousands of Canadian dollars, except where otherwise noted and per share data]

[b] Fair value

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the unaudited interim condensed consolidated financial statements:

	March 31, 2016		December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$
Financial assets				
Loans and receivables				
Cash and cash equivalents	**35,516**	**35,516**	58,234	58,234
Cash held in trust	**6,250**	**6,250**	250	250
Accounts receivable	**78,763**	**78,763**	73,524	73,524
Derivative instruments	**409**	**409**	—	—
Available-for-sale investment	**900**	**900**	900	900
Financial liabilities				
Other financial liabilities				
Interest-bearing loans and borrowings	**146,281**	**147,899**	148,317	148,531
Trade payables and provisions	**65,078**	**65,078**	54,271	54,271
Dividends payable	**2,931**	**2,931**	2,883	2,883
Acquisition, transaction and financing costs payable	**941**	**941**	1,846	1,846
Contingent consideration	**7,474**	**7,474**	4,663	4,663
Other financial liabilities	**8,865**	**8,865**	9,017	9,017
Derivative instruments	**13,090**	**13,090**	23,768	23,768
Convertible unsecured subordinated debentures	**198,459**	**177,382**	197,585	185,414

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents, cash held in trust, accounts receivable, dividends payable, acquisition, transaction and financing costs payable, accounts payable and accrued liabilities, due to vendor, contingent consideration and other liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

- The fair value of unquoted instruments and loans from banks is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

- The Company enters into derivative financial instruments with financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly foreign exchange forward contracts and one option embedded in each convertible debt agreement. The most frequently applied valuation techniques include forward pricing, using present value calculations. The models incorporate various inputs including the credit quality of counterparties and foreign exchange spot and forward rates.

- AGI includes its available-for-sale investment which is in a private company in Level 3 of the fair value hierarchy as it trades infrequently and has little price transparency. AGI reviews the fair value of this investment at each reporting period and when recent arm's length market transactions are not available, management's estimate of fair value is determined using a market approach based on external information and observable conditions where possible, supplemented by internal analysis as required. In 2015, AGI transferred the available-for-sale investment from Level 2 to Level 3 as direct observable market data was not available.

[c] Fair value ["FV"] hierarchy

AGI uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level I

The fair value measurements are classified as Level 1 in the FV hierarchy if the fair value is determined using quoted, unadjusted market prices for identical assets or liabilities.

Level 2

Fair value measurements that require inputs other than quoted prices in Level 1, and for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly, are classified as Level 2 in the FV hierarchy.

Level 3

Fair value measurements that require unobservable market data or use statistical techniques to derive forward curves from observable market data and unobservable inputs are classified as Level 3 in the FV hierarchy.

[in thousands of Canadian dollars, except where otherwise noted and per share data]

The FV hierarchy of financial instruments recorded on the unaudited interim condensed consolidated statement of financial position is as follows:

	March 31, 2016			**December 31, 2015**		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
	$	$	$	$	$	$
Financial assets						
Derivative instruments	**—**	**409**	**—**	—	—	—
Available-for-sale investment	**—**	**—**	**900**	—	—	900
Financial liabilities						
Interest-bearing loans and borrowings	**—**	**146,281**	**—**	—	148,317	—
Contingent consideration	**—**	**—**	**7,474**	—	—	4,663
Other financial liabilities	**—**	**—**	**8,865**	—	—	9,017
Derivative instruments	**—**	**13,090**	**—**	—	23,768	—
Convertible unsecured subordinated debentures	**—**	**198,459**	**—**	—	197,585	—

During the reporting periods ended March 31, 2016 and December 31, 2015, there were no transfers between Level 1 and Level 2 fair value measurements.

Interest from financial instruments is recognized in finance costs and finance income. Foreign currency and impairment reversal impacts for loans and receivables are reflected in finance expenses (income).

21. Capital disclosure and management

The Company's capital structure is comprised of shareholders' equity and long-term debt. AGI's objectives when managing its capital structure are to maintain and preserve AGI's access to capital markets, continue its ability to meet its financial obligations, including the payment of dividends, and finance future organic growth and acquisitions.

AGI manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company is not subject to any externally imposed capital requirements other than financial covenants in its credit facilities and as at March 31, 2016 and December 31, 2015, all of these covenants were complied with *[note 16[c]]*.

The Board of Directors does not establish quantitative capital structure targets for management, but rather promotes sustainable and profitable growth. Management monitors capital using non-GAAP financial metrics, primarily total debt to the trailing 12 months EBITDA and net debt to total shareholders' equity. There may be instances where it would be acceptable for total debt to trailing EBITDA to temporarily fall outside of the normal targets set by management such as in financing an acquisition to take advantage of growth opportunities or industry cyclicality. This would be a strategic decision recommended by management and approved by the Board of Directors with steps taken in the subsequent period to restore the Company's capital structure based on its capital management objectives.

22. Related party disclosures

Relationship between parent and subsidiaries

The main transactions between the corporate entity of the Company and its subsidiaries is the providing of cash fundings based on the equity and convertible debt funds of Ag Growth Inc. Furthermore, the corporate entity of the Company is responsible for the billing and supervision of major construction contracts with external customers and the allocation of sub-projects to the different subsidiaries of the Company. Finally, the parent company provides management services to the Company entities. Between the subsidiaries there are limited inter-company sales of inventories and services. Because all subsidiaries are currently 100% owned by Ag Growth Inc., these inter-company transactions are 100% eliminated on consolidation.

