Ag Growth Announces Fourth Quarter and Annual 2015 Results; Declares Dividends

Winnipeg, MB, March 10, 2016 – Ag Growth International Inc. (TSX: AFN) ("AGI" or the "Company") today announced its financial results for the three and twelve month periods ended December 31, 2015, and declared dividends for March, April and May 2016.

Overview of Results

(thousands of dollars)	**Three Months Ended December 31**		**Year Ended December 31**	
	2015	**2014**	**2015**	**2014**
Trade sales(1)	122,159	92,278	474,279	409,700
Adjusted EBITDA(1)	12,971	12,997	72,642	78,228
Net (Loss) Profit	(21,355)	(19,409)	(25,229)	4,100
Adjusted profit (loss) (1)	$(1.48)	$(1.45)	$(1.81)	$0.31
Diluted (loss) profit per share	2,148	3,677	30,371	35,331
Diluted adjusted profit per share(1) (2)	$0.15	$0.27	$2.18	$2.64

(1) See "Non-IFRS Measures".
(2) See "Diluted profit per share and Diluted adjusted profit per share".

Trade sales increased over 2014 primarily due to the acquisition of Westeel on May 20, 2015. Excluding Westeel, trade sales decreased 6% compared to record 2014 sales as significant growth in international markets was more than offset by subdued demand in North America. The decline in adjusted EBITDA was largely due to sales mix as softness in North America most significantly impacted sales of AGI's higher margin Farm products, sales of which approximated the most recent five-year average but decreased roughly 15% compared to record 2014 levels. In addition, demand for Westeel product was constrained by a combination of high inventory levels entering the 2015 growing season and poor weather conditions early in the year and as a result Westeel's sales and adjusted EBITDA in 2015 were well below management expectations. Net loss per share in 2015 was significantly impacted by losses on foreign exchange that resulted from out of the money hedges and balance sheet translation and by an impairment of assets charge related to a management review of certain non-core assets. See "Diluted profit (per share) and Diluted adjusted profit (per share)", below.

Sales in Canada were negatively impacted by drought conditions in western Canada early in 2015 that lowered crop production expectations and negatively affected farmer sentiment. In the United States, sales of Farm equipment decreased in 2015 due to a slightly smaller crop, an extended replacement cycle for grain augers that resulted from a number of consecutive dry harvests, and cautious buying behaviour related to a rapid drop in year-over-year farmer net income. AGI's international sales, excluding the impact of acquisition, increased 26% in 2015. The significant increase reflects continued momentum in Latin America and strong sales in the Black Sea region, including Ukraine. In addition, international sales at Westeel were $21.7 million and these related primarily to Italian subsidiaries PTM and Frame and sales in the EMEA region.

"We were very pleased with the growth of our international, commercial business which served to lessen the impact from the drought in Canada and subdued demand in the U.S.", said Tim Close, President and CEO of AGI. "We saw significant business from new regions including the Middle East and Africa. The mixed results in Q4 highlight the benefits achieved through growing into new geographies and product lines which serve to mitigate risk from regional events. After a comprehensive analysis we decided to record an impairment charge for non-core divisions as we look to focus our efforts on strategic divisions which will have a positive effect on our business and results going forward. Looking into 2016, we anticipate improving conditions for our farm businesses and see continued momentum on the commercial side of the business both internationally and domestically."

Diluted profit (per share) and Diluted adjusted profit (per share)

A reconciliation of net profit (loss) and diluted profit (loss) per share to adjusted profit (loss) and adjusted diluted profit (loss) per share is below.

(thousands of dollars)	Three Months Ended December 31		Year Ended December 31	
	2015	**2014**	**2015**	**2014**
Profit (loss) as reported **Per share as reported**	**$(21,355)** **$(1.48)**	**$(19,409)** **$(1.45)**	**$(25,229)** **$(1.81)**	**$4,100** **$0.31**
Non-cash CRA settlement	0	16,889	0	16,889
Loss on foreign exchange	9,034	5,147	31,322	11,963
M&A Activity	699	642	5,405	1,801
Non-cash loss on available-for-sale investment	0	0	0	1,100
Non-cash loss on impairment of assets	13,439	0	13,439	0
Loss (gain) on sale of PP&E	6	408	3,154	(522)
Allowance for bad debt (2)	325	0	2,280	0
Adjusted profit (1) **Diluted adjusted profit per share (1)**	**$2,148** **$0.15**	**$3,677** **$0.27**	**$30,371** **$2.18**	**$35,331** **$2.64**

(1) See "Non-IFRS Measures"
(2) In 2015 the Company recorded a provision related to the net balance owing from an international customer that related to sales invoiced primarily in 2013.

OUTLOOK

AGI's Farm business, excluding Westeel which is discussed below, is comprised primarily of portable grain handling equipment and represents roughly 25% - 35% of AGI's revenue profile. Demand for Farm equipment is driven primarily by the amount of grain handled as this dictates farmer capacity requirements and the product replacement cycle. In February 2016 the USDA projected that U.S. farmers would plant 90 million acres of corn in 2016 (2015 – 88 million), as relative returns on U.S. crops are expected to favour corn. In addition, the USDA estimates corn stored on U.S. farms entering 2016 approximated 6.8 billion bushels or roughly one-half of the 2015 harvest, a reflection of low commodity prices and farmer hesitancy to move and sell grain at current prices. Market participants generally expect substantial corn movement to market prior to the 2016 harvest. The combination of these factors, along with a USDA projection that farmer net income has generally stabilized after a steep drop in 2015, provides an improved demand environment as the Company enters the 2016 crop year. Based on current conditions, management anticipates increased demand to appear with the new crop season. Management expects sales in the first quarter of 2016 to reflect the weak demand levels experienced in Q4 2015 that resulted from slightly elevated inventory levels and cautious buying behavior at the dealer and consumer levels. Nonetheless, existing indicators point towards higher demand for Farm equipment in fiscal 2016 compared to 2015.

AGI's Commercial business represents roughly 35% - 45% of AGI's revenue and is comprised primarily of high capacity grain handling and conditioning equipment and Westeel's international businesses. In North America, demand for Commercial equipment is less sensitive to a specific harvest but rather is driven primarily by macro factors including the longer-term trend towards higher crop volumes, the drive towards improved efficiencies in a mature market and, more recently, the dissolution of the Canadian Wheat Board. Current activity in North America is reflective of these trends and existing backlogs approximate the levels at the same time in 2015. Offshore, the commercial infrastructure in both grain producing and grain importing countries remains vastly underinvested resulting in significant global opportunities for AGI. Our international business expanded significantly in 2015 due to increasing brand presence, continued momentum in Eastern Europe and Latin America and the acquisition of Westeel's international businesses. Current backlogs are slightly higher than at the same time a year ago. AGI's commercial business, both domestically and overseas, is expected to perform well in 2016 and sales are anticipated to exceed 2015 levels. Consistent with prior periods, realized sales are subject to the timing of customer commitment and delivery considerations.

Westeel's North American business is comprised of corrugated storage bins, smoothwall bins and liquid storage tanks and represents roughly 20% to 30% of AGI revenues. Demand drivers for storage include volume of grains grown, crop trends, fertilizer storage and handling practices and the consolidation of farms. The macro environment in Canada is supportive of these trends and management anticipates a return to more typical market conditions with the new crop cycle. Similar to the fourth quarter of 2015, demand in the first quarter of 2016 is expected to be negatively impacted by higher dealer inventories that resulted in lower participation in key preseason selling programs. Based on current conditions, sales and adjusted EBITDA for the balance of 2016 are anticipated to reflect an improvement over 2015.

AGI's financial results are impacted by the rate of exchange between the Canadian and U.S. dollars and a weaker Canadian dollar relative to its U.S. counterpart positively impacts profit and adjusted EBITDA. However, a portion of the Company's foreign exchange exposure has been hedged through forward foreign exchange contracts and based on current rates of exchange the Company expects to recognize a significant loss on these contracts in fiscal 2016.

Demand in 2016 will be influenced by, among other factors, weather patterns, crop conditions and the timing of harvest and conditions during harvest. Changes in global macroeconomic factors as well as sociopolitical factors in certain local or regional markets, including the ongoing uncertainty and volatility in Ukraine, and the availability of credit and export credit agency support in offshore markets, also may influence sales, primarily of commercial grain handling and storage products. Results may also be impacted by changes in steel prices and other material input costs and the rate of exchange between the Canadian and U.S. dollars.

On balance, results in the first quarter of 2016 are expected to be negatively impacted by low Farm demand in North America and the impact of elevated inventory levels at Westeel. As a result, based on current conditions, management anticipates consolidated adjusted EBITDA in Q1 2016 will approximate 2015 levels. Management remains positively biased with respect to fiscal 2016 and anticipates results for the balance of the year will reflect a return to more typical buying patterns for Farm equipment, steady demand for domestic Commercial products and continued growth in offshore markets.

Acquisition of Entringer S.A.

Effective March 9, 2016, the Company acquired 100% of the outstanding shares of Entringer Industrial S.A. [“Entringer”] for cash consideration of $15.3 million. $10.2 million was paid on acquisition and the remaining $5.1 million is payable if Entringer achieves specified earnings targets. The acquisition and related transaction costs were funded from the Company’s cash balance.

Entringer sales in 2015 were R$43 million and normalized EBITDA over the previous six years has averaged approximately R$5.6m, with peak normalized EBITDA of R$9.9m in 2013 and negative normalized EBITDA of approximately R$1.3 million in 2015. Terms of the transaction included payment of R$30 million upon closing which represents a multiple of 5.4x against the previous six year average EBITDA. The agreement includes a R$15 million earn-out provision based on Entringer meeting certain EBITDA thresholds.

Dividends

AGI today announced the declaration of cash dividends of $0.20 per common share for the months of March 2016, April 2016 and May 2016. The dividends are eligible dividends for Canadian income tax purposes. AGI’s current annualized cash dividend rate is $2.40 per share.

The table below sets forth the scheduled payable and record dates:

Monthly dividend	Payable date	Record date
March 2016	April 15. 2016	March 31 31, 2016
April 2016	May 13, 2016	April 29, 2016
May 2016	June 15, 2016	May 31, 2016

MD&A and Financial Statements

AGI's financial statements and MD&A for the three and twelve month periods ended December 31, 2015 can be obtained at http://media3.marketwire.com/docs/AFN0310Q45.pdf and will also be available electronically on SEDAR (www.sedar.com) and on AGI's website (www.aggrowth.com).

Conference Call

Management will host a conference call at 9:00 am (ET) on Thursday, March 10, 2016 to review the Company's results for the three and twelve month periods ended December 31, 2015. To participate in the conference call, please dial 1-866-303-8430 or for local access dial 416-641-6103. An audio replay of the call will be available for seven days. To access the audio replay, please dial 1-800-408-3053 or for local access dial 905-694-9451. Please quote passcode 8198193.

Company Profile

Ag Growth International Inc. is a leading manufacturer of portable and stationary grain handling, storage and conditioning equipment, including augers, belt conveyors, grain storage bins, grain handling accessories, grain aeration equipment and grain drying systems. AGI has manufacturing facilities in Canada, the United States, Italy, the United Kingdom and Finland, and distributes its products globally.

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NON-IFRS MEASURES

In analyzing our results, we supplement our use of financial measures that are calculated and presented in accordance with IFRS, with a number of non-IFRS financial measures including "EBITDA", "Adjusted EBITDA", "gross margin", "funds from operations", "payout ratio", "adjusted payout ratio", "trade sales", "adjusted profit", and "diluted adjusted profit per share". A non-IFRS financial measure is a numerical measure of a company's historical performance, financial position or cash flow that excludes (includes) amounts, or is subject to adjustments that have the effect of excluding (including) amounts, that are included (excluded) in the most directly comparable measures calculated and presented in accordance with IFRS. Non-IFRS financial measures are not standardized; therefore, it may not be possible to compare these financial measures with other companies' non-IFRS financial measures having the same or similar businesses. We strongly encourage investors to review our consolidated financial statements and publicly filed reports in their entirety and not to rely on any single financial measure.

We use these non-IFRS financial measures in addition to, and in conjunction with, results presented in accordance with IFRS. These non-IFRS financial measures reflect an additional way of viewing aspects of our operations that, when viewed with our IFRS results and the accompanying reconciliations to corresponding IFRS financial measures, may provide a more complete understanding of factors and trends affecting our business.

In this press release, we discuss the non-IFRS financial measures, including the reasons that we believe that these measures provide useful information regarding our financial condition, results of operations, cash flows and financial position, as applicable, and, to the extent material, the additional purposes, if any, for which these measures are used. Reconciliations of non-IFRS financial measures to the most directly comparable IFRS financial measures are contained in this press release.

Management believes that the Company's financial results may provide a more complete understanding of factors and trends affecting our business and be more meaningful to management, investors, analysts and other interested parties when certain aspects of our financial results are adjusted for the gain (loss) on foreign exchange and other operating expenses and income. These measurements are non-IFRS measurements. Management uses the non-IFRS adjusted financial results and non-IFRS financial measures to measure and evaluate the performance of the business and when discussing results with the Board of Directors, analysts, investors, banks and other interested parties.

References to “EBITDA” are to profit before income taxes, finance costs, depreciation, amortization and impairment charges related to goodwill, intangibles or available for sale assets. References to “adjusted EBITDA” are to EBITDA before the gain or loss on foreign exchange, gains or losses on the sale of property, plant & equipment, non-cash share based compensation expenses, certain items considered by management to be unusual and non-recurring in nature and to expenses related to corporate acquisition activity. Management believes that, in addition to profit or loss, EBITDA and adjusted EBITDA are useful supplemental measures in evaluating the Company’s performance. Management cautions investors that EBITDA and adjusted EBITDA should not replace profit or loss as indicators of performance, or cash flows from operating, investing, and financing activities as a measure of the Company’s liquidity and cash flows.

References to “trade sales” are to sales net of the gain or loss on foreign exchange. Management cautions investors that trade sales should not replace sales as an indicator of performance.

References to “gross margin” are to trade sales less cost of sales net of the depreciation and amortization included in cost of sales.

References to “funds from operations” are to cash provided by operating activities before the net change in non-cash working capital balances related to operations and stock-based compensation, less maintenance capital expenditures and adjusted for the gain or loss on the sale of property, plant & equipment. Management believes that, in addition to cash provided by (used in) operating activities, funds from operations provide a useful supplemental measure in evaluating the Company's performance.

References to “payout ratio” are to dividends declared as a percentage of funds from operations. References to “adjusted payout ratio” are to declared dividends paid in cash as a percentage of funds from operations.

References to “adjusted profit” and “diluted adjusted profit per share” are to profit for the period and diluted profit per share for the period adjusted for the non-cash CRA settlement, loss on foreign exchange, transaction costs, non-cash loss on available-for-sale investment, certain items considered by management to be unusual and non-recurring in nature and gain (loss) on sale of property, plant and equipment**.**

FORWARD-LOOKING STATEMENTS

This press release contains forward-looking statements that reflect our expectations regarding the future growth, results of operations, performance, business prospects, and opportunities of the Company. Forward-looking statements may contain such words as “anticipate”, “believe”, “continue”, “could”, “expect”, “intend”, “plan”, “will” or similar expressions suggesting future conditions or events. In particular, the forward looking statements in this MD&A include statements relating to our business and strategy, including our outlook for our financial and operating performance including our expectations for adjusted sales and EBITDA. Such forward-looking statements reflect our current beliefs and are based on information currently available to us, including certain key expectations and assumptions concerning anticipated grain production in our market areas, financial performance, business prospects, strategies, product pricing, regulatory developments, political events, tax laws, the sufficiency of budgeted capital expenditures in carrying out planned activities, currency exchange rates and the cost of materials, labour and services. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from results discussed in the forward-looking statements, including changes in international, national and local business conditions, weather patterns, crop planting, crop yields, crop conditions, the timing of harvest and conditions during harvest, seasonality, industry cyclicality, volatility of production costs, agricultural commodity prices, the cost and availability of capital, currency exchange rates, and competition. These risks and uncertainties are described under “Risks and Uncertainties” in our most recently filed Annual Information Form. These factors should be considered carefully, and readers should not place undue reliance on the Company’s forward-looking statements. We cannot assure readers that actual results will be consistent with these forward-looking statements and we undertake no obligation to update such statements except as expressly required by law.

AG GROWTH INTERNATIONAL INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Dated: March 10, 2016

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements and accompanying notes of Ag Growth International Inc. ("AGI", the "Company", "we", "our" or "us") for the year ended December 31, 2015. Results are reported in Canadian dollars unless otherwise stated.

The financial information contained in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts are expressed in Canadian currency, unless otherwise noted.

Throughout this MD&A references are made to "trade sales", "EBITDA", "adjusted EBITDA", "gross margin", "funds from operations", "payout ratio", "adjusted payout ratio", "adjusted profit" and "diluted adjusted profit per share". A description of these measures and their limitations are discussed below under "Non-IFRS Measures".

This MD&A contains forward-looking statements. Please refer to the cautionary language under the heading "Risks and Uncertainties" and "Forward-Looking Statements" in this MD&A and in our most recently filed Annual Information Form.

SUMMARY OF RESULTS

A brief summary of our operating results can be found below. A more detailed narrative is included later in this MD&A under "Explanation of Operating Results".

(thousands of dollars)	**Year Ended December 31**	
	2015	**2014**
Trade sales (1)	$474,279	$409,700
Adjusted EBITDA (1)(2)	$72,642	$78,228
Net profit (loss)	$(25,229)	$4,100
Diluted profit (loss) per share	$(1.81)	$0.31
Adjusted net profit (1)	$30,371	$35,331
Diluted adjusted profit per share (1)(3)	$2.18	$2.64

(1) See "Non-IFRS Measures".
(2) See "Adjusted EBITDA" below in Summary of Results.
(3) See "Diluted profit per share and Diluted adjusted profit per share" below in Summary of Results.

Trade sales increased over 2014 primarily due to the acquisition of Westeel on May 20, 2015. Excluding Westeel, trade sales decreased 2% compared to 2014 as significant growth in international markets was more than offset by subdued demand in North America. The decline in adjusted EBITDA was largely due to sales mix as softness in North America most significantly impacted sales of AGI's higher margin Farm products, sales of which approximated the most recent five-year average but decreased roughly 15% compared to record 2014 levels. In addition, demand for Westeel product was constrained by a combination of high inventory levels entering the 2015 growing season and poor weather conditions early in the year and as a result Westeel's sales and adjusted EBITDA in 2015 were well below management expectations. Net loss per share in 2015 was significantly impacted by losses on foreign exchange that resulted from out of the money hedges and balance sheet translation and by an impairment of assets charge related to a management review of certain non-core assets. See "Diluted profit (per share) and Diluted adjusted profit (per share)", below.

AGI's Farm business, excluding Westeel which is discussed separately (see "Westeel Acquisition"), is comprised primarily of portable grain handling equipment including grain augers, belt conveyors and grain vacuums. Demand for AGI's Farm equipment is driven largely by the volume of the crop and the number of times the grain is handled as this dictates the extent to which the equipment is used and drives the replacement cycle. Grain is handled more often when drying is required prior to sale or storage and when it is stored on the farm as opposed to being sold directly to market. Lower Farm sales in 2015 are partly attributable to a slightly smaller crop in North America but demand has also been impacted by a number of consecutive dry harvests that has lessened the recent usage of the equipment and extended its replacement cycle. In addition, cautious buying behavior persisted throughout the year as farmer sentiment in 2015 was very low in the midst of a 38% year-over-year decline in farmer net income.

AGI's Commercial business is comprised primarily of high capacity grain handling and conditioning equipment including enclosed belt conveyors, chain conveyors and bucket elevators, and includes the Westeel Italian subsidiaries acquired in May 2015. Demand for Commercial equipment is less sensitive to a specific harvest but rather is driven primarily by macro factors including the longer-term trend towards higher global crop volumes and the agricultural infrastructure gap in international markets. Sales of Commercial equipment, excluding acquisitions, increased in 2015 as a decrease in North American sales against a very strong 2014 comparative was more than offset by a 26% increase in international business. The increase in offshore sales resulted from growth in Latin America and Southeast Asia and by continued activity in the Black Sea region, including in Ukraine.

On May 20, 2015, AGI completed its acquisition of the Westeel division ("Westeel") of Vicwest Inc. (see "Westeel Acquisition" below). Trade sales and adjusted EBITDA related to Westeel for the period May 20, 2015 to December 31, 2015 are shown below:

($000's)	**Year Ended December 31**	
	2015	**2014**
Trade Sales		
AGI, excluding Westeel	$386,967	$409,700
Westeel [(1)]	$87,312	N/A
Total	**$474,279**	**$409,700**

Adjusted EBITDA		
AGI, excluding Westeel	$64,561	$78,228
Westeel [(1)]	$8,081	N/A
Total	**$72,642**	**$78,228**

(1) See "Westeel Acquisition". Trade sales and adjusted EBITDA include results subsequent to the acquisition date of May 20, 2015 for Westeel and its Italian subsidiary PTM. Results of Italian subsidiary Frame are included only subsequent to October 1, 2015. Prior to October 1, 2015 Frame was recorded as an investment on AGI's balance and was excluded from AGI's consolidated results since for accounting purposes AGI could not demonstrate effective control over the subsidiary due to a number of factors, including lack of Board representation.

Westeel Acquisition

AGI completed its acquisition of Westeel on May 20, 2015. Headquartered in Winnipeg, Manitoba, Westeel is Canada's leading provider of grain storage solutions offering a wide range of on-farm and commercial products for the agricultural industry. The acquisition included Westeel's foreign sales offices, its 100% interest in Italian subsidiary PTM Technology, a manufacturer of grain handling equipment, and its 51% interest in Frame, an Italian manufacturer of storage bins.

Financial Results

The table below compares Westeel results to prior periods for the entire twelve month periods ended December 31, 2014 and December 31, 2015. AGI acquired Westeel on May 20, 2015. From the date of acquisition, Westeel recorded trade sales of $87.3 million and adjusted EBITDA of $8.1 million.

Westeel sales and adjusted EBITDA decreased compared to record results in 2014 results as poor growing conditions in western Canada early in 2015 lowered crop production expectations and negatively impacted farmer sentiment. In addition, dealer inventory levels were generally high prior to spring planting and the appearance of drought conditions as Westeel aggressively shipped product in Q4 2014 and Q1 2015 on the back of excellent 2014 sales. Although late rains saved the 2015 western Canadian harvest, it was too late in the season to materially impact demand for Westeel product.

WESTEEL		
($000's)	**Year Ended December 31**	
	2015	**2014**
Trade sales [(1)]	$148,506	$193,103
Adjusted EBITDA [(1)]	$12,949	$18,107
Gross margin	24.0%	21.1%

(1) For the twelve month periods ended December 31, 2014 and 2015. AGI acquired Westeel on May 20, 2015. In the table above, Frame trade sales and adjusted EBITDA reflect only the amounts subsequent to acquisition of $14,098 and $1,851 respectively.