Other relationships

Burnet, Duckworth & Palmer LLP ["BDP"] provides legal services to the Company and a Director of AGI is a partner of BDP. The total cost of these legal services in the three-month period ended March 31, 2016 was $10 [2015 – $394] and this amount is included in accounts payable and accrued liabilities as at March 31, 2016. These transactions were incurred during the normal course of business.

[in thousands of Canadian dollars, except where otherwise noted and per share data]

23. Profit (loss) per share

Profit (loss) per share is based on the consolidated profit (loss) for the year divided by the weighted average number of shares outstanding during the year. Diluted profit (loss) per share is computed in accordance with the treasury stock method and based on the weighted average number of shares and dilutive share equivalents.

The following reflects the income and share data used in the basic and diluted profit per share computations:

	March 31, 2016	**March 31, 2015**
	$	$
Net profit (loss) attributable to shareholders for basic and diluted profit per share	**5,697**	(3,409)
Basic weighted average number of shares	**14,619,580**	13,177,308
Dilutive effect of DDCP	**36,167**	—
Dilutive effect of RSU *[note 14[d]]*	**220,844**	—
Diluted weighted average number of shares	**14,876,591**	13,177,308
Profit (loss) per share – basic	**0.39**	(0.26)
Profit (loss) per share – diluted	**0.38**	(0.26)

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these unaudited interim condensed consolidated financial statements.

The 2013, 2014 and 2015 convertible unsecured subordinated debentures were excluded from the calculation of diluted net profit per share in the three-month period ended March 31, 2016 because their effect is anti-dilutive.

24. Reportable business segment

The company manufactures agricultural equipment with a focus on grain handling, storage and conditioning products. As at March 31, 2016, aggregation of operating segments was applied to determine that the Company had only one reportable segment. The primary factors considered in the application of the aggregation criteria included the similar long-term average gross margins and growth rates across the segments, the nature of the products manufactured by the segments all being related to the handling, storage and conditioning of agricultural commodities, and the similarity in the production processes of the segments.

[in thousands of Canadian dollars, except where otherwise noted and per share data]

The Company operates primarily within three geographical areas: Canada, United States and International. The following details the revenues, property, plant and equipment, goodwill, intangible assets and available-for-sale investment by geographical area, reconciled to the Company's consolidated financial statements:

	Revenue		**Property, plant and equipment, goodwill, intangible assets and available-for-sale investment**	
	Three-month period ended March 31, 2016	**Three-month period ended March 31, 2015**	**As at March 31, 2016**	**As at December 31, 2015**
	$	$	$	$
Canada	**51,200**	21,767	**349,624**	352,741
United States	**48,004**	42,621	**112,581**	120,479
International	**18,556**	22,871	**32,804**	21,229
	117,760	87,259	**495,009**	494,449

The revenue information above is based on the location of the customer. The Company has no single customer that represents 10% or more of the Company's revenue.

25. Commitments and contingencies

[a] Contractual commitment for the purchase of property, plant and equipment

As of the reporting date, the Company has entered into commitments to purchase property, plant and equipment of $513 [2015 – $30,392] for which deposits of nil [2015 – $23,131] were made as at March 31, 2016.

[b] Letters of credit

As at March 31, 2016, the Company has outstanding letters of credit in the amount of $630 [December 31, 2015 – $4,802].

[in thousands of Canadian dollars, except where otherwise noted and per share data]

[c] Operating leases

The Company leases office and manufacturing equipment, warehouse facilities and vehicles under operating leases with minimum aggregate rent payable in the future as follows:

	$
Within one year	2,376
After one year but no more than five years	4,976
After five years	1,987
	9,339

These leases have a life of between one and nine years with no renewal options included in the contracts.

During the three-month period ended March 31, 2016, the Company recognized an expense of $698 [2015 – $417] for leasing contracts. This amount relates only to minimum lease payments.

[d] Legal actions

The Company is involved in various legal matters arising in the ordinary course of business. The resolution of these matters is not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

26. Subsequent events

[a] Acquisition of NuVision Industries Inc.

Effective April 1, 2016, the Company acquired 100% of the outstanding shares of NuVision Industries Inc. ["NuVision"] for a maximum purchase price of $26.0 million which will be determined based on average earnings over the period 2015 – 2018. Upon acquisition, a cash amount of $6.0 million was paid to the vendors from cash held in trust and an additional $6.0 million became payable to the vendors through the issuance of a credit note for future purchases of AGI equipment. Payment of the contingent consideration is based on NuVision achieving specified earnings targets.

[b] Sales of assets held for sale

Effective April 9, 2016, the Company sold the land and building in Winnipeg, Manitoba which were classified as assets held for sale with a carrying amount of $1,150.

[c] Acquisition of remaining 49% of investment in European subsidiary

Effective April 22, 2016, the Company acquired the remaining 49% of Frame SRL for consideration of 6.0 million Euros.