Integration and Synergies

Integration of the Westeel business is well advanced in all aspects of the operation including production, coordination of North American and International sales efforts, centralization of the marketing function, information technology transfer and the human resources and finance functions. Cost synergies realized in 2015 approximate $5 million annualized and relate primarily to organizational restructuring and supply chain synergies. Management expects to realize additional sales, manufacturing and purchasing synergies in 2016 and is investigating product line expansion opportunities.

GJ Vis Holdings Inc. Acquisition

Effective November 30, 2015, AGI acquired 100% of the outstanding shares of GJ Vis Holdings Inc. (“Vis”), a manufacturer of commercial fertilizer and feed handling equipment, for a cash consideration of $10.0 million, a contingent consideration of $4.7 million, plus costs related to the acquisition estimated to be $0.1 million less working capital adjustment of $0.7 million. The acquisition and related transaction costs were funded from cash on hand.

The acquisition of Vis provides AGI with new capability and experience in the planning, design and manufacture of high throughput industrial fertilizer handling equipment.

Trade Sales (see "Non-IFRS Measures")

($000s)	**Year Ended December 31**		
	2015	**2014**	**Change**
Canada	$138,085	$105,851	$32,234
US	$216,590	$225,947	$(9,357)
International	$119,604	$77,902	$41,702
Total	**$474,279**	**$409,700**	**$64,579**

Included in the table above are Westeel sales numbers from the May 20, 2015 acquisition date to December 31, 2015, as follows:

Westeel Only – Trade Sales (May 20/15 – Dec 31/15)	
($000s)	**Year Ended December 31**
Canada	$59,481
US	$6,087
International (1)	$21,744
Total	**$87,312**

(1) Comprised primarily of sales from Italian subsidiaries PTM and Frame.

Sales in Canada were negatively impacted by drought conditions in western Canada early in 2015 that lowered crop production expectations and negatively affected farmer sentiment. Inventory levels were generally high prior to spring planting, especially with respect to Westeel storage products, as dealer intake in Q4 2014 and Q1 2015 was very high subsequent to strong 2014 sales. Reduced farmer demand and high dealer inventory levels resulted in lower sales for portable grain handling equipment, aeration products and storage bins and in-season demand was negatively influenced by a quick and efficient harvest.

In the Unites States, sales of Farm equipment decreased in 2015 due to a slightly smaller crop, an extended replacement cycle for grain augers that resulted from a number of consecutive dry harvests, and cautious buying behaviour related to a rapid drop in year-over-year farmer net income. Commercial sales in the U.S. also decreased slightly compared to a strong 2014 comparative. The negative impact of the factors noted above more than offset the positive impact of a stronger U.S. dollar relative to its Canadian counterpart.

AGI's international sales, excluding the impact of acquisition, increased 26% in 2015. The significant increase reflects continued momentum in Latin America and strong sales in the Black Sea region, including Ukraine. In addition, international sales at Westeel were $21.7 million and these related primarily to Italian subsidiaries PTM and Frame and sales in the EMEA region. In Latin America, large projects in Peru and Bolivia contributed to sales of over $25 million, an $11 million increase over the prior year. In Russia and Ukraine, sales increased to over $36 million in 2015 largely due to business in Ukraine with multinational grain traders.

See also "Outlook".

Gross Margin (see "Non-IFRS Measures")

Gross margin		
	Year Ended December 31	
	2015	**2014**
AGI excluding Westeel	34.6%	34.1%
Westeel [(1)]	24.0%	N/A
Consolidated	32.6%	34.1%

(1) For the period May 20, 2015 – December 31, 2015.

Strong gross margins were achieved despite lower sales of higher margin Farm equipment as AGI reacted quickly to signs of changing demand patterns and due to the positive impact of a weaker Canadian dollar. Gross margin percentages at Westeel exceeded 2014 comparatives despite significantly lower production volumes due to lower steel costs and organizational synergies achieved subsequent to its acquisition by AGI.

Adjusted EBITDA (see "Non-IFRS Measures")

Adjusted EBITDA for the year ended December 31, 2015 was $72.6 million (2014 - $78.2 million). The decrease compared to very strong results in 2014 resulted from lower North American sales of portable and commercial grain handling equipment.

(thousands of dollars)	**Year Ended December 31**	
	2015	**2014**
EBITDA[1]	**$27,477**	**$60,470**
Loss on foreign exchange [2]	31,322	11,963
Non-cash Share Based Compensation	3,004	4,516
Allowance for bad debt [3]	2,280	0
M&A activity	5,405	1,801
Loss (gain) on sale of PP&E	3,154	(522)
Adjusted EBITDA[1]	**$72,642**	**$78,228**

(1) See "Non-IFRS Measures".
(2) See "Impact of Foreign Exchange" below.
(3) In 2015 the Company recorded a provision related to the net balance owing from an international customer that related to sales invoiced primarily in 2013.

Diluted profit per share and Diluted adjusted profit per share

Diluted loss per share for the year ended December 31, 2015 was $1.81 (2014 – profit of $0.31). The decrease was primarily the result of lower EBITDA, an asset impairment charge, transaction costs related to the acquisition of Westeel and losses on foreign exchange. A reconciliation to diluted adjusted profit per share follows:

(thousands of dollars)	**Year Ended December 31**	
	2015	**2014**
Profit (loss) as reported Per share as reported	$(25,229) $(1.81)	$4,100 $0.31
Non-cash CRA settlement	0	16,889
Loss on foreign exchange	31,322	11,963
M&A Activity	5,405	1,801
Non-cash loss on available-for-sale investment	0	1,100
Non-cash loss on impairment of assets	13,439	0
Loss (gain) on sale of PP&E	3,154	(522)
Allowance for bad debt [2]	2,280	0
Adjusted profit [1] Diluted adjusted profit per share [1]	$30,371 $2.18	$35,331 $2.64

(1) See "Non-IFRS Measures"
(2) In 2015 the Company recorded a provision related to the net balance owing from an international customer that related to sales invoiced primarily in 2013.

Impact of Foreign Exchange

Sales and Adjusted EBITDA

AGI's average rate of exchange for the year ended December 31, 2015 was $1.27 (2014 = $1.10). A lower Canadian dollar results in an increase in reported trade sales as U.S. denominated sales are translated into Canadian dollars at a higher rate. Similarly, a lower Canadian dollar results in an increase in U.S. dollar denominated inputs and SG&A expenses as U.S. denominated costs are translated into Canadian dollars at a higher rate. As U.S. dollar sales exceed U.S. dollar costs, adjusted EBITDA benefits from a weaker Canadian dollar. In addition, a weaker Canadian dollar may result in higher input costs of certain Canadian dollar denominated inputs, including steel.

Gains and Losses on Foreign Exchange

AGI has entered forward foreign exchange contracts with the objective of partially mitigating exposure to currency fluctuations. The table below summarizes outstanding foreign exchange contracts.

Forward Foreign Exchange Contracts			
Settlement Dates	**Face Amount USD (000's)**	**Average Rate CAD**	**CAD Amount (000's)**
2016 – Q1	17,500	$1.17	20,408
2016 – Q2	23,500	$1.18	27,660
2016 – Q3	33,500	$1.18	39,453
2016 – Q4	26,000	$1.18	30,773
2017 – Q1	9,000	$1.25	11,216

In the year ended December 31, 2015, AGI realized a loss on maturing foreign exchange contracts of approximately $15 million. Based on current rates of foreign exchange the Company expects to realize significant losses on its foreign exchange contracts in 2016. Currency fluctuations also result in non-cash gains or losses on foreign exchange. See "Financial Instruments – Foreign exchange contracts".

CORPORATE OVERVIEW

AGI is a manufacturer of agricultural equipment with a focus on grain handling, storage and conditioning products. Our products service both Farm and Commercial markets and we sell to farmers, contractors and corporate entities. Our business is affected by regional and global trends in grain volumes, on-farm and commercial grain storage and handling practices, harvest conditions and, to a lesser extent, crop prices. Our business is seasonal, with higher sales occurring in the second and third calendar quarters compared with the first and fourth quarters. We manufacture in Canada, the U.S. and Europe and we sell products globally.

OUTLOOK

AGI's Farm business, excluding Westeel which is discussed below, is comprised primarily of portable grain handling equipment and represents roughly 25% - 35% of AGI's revenue profile. Demand for Farm equipment is driven primarily by the amount of grain handled as this dictates farmer capacity requirements and the product replacement cycle. In February 2016 the USDA projected that U.S. farmers would plant 90 million acres of corn in 2016 (2015 – 88 million), as relative returns on U.S. crops are expected to favour corn. In addition, the USDA estimates corn stored on U.S. farms entering 2016 approximated 6.8 billion bushels or roughly one-half of the 2015 harvest, a reflection of low commodity prices and farmer hesitancy to move and sell grain at current prices. Market participants generally expect substantial corn movement to market prior to the 2016 harvest. The combination of these factors, along with a USDA projection that farmer net income has generally stabilized after a steep drop in 2015, provides an improved demand environment as the Company enters the 2016 crop year. Based on current conditions, management anticipates increased demand to appear with the new crop season. Management expects sales in the first quarter of 2016 to reflect the weak demand levels experienced in Q4 2015 that resulted from slightly elevated inventory levels and cautious buying behavior at the dealer and consumer levels. Nonetheless, existing indicators point towards higher demand for Farm equipment in fiscal 2016 compared to 2015.

AGI's Commercial business represents roughly 35% - 45% of AGI's revenue and is comprised primarily of high capacity grain handling and conditioning equipment and Westeel's international businesses. In North America, demand for Commercial equipment is less sensitive to a specific harvest but rather is driven primarily by macro factors including the longer-term trend towards higher crop volumes, the drive towards improved efficiencies in a mature market and, more recently, the dissolution of the Canadian Wheat Board. Current activity in North America is reflective of these trends and existing backlogs approximate the levels at the same time in 2015. Offshore, the commercial infrastructure in both grain producing and grain importing countries remains vastly underinvested resulting in significant global opportunities for AGI. Our international business expanded significantly in 2015 due to increasing brand presence, continued momentum in Eastern Europe and Latin America and the acquisition of Westeel's international businesses. Current backlogs are slightly higher than at the same time a year ago. AGI's commercial business, both domestically and overseas, is expected to perform well in 2016 and sales are anticipated to exceed 2015 levels. Consistent with prior periods, realized sales are subject to the timing of customer commitment and delivery considerations.

Westeel's North American business is comprised of corrugated storage bins, smoothwall bins and liquid storage tanks and represents roughly 20% to 30% of AGI revenues. Demand drivers for storage include volume of grains grown, crop trends, fertilizer storage and handling practices and the consolidation of farms. The macro environment in Canada is supportive of these trends and management anticipates a return to more typical market conditions with the new crop cycle. Similar to the fourth quarter of 2015, demand in the first quarter of 2016 is expected to be negatively impacted by higher dealer inventories that resulted in lower participation in key preseason selling programs. Based on current conditions, sales and adjusted EBITDA for the balance of 2016 are anticipated to reflect an improvement over 2015.

AGI's financial results are impacted by the rate of exchange between the Canadian and U.S. dollars and a weaker Canadian dollar relative to its U.S. counterpart positively impacts profit and adjusted EBITDA. However, a portion of the Company's foreign exchange exposure has been hedged through forward foreign exchange contracts and based on current rates of exchange the Company expects to recognize a significant loss on these contracts in fiscal 2016.

Demand in 2016 will be influenced by, among other factors, weather patterns, crop conditions and the timing of harvest and conditions during harvest. Changes in global macroeconomic factors as well as sociopolitical factors in certain local or regional markets, including the ongoing uncertainty and volatility in Ukraine, and the availability of credit and export credit agency support in offshore markets, also may influence sales, primarily of commercial grain handling and storage products. Results may also be impacted by changes in steel prices and other material input costs and the rate of exchange between the Canadian and U.S. dollars.

On balance, results in the first quarter of 2016 are expected to be negatively impacted by low Farm demand in North America and the impact of elevated inventory levels at Westeel. As a result, based on current conditions, management anticipates consolidated adjusted EBITDA in Q1 2016 will approximate 2015 levels. Management remains positively biased with respect to fiscal 2016 and anticipates results for the balance of the year will reflect a return to more typical buying patterns for Farm equipment, steady demand for domestic Commercial products and continued growth in offshore markets.

Acquisition of Entringer S.A.

Effective March 9, 2016, the Company acquired 100% of the outstanding shares of Entringer Industrial S.A. [“Entringer”] for cash consideration of $15.3 million. $10.2 million was paid on acquisition and the remaining $5.1 million is payable if Entringer achieves specified earnings targets. The acquisition and related transaction costs were funded from the Company’s cash balance.

Entringer sales in 2015 were R$43 million and EBITDA over the previous six years has averaged approximately R$5.6m, with peak EBITDA of R$9.9m in 2013 and negative EBITDA of approximately R$1.3 million in 2015. Terms of the transaction included payment of R$30 million upon closing which represents a multiple of 5.4x against the previous six-year average EBITDA. The agreement includes a R$15 million earn-out provision based on Entringer meeting certain EBITDA thresholds.

DETAILED OPERATING RESULTS

(thousands of dollars)	**Year Ended December 31**	
	2015	**2014**
Trade sales (1)	$474,279	$409,700
Loss on FX	(24,795)	(9,555)
Sales	449,484	400,145
Cost of inventories	319,482	269,817
Depreciation / amortization	10,963	6,721
Cost of sales	330,445	276,538

General and administrative	90,555	66,980
M&A activity	5,405	1,801
Depreciation/ amortization	6,705	5,000
Impairment of investment	0	1,100
Impairment of assets	13,439	0
Other operating (income) expenses	253	(1,305)
Finance costs	18,490	11,450
Finance expense	6,312	2,382
Profit (loss) before income taxes	(22,120)	36,199
Current income taxes	4,722	4,757
Deferred income taxes	(1,613)	27,342
Profit (loss) for the period	$(25,229)	$4,100
Profit (loss) per share		
Basic	$(1.81)	$0.31
Diluted	$(1.81)	$0.31

(1) See "Non-IFRS Measures".

Impairment of Assets – Strategic Review of Applegate and Mepu Operations

Results for the twelve months ended December 31, 2015 include a charge of $13.4 million to record management's estimate of the fair value of assets, including intangible assets, at AGI's Applegate and Mepu divisions.

Applegate

Acquired in 2008, Applegate manufactures livestock equipment and commercial and farm capacity storage bin unload equipment. Applegate's livestock business is non-core and has been unable to provide sustainable positive EBITDA due in part to abundant production capacity in the industry. Accordingly, management is assessing alternatives to exit livestock equipment manufacturing. Sales of Applegate livestock equipment were approximately $13 million in 2015.

Mepu

AGI acquired Finland-based Mepu, a manufacturer of portable and stationary grain dryers, in April 2010. The core business of Mepu has been challenged for several years by an increasingly competitive domestic marketplace and by its customers' reliance on unpredictable EU subsidies. Mepu sales in 2015 were $9.2 million. Over the last five years, Mepu has generated positive EBITDA only in 2013 and has averaged a loss of approximately $0.8 million in the other four years. While Mepu was acquired in part to support AGI's 2009 entry into Russia, AGI's international business has outgrown the resources available in Finland and has for several years been supported by a number of locations throughout the world. Based on the preceding, management is assessing alternatives to exit the business of Mepu.

EBITDA AND ADJUSTED EBITDA RECONCILIATION

(thousands of dollars)	Year Ended December 31	
	2015	**2014**
Profit (loss) before income taxes	$(22,120)	$36,199
Impairment of available for sale investment	0	1,100
Impairment of assets	13,439	0
Finance costs	18,490	11,450
Depreciation/amortization in cost of sales	10,963	6,721
Depreciation/ amortization in SG&A expenses	6,705	5,000
EBITDA (1)	**27,477**	**60,470**
Loss on foreign exchange	31,322	11,963
Non-cash share based compensation	3,004	4,516
M&A activity	5,405	1,801
Allowance for bad debt (2)	2,280	0
Loss (gain) on sale of property, plant & equipment	3,154	(522)
Adjusted EBITDA (1)	**$72,642**	**$78,228**
Adjusted EBITDA as a % of trade sales	15.3%	19.1%

(1) See "Non-IFRS Measures".
(2) In 2015 the Company recorded a provision related to the net balance owing from an international customer that related to sales invoiced primarily in 2013.

ASSETS AND LIABILITIES

(thousands of dollars)	**December 31 2015**	**December 31 2014**
Total assets	$739,739	$447,116
Total liabilities	$502,021	$237,390

EXPLANATION OF OPERATING RESULTS

Trade sales

($000s)	Year Ended December 31		
	2015	**2014**	**Change**
Canada	138,085	105,851	32,234
US	216,589	225,947	(9,358)
International	119,605	77,902	41,703
Total	**$474,279**	**$409,700**	**$64,579**

Trade sales in the table above include results subsequent to the acquisition date of May 20, 2015 for Westeel and Italian subsidiary PTM. Results of Italian subsidiary Frame are included only subsequent to October 1, 2015. Totals are as follows:

Westeel Only – Trade Sales (May 20/15 – Dec 31/15)	
($000s)	**Year Ended December 31**
Canada	$59,481
US	$6,087
International	$21,744
Total	**$87,312**

Canada

Sales in Canada were negatively impacted by drought conditions in western Canada early in 2015 that lowered crop production expectations and negatively affected farmer sentiment. Inventory levels were generally high prior to spring planting, especially with respect to Westeel storage products, as dealer intake in Q4 2014 and Q1 2015 was very high subsequent to strong 2014 sales. Reduced farmer demand and high dealer inventory levels resulted in lower sales for portable grain handling equipment, aeration products and storage bins and in-season demand was negatively influenced by a quick and efficient harvest.

United States

In the Unites States, sales of Farm equipment decreased in 2015 due to a slightly smaller crop, an extended replacement cycle for grain augers that resulted from a number of consecutive dry harvests, and cautious buying behaviour related to a rapid drop in year-over-year farmer net income. Commercial sales in the U.S. also decreased slightly compared to a strong 2014 comparative. The negative impact of the factors noted above more than offset the positive impact of a stronger U.S. dollar relative to its Canadian counterpart.

International

AGI's international sales, excluding the impact of acquisition, increased 26% in 2015. The significant increase reflects continued momentum in Latin America and strong sales in the Black Sea region, including Ukraine. In addition, international sales at Westeel were $21.7 million and these related primarily to Italian subsidiaries PTM and Frame and sales in the EMEA region. In Latin America, large projects in Peru and Bolivia contributed to sales of over $25 million, an $11 million increase over the prior year. In Russia and Ukraine sales increased to over $36 million in 2015 largely due to business in Ukraine with multinational grain traders.

See also "Outlook".

Gross Profit and Gross Margin

(thousands of dollars)	**Year Ended December 31**	
	2015	**2014**
Trade sales(1)	$474,279	$409,700
Cost of inventories (2)	319,482	269,817
Gross Margin	$154,797	$139,883
Gross Margin (1) (2) (as a % of trade sales)	32.6%	34.1%
Gross Margin, excluding Westeel	34.6%	34.1%

(1) See "Non-IFRS Measures".
(2) Excludes depreciation and amortization included in cost of sales.

Strong gross margins were achieved despite lower sales of higher margin Farm equipment as AGI reacted quickly to signs of changing demand patterns and due to the positive impact of a weaker Canadian dollar. Gross margin percentages at Westeel exceeded 2014 comparatives despite significantly lower production volumes due to lower steel costs and organizational synergies achieved subsequent to its acquisition by AGI.

On an earnings basis, AGI benefits from a weaker Canadian dollar as its U.S. dollar denominated sales significantly exceed costs denominated in that currency. On a gross margin percentage basis however, the benefit of a weaker Canadian dollar relates only to AGI's Canadian divisions that derive U.S. dollar revenues in excess of U.S. dollar costs.

General and Administrative Expenses

For the year ended December 31, 2015, SG&A expenses excluding Westeel were $77.1 million (22% of sales) compared to $67.0 million (15% of sales) in 2014. The increase of $10.1 million is largely related to the items below:

- Bad debt expense in 2015 includes a $2.3 million expense related primarily to 2013 business with an international customer.
- Costs related to moving the Hi Roller and Union Iron divisions to their new production facilities were approximately $1.0 million.
- Sales and marketing expenses increased $2.2 million largely to an investment of approximately $0.2 million per quarter related to AGI's entry into Brazil, additional

personnel at the divisional level to support growth as well as continued investment to support the Company's international sales team.

- Third party commission expense increased $2.4 million primarily due to geographic sales mix.
- Share based compensation decreased $1.5 million due to a change in forecasted achievement levels.
- The remaining variance is the result of a number of offsetting factors with no individual variance larger than $1.0 million.

EBITDA and Adjusted EBITDA

(thousands of dollars)	**Year Ended December 31**	
	2015	**2014**
EBITDA [(1)]	$27,477	$60,470
Adjusted EBITDA [(1)]	$72,642	$78,228

(1) See the EBITDA and adjusted EBITDA reconciliation table above and "Non-IFRS Measures".

Adjusted EBITDA decreased compared to very strong results in 2014 due to lower North American sales of portable and commercial grain handling equipment. EBITDA decreased compared to 2014 for the reasons discussed above and due to losses on foreign exchange. See "EBITDA and Adjusted EBITDA Reconciliation" above for a reconciliation between these measures.

Finance Costs

<u>Senior Debt</u>

(thousands of dollars)	**Currency[(1)]**	**Maturity**	**Total Facility**	**Amount Drawn**	**Interest Rate[(2)]**	**Interest**
Series A Notes	USD	2016	34,600	34,600	6.80%	Fixed
Swing Line	CAD	2019	20,000	0	4.50%	Floating
Swing Line	USD	2019	6,920	0	5.00%	Floating
Revolver	CAD	2019	105,000	0	4.50%	Floating
Revolver	USD	2019	62,280	0	5.00%	Floating
Term Loan A	CAD	2019	50,000	50,000	3.84%	Fixed
Term Loan B	CAD	2022	40,000	40,000	4.32%	Fixed
Series B Notes	CAD	2025	25,000	25,000	4.44%	Fixed
Total			**343,800**	**149,600**		

(1) USD amounts translated to Canadian dollars at the December 31, 2015 rate of exchange of $1.3840.
(2) As at December 31, 2015.

In addition to the above, as at December 31, 2015 the Company had outstanding $138 million aggregate principal amount of 5.25% convertible unsecured subordinated debentures and $75 million aggregate principal amount of 5.00% convertible unsecured subordinated debentures. See "Capital Resources".

Finance costs for the year ended December 31, 2015 were $18.5 million (2014 – $11.5 million). The higher expense in 2015 relates to financing the acquisition of Westeel partially through a convertible debenture issuance and through an increase in amounts drawn on the Company's credit facility as well as a debenture issuance in September 2015. Finance costs in both periods include non-cash interest related to convertible debenture accretion, the amortization of deferred finance costs related to the convertible debentures, stand-by fees and other sundry cash interest.

Finance Expense

Finance expense in both periods relates primarily to non-cash gains and losses on the translation of the Company's U.S. dollar denominated long-term debt at the rate of exchange in effect at the end of the quarter.

Other Operating Income

Other operating income in both periods includes interest income charged on accounts receivable and gains and losses on the sale of property, plant & equipment. In 2015 other operating income includes the reversal of a customer rebate accrued in prior periods that is no longer payable.

Depreciation and amortization

Depreciation of property, plant and equipment and amortization of intangible assets are categorized on the income statement in accordance with the function to which the underlying asset is related. The increase in 2015 primarily relates to the depreciation and amortization of Westeel assets. Total depreciation and amortization is summarized below:

Depreciation (thousands of dollars)	**Year Ended December 31**	
	2015	**2014**
Depreciation in cost of sales	$8,418	$6,167
Depreciation in G&A	640	614
Total Depreciation	$9,058	$6,781

Amortization (thousands of dollars)	**Year Ended December 31**	
	2015	**2014**
Amortization in cost of sales	$2,545	$554
Amortization in G&A	6,065	4,386
Total Amortization	$8,610	$4,940

Current income tax expense

For the year ended December 31, 2015 the Company recorded a current tax expense of $4.8 million (2014 – $4.8 million). Current tax relates primarily to AGI's U.S. subsidiaries.

Deferred income tax expense

For the year ended December 31, 2015 the Company recorded a deferred tax recovery of $1.6 million (2014 – expense of $27.3 million). Deferred tax expense in 2015 relates to the increase of deferred tax assets plus a decrease in deferred tax liabilities that related to recognition of temporary differences between the accounting and tax treatment of accruals, long-term provisions and convertible debentures.

Upon conversion to a corporation from an income trust in June 2009 (the "Conversion") the Company received certain tax attributes that may be used to offset tax otherwise payable in Canada. The Company's Canadian taxable income is based on the results of its divisions domiciled in Canada, including the corporate office, and realized gains or losses on foreign exchange. For the year ended December 31, 2015, the Company generated new net Canadian tax losses of $0.7 million (2014 –utilized $7.8 million of tax attributes). Through the use of these attributes and since the date of Conversion a cumulative amount of $36.3 million has been utilized. Utilization of these tax attributes is recognized in deferred income tax expense on the Company's income statement. As at December 31, 2015, the balance sheet asset related to these unused attributes was $17.1 million.

Effective tax rate (thousands of dollars)	**Year Ended December 31**	
	2015	**2014**
Current tax expense	$4,722	$ 4,757
Deferred tax expense	(1,613)	27,342
AGI Conversion – Agreement with CRA	0	(16,889)
Total tax excluding Agreement with CRA	$3,109	$15,210
Profit (loss) before taxes	$(22,120)	$36,199
Total tax %	(14%)	42%

The effective tax rate in both periods was significantly impacted by non-cash income statement items that are not deductible for tax purposes.

Effective tax rate (thousands of dollars)	**Year Ended December 31**	
	2015	**2014**
Adjusted profit (1)	$30,371	$35,331
Total tax	$3,109	$15,210
Adjusted profit before tax	$33,480	$50,541
Tax %	9%	30%

(1) See "Non-IFRS Measures". A calculation of adjusted profit may be found under "Diluted profit per share and Diluted adjusted profit per share" above.

AGI Conversion – Agreement with CRA

On February 25, 2015, AGI announced that it had entered into an agreement with Canada Revenue Agency (the "CRA") regarding the CRA's objection to the tax consequences of the conversion of AGI from an income trust structure into a business corporation in June 2009. The agreement did not give rise to any cash outlay by AGI and subsequent to the settlement AGI had unused tax attributes remaining of $16.3 million and these are recorded as an asset on the Company's balance sheet. As at December 31, 2015, the balance sheet asset related to these unused attributes was $17.1 million.

Profit (loss) and diluted profit (loss) per share and adjusted diluted profit (loss) per share

For the year ended December 31, 2015 the Company reported a loss of $25.2 million (2014 – profit of $4.1 million), a basic loss per share of $1.81 (2014 – profit of $0.31) and a fully diluted loss per share of $1.81 (2014 – profit of $0.31). The loss experienced in 2015 was largely the result of a non-cash impairment charge on assets of Mepu and Applegate and realized and unrealized foreign exchange losses as well as lower adjusted EBITDA. A reconciliation of adjusted profit per share is below:

	Year Ended December 31	
(thousands of dollars)	**2015**	**2014**
Profit (loss) as reported Per share as reported	$(25,229) $(1.81)	$4,100 $0.31
Non-cash CRA settlement	0	16,889
Loss on foreign exchange	31,322	11,963
Non-cash loss on available-for-sale investment	0	1,100
Non-cash loss on impairment of Assets	13,439	0
Loss (gain) on sale of PP&E	3,154	(522)
M&A Activity	5,405	1,801
Allowance for bad debt	2,280	0
Adjusted profit [(1)] Diluted adjusted profit per share [(1)]	$30,371 $2.18	$35,331 $2.64

(1) See "Non-IFRS Measures".

Selected Annual Information (thousands of dollars, other than per share data)

	Twelve Months Ended December 31		
	2015 $	2014 $	2013 $
Sales	474,279	409,700	358,348
EBITDA(1)	27,477	60,470	61,556
Adjusted EBITDA(1)	72,642	78,228	61,186
Net profit (loss)	(25,229)	4,100	22,591
Profit (loss) per share - basic	(1.81)	0.31	1.80
Profit (loss) per share – fully diluted	(1.81)	0.31	1.77
Funds from operations(1)	40,178	55,549	52,793
Payout ratio(1)	83%	57%	57%
Dividends declared per common share	2.40	2.40	2.40
Total assets	739,739	447,116	485,636
Total long-term liabilities	349,998	123,415	116,346

(1) See “Non-IFRS Measures”.

The following factors impact comparability between years in the table above:

- The acquisition of Westeel in May 2015 significantly impacts all information in the table above.
- Net profit and net profit per share were significantly impacted in 2015 by a $13.4 million impairment charge related to assets at the Company’s Applegate and Mepu divisions.
- Net profit and profit per share in 2014 was significantly impacted by an expense of $16,9 million related to the Company’s agreement with the CRA regarding its conversion to a corporation (see “AGI Conversion – Agreement with CRA”).
- Sales, gain (loss) on foreign exchange, net earnings, and net earnings per share are significantly impacted by the rate of exchange between the Canadian and U.S. dollars. The impact was most significant in 2015 and the second half of 2014 due to a rapid weakening of the Canadian dollar vs. its U.S. counterpart.
- A widespread drought in the U.S. impacted sales and profit in the third and fourth quarters of 2012 and the first and second quarters of 2013.

QUARTERLY FINANCIAL INFORMATION

(thousands of dollars other than per share data and exchange rate):

2015					
	Average USD/CAD Exchange Rate	**Sales**	**Profit / (Loss)**	**Basic Profit (loss) per Share**	**Diluted Profit (loss) per Share**
Q1	1.23	87,259	(3,409)	(0.26)	(0.26)
Q2	1.24	122,396	8,173	0.60	0.58
Q3	1.30	125,590	(8,638)	(0.60)	(0.60)
Q4	1.33	114,239	(21,355)	(1.48)	(1.48)
YTD	**1.27**	**449,484**	**(25,229)**	**(1.81)**	**(1.81)**

2014					
	Average USD/CAD Exchange Rate	**Sales**	**Profit / (Loss)**	**Basic Profit per Share**	**Diluted Profit per Share**
Q1	$1.09	$84,278	$1,218	$0.09	$0.09
Q2	$1.10	$112,838	$13,638	$1.04	$0.98
Q3	$1.09	$114,915	$8,653	$0.66	$0.65
Q4	$1.13	$88,114	$(19,409)	$(1.48)	($1.45)
YTD	**$1.10**	**$400,145**	**$4,100**	**$0.31**	**$0.31**

The following factors impact the comparison between periods in the table above:

- AGI's acquisition of Westeel on May 20, 2015 significantly impacts comparisons to prior periods of assets, liabilities and operating results.
- The loss and loss per share in the fourth quarter of 2015 was significantly impacted by an asset impairment charge of $13.4 million at the Mepu and Applegate divisions.
- The loss and loss per share in the fourth quarter of 2014 was significantly impacted by an expense of $16.9 million related to the Company's agreement with the CRA regarding its conversion to a corporation (see "AGI Conversion – Agreement with CRA").
- Sales, gain (loss) on foreign exchange, profit, and profit per share in all periods are impacted by the rate of exchange between the Canadian and U.S. dollars. The impact was most significant in 2015 and the second half of 2014 due to a rapid weakening of the Canadian dollar vs. its U.S. counterpart.

Interim period sales and profit historically reflect seasonality. The second and third quarters are typically the strongest primarily due to the timing of construction of commercial projects and higher in-season demand at the farm level. Due to the seasonality of AGI's working capital movements, cash provided by operations will typically be highest in the fourth quarter. The seasonality of AGI's business may be impacted by a number of factors including weather and the timing and quality of harvest in North America.

FOURTH QUARTER

	Three Months Ended December 31	
(thousands of dollars)	2015	2014
Trade sales[(1)]	$122,159	$92,278
Adjusted EBITDA[(1)]	$12,971	$12,997
Net Profit (loss)	$(21,355)	$(19,409)
Diluted profit (loss) per share	$(1.48)	$(1.45)
Adjusted net profit[(1)]	$2,148	$3,677
Adjusted diluted profit per share[(1)]	$0.15	$0.27

(1) See “Non-IFRS Measures”.

Trade sales

Trade sales in North America, excluding Westeel, decreased significantly in Q4 as demand for Farm equipment was negatively impacted by slightly elevated dealer inventories, cautious consumer buying behaviour and an early and dry harvest. Sales of Commercial equipment increased slightly due largely to strong offshore sales.

($000s)	Three Months Ended December 31			
	2015	2014	Change	% Change
Canada	35,021	24,013	11,008	46%
US	47,925	47,517	408	1%
Overseas	39,213	20,748	18,465	89%
Total	**$122,159**	**$92,278**	**$29,881**	**32%**

Three Months Ended December 31 Westeel Only – Trade Sales	
($000s)	Three Months Ended
Canada	$20,592
US	$829
International [(1)]	$18,028
Total	**$39,449**

(1) Comprised primarily of sales from Italian subsidiaries PTM and Frame.

Gross Margin

Gross margin as a percentage of sales for the three months ended December 31, 2015 was 31.1%, (2014 – 30.7%) and excluding Westeel gross margin in Q4 2015 was 33.5%. Gross margin percentages remained healthy despite a significant decrease in sales of higher margin Farm equipment due to management of production labour expenditures and a weaker Canadian dollar. Historically, gross margin percentages are low in the fourth quarter of a fiscal year due to lower sales volumes and preseason sales discounts.

General and Administrative Expenses

For the three months ended December 31, 2015, general and administrative expenses, excluding acquisitions, were $19.6 million or 24% of sales (2014 - $16.7 million and 18%). As a percentage of sales, general and administrative expenses in the fourth quarter of a fiscal year are generally higher than the annual percentage due to seasonally lower sales volumes. The increase from 2014 is largely due to a $1.0 million increase in third party commissions, primarily the result of sales mix, and a $0.7 million in increase in salaries that resulted from bonus accrual and severance adjustments at certain divisions.

Adjusted EBITDA and Net Earnings (loss)

($000's)	**Year Ended December 31**	
	2015	**2014**
Adjusted EBITDA		
AGI, excluding Westeel	$9,423	$12,997
Westeel	$3,548	N/A
Total	**$12,971**	**$12,997**

Adjusted EBITDA for the three months ended December 31, 2015 was $13.0 million (2014 - $13.0 million). The decline from 2014 was primarily the result of a decrease in higher margin Farm sales. Adjusted EBITDA at Westeel includes a $1.9 million contribution from its Italian subsidiary, Frame. Prior to October 1, 2015, Frame was recorded as an investment on AGI's balance sheet and was excluded from AGI's consolidated results since for accounting purposes AGI could not demonstrate effective control over the subsidiary due to a number of factors, including lack of Board representation.

For the three months ended December 31, 2015, the Company reported a net loss of $21.4 million (2014 - $19.4 million), a basic net loss per share of $1.48 (2014 - $1.45), and a fully diluted net loss per share of $1.48 (2014 – $1.45). The net loss in Q4 2015 was in large part due to an asset impairment charge and losses on foreign exchange. The net loss in Q4 2014 was primarily the result of a write-down of certain tax assets that resulted from the Company's agreement with the CRA regarding its 2009 conversion to a corporation (see "AGI Conversion – Agreement with CRA" under Deferred Income Taxes). The impact on profit and profit per share of these items as well as certain other significant items is illustrated below:

	Three Months Ended December 31	
(thousands of dollars)	**2015**	**2014**
Profit (loss) as reported Diluted profit (loss) per share as reported	$(21,355) $(1.48)	$(19,409) $(1.45)
Non-cash CRA settlement	0	16,889
Loss on foreign exchange	9,034	5,147
M&A Activity	699	642
Non-cash loss on impairment of assets	13,439	0
Loss on sale of property, plant and equipment	6	408
Allowance for bad debt [(2)]	325	0
Adjusted profit [(1)] Diluted adjusted profit per share [(1)]	$2,148 $0.15	$3,677 $0.27

(1) See "Non-IFRS Measures".
(2) In 2015 the Company recorded a provision related to the net balance owing from an international customer that related to sales invoiced primarily in 2013.

CASH FLOW AND LIQUIDITY

(thousands of dollars)	Year Ended December 31	
	2015	**2014**
Profit (loss) before income taxes	$(22,120)	$36,199
Add charges (deduct credits) to operations not requiring a current cash payment:		
Depreciation/Amortization	17,668	11,721
Translation loss on FX	30,360	11,644
Non-cash interest expense	3,090	3,211
Share based compensation	3,004	4,516
Non-cash impairment of available-for-sale investment	0	1,100
Defined benefit pension plan	272	0
Non-cash Investment tax credit	(412)	0
Non-cash impairment of Mepu and Applegate assets	14,143	0
Dividends on share based compensation	(962)	0
Loss (gain) on sale of assets	3,154	(522)
	48,197	67,869

Net change in non-cash working capital balances related to operations:		
Accounts receivable	39,048	(25,688)
Inventory	8,881	(11,835)
Prepaid expenses	2,076	(441)
Accounts payable	(23,571)	4,508
Customer deposits	7,056	(6,106)
Provisions	1,549	319
	35,039	(39,243)
Income tax paid	(2,613)	(8,014)
Cash provided by operations	$80,623	$20,612

Cash provided by operations for the year ended December 31, 2015 increased compared to 2014 largely due to higher cash flow related to collection of accounts receivable and inventory utilization.

Working Capital Requirements

Interim period working capital requirements typically reflect the seasonality of the business. AGI's collections of accounts receivable are weighted towards the third and fourth quarters. This collection pattern, combined with historically high sales in the third quarter that result from seasonality, typically lead to accounts receivable levels increasing throughout the year and peaking in the third quarter. Inventory levels typically increase in the first and second quarters and then begin to decline in the third or fourth quarter as sales levels exceed production. As a result of these working capital movements, historically, AGI begins to draw on its operating lines in the first or second quarter. The operating line balance typically peaks in the second or third quarter and normally begins to decline later in the third quarter as collections of accounts receivable increase. AGI has typically fully repaid its operating line balance by early in the fourth quarter. Requirements for fiscal 2016 are expected to be generally consistent with historical patterns. Growth in international business may result in an increase in the number of days accounts receivable remain outstanding and result in increased usage of working capital in certain quarters. Working capital may also be deployed to secure steel supply and pricing.

Capital Expenditures

Maintenance capital expenditures in the year ended December 31, 2015 were $2.3 million (0.5% of trade sales) compared to $4.8 million (1.2%) in 2014. Management generally anticipates maintenance capital expenditures in a fiscal year to approximate 1.0% - 1.5% of sales. The acquisition of Westeel is not expected to significantly alter this estimate. Maintenance capital expenditures in 2015 relate primarily to purchases of manufacturing equipment and building repairs and were funded through cash on hand, bank indebtedness and cash from operations.

AGI defines maintenance capital expenditures as cash outlays required to maintain plant and equipment at current operating capacity and efficiency levels. Non-maintenance capital expenditures encompass other investments, including cash outlays required to increase operating capacity or improve operating efficiency. AGI had non-maintenance capital expenditures of $34.5 million in the year ended December 31, 2015 (2014 - $12.5 million). In 2015, non-maintenance capital expenditures relate primarily to two new commercial grain handling production facilities in the U.S. that were completed in the fiscal year. Maintenance and non-maintenance capital expenditures are expected to be financed through bank indebtedness, cash on hand or through the Company's credit facility (see "Capital Resources").

Cash Balance

The Company's cash balance at December 31, 2015 was $58.2 million (2014 - $25.3 million). The higher cash balance in 2015 compared to the prior year is in part related to the Company's issuance of convertible debentures on September 29, 2015 that, after repayment of long-term debt, added approximately $22 million to the Company's cash balance.

CONTRACTUAL OBLIGATIONS (thousands of dollars)

	Total	**2016**	**2017**	**2018**	**2019**	**2020+**
2013 Debentures	86,250	0	0	86,250	0	0
2014 Debentures	51,750	0	0	0	51,750	0
2015 Debentures	75,000	0	0	0	0	75,000
Long-term debt	149,600	34,600	0	0	50,000	65,000
Finance lease	1,386	209	1,177	0	0	0
Operating leases	9,918	2,475	1,895	1,475	1,045	3,028
Total obligations	**373,904**	**37,284**	**3,072**	**87,725**	**102,795**	**143,028**

The 2013, 2014 and 2015 Debentures relate to the aggregate principal amount of the Debentures (see "Convertible Debentures" below) and long-term debt is comprised of a revolver facility, term debt and non-amortizing notes (see "Capital Resources").

CAPITAL RESOURCES

Cash

Cash and cash equivalents at December 31, 2015 were $58.2 million (2014 - $25.3 million).

Debt Facilities

	Currency	Maturity	Total Facility	Amount Drawn	Interest Rate	Interest
Series A Notes	USD	2016	34,600	34,600	6.80%	Fixed
Swing Line	CAD	2019	20,000	0	4.10%	Floating
Swing Line	USD	2019	6,920	0	5.00%	Floating
Revolver	CAD	2019	105,000	0	4.10%	Floating
Revolver	USD	2019	62,280	0	5.00%	Floating
Term Loan A	CAD	2019	50,000	50,000	3.84%	Fixed
Term Loan B	CAD	2022	40,000	40,000	4.32%	Fixed
Series B Notes	CAD	2025	25,000	25,000	4.44%	Fixed
Total Senior Debt			**343,800**	**149,600**		

The Company has a credit facility (the "Credit Facility") with a syndicate of Canadian chartered banks that includes committed revolver facilities of $105.0 million and U.S. $45.0 million. The Company's Term Loans A and B are with the same chartered banks with which it has the Credit Facility. Amounts drawn under the facility bear interest at BA plus 2.50% per annum based on performance calculations. The Company has also issued US $25.0 million and CAD $25.0 million aggregate principal amount secured notes through a note purchase and private shelf agreement (the "Series A and Series B Notes"). The Series A and B Notes are non-amortizing. AGI is subject to certain financial covenants, including a maximum leverage ratio and a minimum debt service ratio, and is in compliance with all financial covenants.

Convertible Debentures

Debentures (2009)

In 2009 the Company issued $115 million aggregate principal amount of convertible unsecured subordinated debentures (the "2009 Debentures") at a price of $1,000 per 2009 Debenture. In December 2013 the Company announced its intention to redeem the 2009 Debentures effective January 20, 2014. In January 2014, holders of $19.0 million principal amount of the 2009 Debentures exercised the conversion option and were issued 422,897 common shares. The Company redeemed all remaining outstanding 2009 Debentures on January 20, 2014.

Debentures (2013)

In December 2013 the Company issued $86.2 million aggregate principal amount of convertible unsecured subordinated debentures (the "2013 Debentures") at a price of $1,000 per 2013 Debenture. The 2013 Debentures bear interest at an annual rate of 5.25% payable semi-annually on June 30 and December 31. Each 2013 Debenture is convertible into common shares of the Company at the option of the holder at a conversion price of $55.00 per common share. The maturity date of the 2013 Debentures is December 31, 2018.

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, subject to regulatory approval and provided that no event of default has occurred, elect to satisfy its obligation to pay the principal amount of the 2013 Debentures, in whole or in part, by issuing and delivering for each $100 due that number of freely tradeable common shares obtained by dividing $100 by 95% of the volume weighted average trading price of the common shares on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date fixed for redemption or the maturity date, as the case may be. Any accrued and unpaid interest thereon will be paid in cash. The Company may also elect, subject to any required regulatory approval and provided that no event of default has occurred, to satisfy all or part of its obligation to pay interest on the 2013 Debentures by delivering sufficient freely tradeable common shares to satisfy its interest obligation.

The 2013 Debentures trade on the TSX under the symbol AFN.DB.A.

Debentures (2014)

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. Each 2014 Debenture is convertible into common shares of the Company at the option of the holder at a conversion price of $65.57 per common share.

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, subject to regulatory approval and provided that no event of default has occurred, elect to satisfy its obligation to pay the principal amount of the 2014 Debentures, in whole or in part, by issuing and delivering for each $100 due that number of freely tradeable common shares obtained by dividing $100 by 95% of the volume weighted average trading price of the common shares on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date fixed for redemption or the maturity date, as the case may be. Any accrued and unpaid interest thereon will be paid in cash. The Company may also elect, subject to any required regulatory approval and provided that no event of default has occurred, to satisfy all or part of its obligation to pay interest on the 2014 Debentures by delivering sufficient freely tradeable common shares to satisfy its interest obligation.

The 2014 Debentures trade on the TSX under the symbol AFN.DB.B.

Debentures (2015)

In September 2015 the Company issued $75 million aggregate principal amount of extendible 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. Each 2015 Debenture is convertible into common shares of the Company at the option of the holder at a conversion price of $60.00 per common share. The maturity date of the 2015 Debentures is December 31, 2020.

On and after December 31, 2018 and prior to December 31, 2019, the 2019 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, 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.

On redemption or at maturity, the Company may, at its option, subject to regulatory approval and provided that no event of default has occurred, elect to satisfy its obligation to pay the principal amount of the 2015 Debentures, in whole or in part, by issuing and delivering for each $100 due that number of freely tradeable common shares obtained by dividing $100 by 95% of the volume weighted average trading price of the common shares on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date fixed for redemption or the maturity date, as the case may be. Any accrued and unpaid interest thereon will be paid in cash. The Company may also elect, subject to any required regulatory approval and provided that no event of default has occurred, to satisfy all or part of its obligation to pay interest on the 2015 Debentures by delivering sufficient freely tradeable common shares to satisfy its interest obligation.

The 2015 Debentures trade on the TSX under the symbol AFN.DB.C.

COMMON SHARES

The following number of common shares were issued and outstanding at the dates indicated:

	# Common Shares
December 31, 2013	12,628,291
Shares issued under Dividend Reinvestment Plan (the "DRIP")	114,439
Shares issued on Conversion of 2009 Debentures	422,897
December 31, 2014	13,165,627
Shares issues to partially finance acquisition of Westeel (1)	1,112,050
Shares issued under DRIP	132,165
Shares issued under 2012 SAIP	169,592
Shares issued on exercise of DDCP grants	10,934
December 31, 2015	14,590,368
Shares issued under DRIP in January and February 2016	34,280
March 10, 2016	14,624,648

(1) Subscription receipts issued in November 2014 converted into common shares upon completion of the acquisition of Westeel.

A total of 465,000 common shares are available for issuance under the Company's Share Award Incentive Plan (the “2012 SAIP”). As at December 31, 2015, a total of 263,000 restricted Share Awards (“RSUs”) and 110,000 performance Share Awards (“PSUs”) have been granted.

A total of 54,572 deferred grants of common shares have been granted under the Company’s Director’s Deferred Compensation Plan and 18,436 common shares have been issued.

A total of 3,607,415 common shares are issuable on conversion of the outstanding 2013, 2014 and 2015 Debentures.

AGI’s common shares trade on the TSX under the symbol AFN.

DIVIDENDS

In the year ended December 31, 2015 AGI declared dividends to shareholders of $33.6 million (2014 - $31.5 million). AGI’s policy is to pay monthly dividends. The Company’s Board of Directors reviews financial performance and other factors when assessing dividend levels. An adjustment to dividend levels may be made at such time as the Board determines an adjustment to be appropriate. Dividends in a fiscal year are typically funded entirely through cash from operations, although due to seasonality dividends may be funded on a short-term basis by the Company’s operating lines, and through the DRIP. Dividends in the year ended December 31, 2015 were financed $5.2 million by the DRIP (2014 – $5.1 million) and the remainder was financed from cash on hand and cash from operations or bank indebtedness.

FUNDS FROM OPERATIONS AND PAYOUT RATIO

Funds from operations ("FFO"), defined under "Non-IFRS Measures", is cash flow from operating activities before the net change in non-cash working capital balances related to operations and stock-based compensation, less maintenance capital expenditures and adjusted for gains or losses on the sale of property, plant & equipment. The objective of presenting this measure is to provide a measure of free cash flow. The definition excludes changes in working capital as they are necessary to drive organic growth and have historically been financed by the Company's operating facility (See "Capital Resources"). Funds from operations should not be construed as an alternative to cash flows from operating, investing, and financing activities as a measure of the Company's liquidity and cash flows. Funds from operations can be reconciled to cash provided by operating activities as follows:

(thousands of dollars)	**Year Ended December 31**	
	2015	**2014**
Cash provided by operating activities	$80,623	$20,612
Change in non-cash working capital	(35,039)	39,243
Maintenance CAPEX	(2,252)	(4,828)
Gain (loss) on sale of assets	(3,154)	522
Funds from operations [(1)]	$40,178	$55,549
Payout ratio		
Dividends to shareholders	$33,593	$31,476
Payout ratio [(1)]	84%	57%
Adjusted payout ratio		
Dividends to shareholders	$33,593	$31,476
Dividends paid under DRIP	(5,252)	(5,127)
Dividends paid in cash	$28,341	$26,349
Adjusted payout ratio [(1)]	71%	47%

(1) See "Non-IFRS Measures".

The Company's payout ratio in the year ended December 31, 2015 was negatively impacted by M&A transaction costs of $5.4 million. Excluding these costs would have resulted in a payout ratio of 74% and an adjusted payout ratio of 62%.

FINANCIAL INSTRUMENTS

Foreign exchange contracts

Risk from foreign exchange arises as a result of variations in exchange rates between the Canadian and the U.S. dollars and to a lesser extent to variations in exchange rates between the Euro and the Canadian dollar. AGI has entered into foreign exchange contracts with three Canadian chartered banks to partially hedge its foreign currency exposure and as at December 31, 2015, had outstanding the following foreign exchange contracts:

Forward Foreign Exchange Contracts			
Settlement Dates	**Face Amount USD (000's)**	**Average Rate CAD**	**CAD Amount (000's)**
2016 – Q1	17,500	$1.17	20,408
2016 – Q2	23,500	$1.18	27,660
2016 – Q3	33,500	$1.18	39,453
2016 – Q4	26,000	$1.18	30,773
2017 – Q1	9,000	$1.25	11,216

The fair value of the outstanding forward foreign exchange contracts in place as at December 31, 2015 was a loss of $21.8 million. Consistent with prior periods, the Company has elected to apply hedge accounting for these contracts and the unrealized loss has been recognized in other comprehensive income.

Interest Rate Swaps

The Company has entered into interest rate swap contracts to manage its exposure to fluctuations in interest rates.

	Currency	Maturity	Total Facility (000's)	Amount of Swap (000's)	Fixed Rate
Term Loan A	CAD	2019	50,000	50,000	3.84%
Term Loan B	CAD	2022	40,000	40,000	4.32%

The fair value of the interest rate swap contracts in place as at December 31, 2015 was a loss of $2.0 million. The Company has elected to apply hedge accounting for these contracts and the unrealized loss has been recognized in other comprehensive income.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. By their nature, these estimates are subject to a degree of uncertainty and are based on historical experience and trends in the industry. Management reviews these estimates on an ongoing basis. While management has applied judgment based on assumptions believed to be reasonable in the circumstances, actual results can vary from these assumptions. It is possible that materially different results would be reported using different assumptions.

AGI believes the accounting policies that are critical to its business relate to the use of estimates regarding the recoverability of accounts receivable and the valuation of inventory, intangibles, goodwill, convertible debentures and deferred income taxes. AGI's accounting policies are described in the notes to its December 31, 2015 audited financial statements.

Allowance for Doubtful Accounts

Due to the nature of AGI's business and the credit terms it provides to its customers, estimates and judgments are inherent in the on-going assessment of the recoverability of accounts receivable. AGI maintains an allowance for doubtful accounts to reflect expected credit losses. A considerable amount of judgment is required to assess the ultimate realization of accounts receivable and these judgments must be continuously evaluated and updated. AGI is not able to predict changes in the financial conditions of its customers, and the Company's judgment related to the recoverability of accounts receivable may be materially impacted if the financial condition of the Company's customers deteriorates.

Valuation of Inventory

Assessments and judgments are inherent in the determination of the net realizable value of inventories. The cost of inventories may not be fully recoverable if they are slow moving, damaged, obsolete, or if the selling price of the inventory is less than its cost. AGI regularly reviews its inventory quantities and reduces the cost attributed to inventory no longer deemed to be fully recoverable. Judgment related to the determination of net realizable value may be impacted by a number of factors including market conditions.

Goodwill and Intangible Assets

Assessments and judgments are inherent in the determination of the fair value of goodwill and intangible assets. Goodwill and indefinite life intangible assets are recorded at cost and finite life intangibles are recorded at cost less accumulated amortization. Goodwill and intangible assets are tested for impairment at least annually. Assessing goodwill and intangible assets for impairment requires considerable judgment and is based in part on current expectations regarding future performance. The classification of assets into cash generating units requires significant judgment and interpretations with respect to the integration between assets, the nature of products, the way in which management allocates resources and other relevant factors. Changes in circumstances including market conditions may materially impact the assessment of the fair value of goodwill and intangible assets.

Deferred Income Taxes

Deferred income taxes are calculated based on assumptions related to the future interpretation of tax legislation, future income tax rates, and future operating results, acquisitions and dispositions of assets and liabilities. AGI periodically reviews and adjusts its estimates and assumptions of income tax assets and liabilities as circumstances warrant. A significant change in any of the Company's assumptions could materially affect AGI's estimate of deferred tax assets and liabilities. See "Risks and Uncertainties – Income Tax Matters".

Future Benefit of Tax-loss Carryforwards

AGI should only recognize the future benefit of tax-loss carryforwards where it is probable that sufficient future taxable income can be generated in order to fully utilize such losses and deductions. We are required to make significant estimates and assumptions regarding future revenues and profit, and our ability to implement certain tax planning strategies, in order to assess the likelihood of utilizing such losses and deductions. These estimates and assumptions are subject to significant uncertainty and if changed could materially affect our assessment of the ability to fully realize the benefit of the deferred income tax assets. Deferred tax asset balances would be reduced and additional income tax expense recorded in the applicable accounting period in the event that circumstances change and we, based on revised estimates and assumptions, determined that it was no longer probable that those deferred tax assets would be fully realized. See "Risks and Uncertainties – Income Tax Matters".

Retirement Benefits

Provisions for defined benefit post-employment obligations are calculated by independent actuaries and reviewed by management. The principal actuarial assumptions and estimates are based on independent actuarial advice and include the discount rate and other factors

RISKS AND UNCERTAINTIES

The risks and uncertainties described below are not the only risks and uncertainties we face. Additional risks and uncertainties not currently known to us or that we currently consider immaterial also may impair operations. If any of the following risks actually occur, our business, results of operations and financial condition, and the amount of cash available for dividends could be materially adversely affected. See also "Risks and Uncertainties" in AGI's most recent Annual Information Form, which is available on SEDAR (www.sedar.com).

Industry Cyclicality and General Economic Conditions

Our success depends substantially on the health of the agricultural industry. The performance of the agricultural industry, including the grain handling, storage and conditioning business, is cyclical. Sales of agricultural equipment generally are related to the health of the agricultural industry, which is affected by farm income, farm input costs, debt levels and land values, all of which reflect levels of agricultural commodity prices, acreage planted, crop yields, agricultural product demand, including crops used as renewable energy sources such as ethanol, government policies and government subsidies. Sales also are influenced by economic conditions, interest rate and exchange rate levels, and the availability of distributor and customer financing. Trends in the agricultural industry, such as farm consolidations, may affect the agricultural equipment market. In addition, weather conditions, such as floods, heat waves or droughts, can affect farmers' buying decisions. Downturns in the agricultural industry due to these or other factors could vary by market and are likely to result in decreases in demand for agricultural equipment, which would adversely affect our sales, growth, results of operations and financial condition.

To the extent that the agricultural industry declines or experiences a downturn, this is likely to have a negative impact on the grain handling, storage and conditioning business, and the business of AGI. Among other things, the agricultural sector has in recent years benefited from an increase in crop production and investment in agricultural infrastructure including outside of North America.

To the extent crop production declines or economic conditions result in a decrease in agricultural investment including in offshore markets, this is likely to have a negative impact on the agricultural industry in those markets and the business of AGI. In addition, if the ethanol industry declines or experiences a downturn, due to changes in governmental policies or otherwise, this is may have a negative impact on the demand for and prices of certain crops which may have a negative impact on the grain handling, storage and conditioning industry, and the business of AGI.

Future developments in the North American and global economies may negatively impact the demand for our products. Management cannot estimate the level of growth or contraction of the economy as a whole or of the economy of any particular region or market that we serve. Adverse changes in our financial condition and results of operations may occur as a result of negative economic conditions, declines in stock markets, contraction of credit availability, political instability or other factors affecting economic conditions generally.

Risk of Decreased Crop Yields
Decreased crop yields due to poor or unusual weather conditions, natural disasters or other factors are a significant risk affecting AGI. Both reduced crop volumes and the accompanying decline in farm incomes can negatively affect demand for grain handling, storage and conditioning equipment.

Potential Volatility of Production Costs
Our products include various materials and components purchased from others, some or all of which may be subject to wide price variation. Consistent with industry practice, AGI seeks to manage its exposure to material and component price volatility by planning and negotiating significant purchases on an annual basis, and through the alignment of material input pricing with the terms of contractual sales commitments. AGI endeavours to pass through to customers, most, if not all, material and component price volatility. There can be no assurance, however, that industry conditions will allow AGI to continue to reduce its exposure to volatility of production costs by passing through price increases to its customers. A significant increase in the price of any component or material, such as steel, could adversely affect our profitability.

Foreign Exchange Risk
AGI's consolidated financial statements are presented in Canadian dollars. AGI generates the majority of its sales in U.S. dollars and the remainder in Canadian dollars and other currencies including Euros, but a materially smaller proportion of its expenses are denominated in U.S. dollars and currencies other than the Canadian dollar. In addition, AGI denominates a portion of its long term borrowings in U.S. dollars as part of its foreign currency hedging strategy. Accordingly, fluctuations in the rate of exchange between the Canadian dollar and principally the U.S. dollar may significantly impact the Company’s financial results. If the Canadian dollar strengthens relative to the U.S. dollar, profit and adjusted EBITDA would decline whereas a weakening of the Canadian dollar relative to the U.S. dollar would increase profit and adjusted EBITDA. The Company regularly enters hedging arrangements as part of its foreign currency hedging strategy to partially mitigate the potential effect of fluctuating exchange rates. To the extent AGI enters into such hedging arrangements, it potentially foregoes the benefits that might result from a weakening of the Canadian dollar relative to the U.S. dollar or other currencies in which it generate sales and in addition may realize a loss on its forward foreign exchange contracts to the extent that the relevant exchange rates are above the contract rates at the date of maturity of the contracts. Conversely, to the extent that AGI does not fully hedge its foreign exchange exposure, it remains subject to the risk that a strengthening Canadian dollar relative to the U.S. dollar or other currencies in which it generates sales will adversely affect its financial results, which effects could be material

to its business, prospects and financial condition. See "Impact of Foreign Exchange" and "Financial Instruments – Foreign exchange contracts".

Acquisition and Expansion Risk

AGI may expand its operations by increasing the scope or changing the nature of operations at existing facilities or by acquiring or developing additional businesses, products or technologies in existing or new markets. There can be no assurance that the Company will be able to identify, acquire, develop or profitably manage additional businesses, or successfully integrate any acquired business, products, or technologies into the business, or increase the scope or change the nature of operations at existing facilities without substantial expenses, delays or other operational or financial difficulties. The Company’s ability to increase the scope or change the nature of its operations or acquire or develop additional businesses may be impacted by its cost of capital and access to credit.

Acquisitions and expansions, including the acquisition of businesses or the development of manufacturing capabilities outside of North America, may involve a number of special risks including diversion of management’s attention, failure to retain key personnel, unanticipated events or circumstances, unanticipated market dynamics in new agricultural markets, added political and economic risk in other jurisdictions, risks associated with new market development outside of North America, and legal liabilities, some or all of which could have a material adverse effect on AGI’s performance. In emerging markets some of these (and other) risks can be greater than they might be elsewhere. In addition, there can be no assurance that an increase in the scope or a change in the nature of operations at existing facilities or that acquired or newly developed businesses, products, or technologies will achieve anticipated revenues and income. The failure of the Company to manage its acquisition or expansion strategy successfully could have a material adverse effect on AGI’s results of operations and financial condition.

International Sales and Operations

A portion of AGI's sales are generated in overseas markets the majority of which are in emerging markets such as countries in Eastern Europe, including most significantly Ukraine and also Russia and Romania, as well as countries in Central and South America, the Middle East and Southeast Asia. An important component of AGI's strategy is to increase its offshore sales and operations in the future. Sales and operations outside of North America, particularly in emerging markets, are subject to various additional risks, including: currency exchange rate fluctuations; foreign economic conditions; trade barriers; competition with North American and international manufacturers and suppliers; exchange controls; restrictions on dividends and the repatriation of funds; national and regional labour strikes; political risks; limitations on foreign investment; sociopolitical instability; fraud; risk of trade embargoes and sanctions prohibiting sales to specific persons or countries; risks of increases in duties; taxes and changes in tax laws; expropriation of property, cancellation or modification of contract rights, unfavourable legal climate for the collection of unpaid accounts; unfavourable political or economic climate limiting or eliminating support from export credit agencies; changes in laws and policies governing operations of foreign-based companies; as well as risks of loss due to civil strife and acts of war.

There is no guarantee that one or more of these factors will not materially adversely affect AGI’s offshore sales and operations in the future, which could have a material adverse effect on AGI’s results of operations and financial condition.

There have also been instances of political turmoil and other instability in some of the countries in which AGI operates, including most recently in Ukraine, which has and is currently experiencing political changes, civil unrest and military action, which are contributing to significant economic uncertainty and volatility. AGI continues to closely monitor the political, economic and military situation in Ukraine, and will seek to take actions to mitigate its exposure to potential risk events. However, the situation in Ukraine is rapidly developing and AGI has no way to predict outcome of the situation. Continued unrest, military activities, or broader-based trade sanctions or embargoes, should they be implemented, could have a material adverse effect on our sales in Ukraine and Russia and other countries in the region, and a material adverse effect on our sales, growth, results of operations and financial condition.

Anti-Corruption Laws
The Company's business practices must comply with the Corruption of Public Foreign Officials Act (Canada) and other applicable similar laws. These anti-corruption laws generally prohibit companies and their intermediaries from making improper payments or providing anything of value to improperly influence government officials or private individuals for the purpose of obtaining or retaining a business advantage regardless of whether those practices are legal or culturally expected in a particular jurisdiction. These risks can be more acute in emerging markets. Recently, there has been a substantial increase in the global enforcement of anti-corruption laws. If violations of these laws were to occur, they could subject us to fines and other penalties as well as increased compliance costs and could have an adverse effect on AGI's reputation, business and results of operations and financial condition.

Agricultural Commodity Prices, International Trade and Political Uncertainty
Prices of agricultural commodities are influenced by a variety of unpredictable factors that are beyond the control of AGI, including weather, government (Canadian, United States and other) farm programs and policies, and changes in global demand or other economic factors. A decrease in agricultural commodity prices could negatively impact the agricultural sector, and the business of AGI. New legislation or amendments to existing legislation, including the *Energy Independence and Security Act in the U.S. of 2007* or the 2014 Farm Bill, may ultimately impact demand for the Company's products. The world grain market is subject to numerous risks and uncertainties, including risks and uncertainties related to international trade and global political conditions.

Competition
AGI experiences competition in the markets in which it operates. Certain of AGI's competitors have greater financial and capital resources than AGI. AGI could face increased competition from newly formed or emerging entities, as well as from established entities that choose to focus (or increase their existing focus) on AGI's primary markets. As the grain handling, storage and conditioning equipment sector is fragmented, there is also a risk that a larger, formidable competitor may be created through a combination of one or more smaller competitors. AGI may also face potential competition from the emergence of new products or technology.

Seasonality of Business
The agricultural equipment business is highly seasonal, which causes our quarterly results and our cash flow to fluctuate during the year. Our sales historically have been higher in the second and third calendar quarters compared with the first and fourth quarters and our cash flow has been lower in the first three quarters of each calendar year, which may impact the ability of the Company to make cash dividends to shareholders, or the quantum of such dividends, if any. No assurance can be given that AGI's credit facility will be sufficient to offset the seasonal variations in AGI's cash flow.

Business Interruption
The operation of AGI's manufacturing facilities are subject to a number of business interruption risks, including delays in obtaining production materials, plant shutdowns, labour disruptions and weather conditions/natural disasters. AGI may suffer damages associated with such events that it

cannot insure against or which it may elect not to insure against because of high premium costs or other reasons. For instance, AGI's Rosenort facility is located in an area that is often subject to widespread flooding, and insurance coverage for this type of business interruption is limited. AGI is not able to predict the occurrence of business interruptions.

Litigation

In the ordinary course of its business, AGI may be party to various legal actions, the outcome of which cannot be predicted with certainty. One category of potential legal actions is product liability claims. Farming is an inherently dangerous occupation. Grain handling, storage and conditioning equipment used on farms or in commercial applications may result in product liability claims that require insuring of risk and management of the legal process.

Dependence on Key Personnel

AGI's future business, financial condition, and operating results depend on the continued contributions of certain of AGI's executive officers and other key management and personnel, certain of whom would be difficult to replace.

Labour Costs and Shortages and Labour Relations

The success of AGI's business depends on a large number of both hourly and salaried employees. Changes in the general conditions of the employment market could affect the ability of AGI to hire or retain staff at current wage levels. The occurrence of either of these events could have an adverse effect on the Company's results of operations. There is no assurance that some or all of the employees of AGI will not unionize in the future. If successful, such an occurrence could increase labour costs and thereby have an adverse impact on AGI's results of operations.

Distribution, Sales Representative and Supply Contracts

AGI typically does not enter into written agreements with its dealers, distributors or suppliers in North America. As a result, such parties may, without notice or penalty, terminate their relationship with AGI at any time. In addition, even if such parties should decide to continue their relationship with AGI, there can be no guarantee that the consideration or other terms of such contracts will continue on the same basis.

AGI often enters into supply agreements with customers outside of North America. These contracts may include penalties for non-performance including in relation to product quality, late delivery and in some cases project assembly services. In addition, contractual commitments negotiated with foreign customers conducted in languages other than English may increase the likelihood of disputes with respect to agreed upon commitments. In the event AGI fails to perform to the standards of its contractual commitments it could suffer a negative financial impact which in some cases could be material.

Availability of Credit

AGI's credit facility matures on May 19, 2019 and is renewable at the option of the lenders. There can be no guarantee the Company will be able to obtain alternate financing and no guarantee that future credit facilities will have the same terms and conditions as the existing facility. This may have an adverse effect on the Company, its ability to pay dividends and the market value of its Common Shares and other securities. In addition, the business of the Company may be adversely impacted in the event that the Company's customers do not have access to sufficient financing to purchase AGI's products and services. Sales related to the construction of commercial grain handling facilities, sales to developing markets, and sales to North American farmers may be negatively impacted.

Interest Rates

AGI's term and operating credit facilities bear interest at rates that are in part dependent on performance based financial ratios. The Company's cost of borrowing may be impacted to the extent that the ratio calculation results in an increase in the performance based component of the interest rate. To the extent that the Company has term and operating loans where the fluctuations in the cost of borrowing are not mitigated by interest rate swaps, the Company's cost of borrowing may be impacted by fluctuations in market interest rates.

Uninsured and Underinsured Losses

AGI uses its discretion in determining amounts, coverage limits and deductibility provisions of insurance, with a view to maintaining appropriate insurance coverage on its assets and operations at a commercially reasonable cost and on suitable terms. This may result in insurance coverage that, in the event of a substantial loss, would not be sufficient to pay the full current market value or current replacement cost of its assets or cover the cost of a particular claim.

AGI obtains insurance for certain of its accounts receivables outside of North America while assuming a percentage of the risk, most often 10% of the insured amount. In the event that AGI is unable to collect on its accounts receivables outside of North America, the Company will incur financial losses related to the uninsured portion.

Income Tax Matters; Tax Consequences of Conversion

Income tax provisions, including current and deferred income tax assets and liabilities, and income tax filing positions require estimates and interpretations of income tax rules and regulations of the various jurisdictions in which AGI operates and judgments as to their interpretation and application to AGI's specific situation. The amount and timing of reversals of temporary differences also depends 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 including the Conversion. 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' existing and proposed tax filing positions are probable to be sustained, there are a number of existing and proposed tax filing positions that are or 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 adverse effect on AGI and its financial results.

Leverage, Restrictive Covenants

The degree to which AGI is leveraged could have important consequences to shareholders, including: (i) the ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; (ii) a material portion of AGI's cash flow from operations may need to be dedicated to payment of the principal of and interest on indebtedness, thereby reducing funds available for future operations and to pay dividends; (iii) certain of the borrowings under the Company's credit facility may be at variable rates of interest, which exposes AGI to the risk of increased interest rates; and (iv) AGI may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures. AGI's ability to make scheduled payments of principal and interest on, or to refinance, its indebtedness will depend on its future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

The ability of AGI to pay dividends or make other payments or advances will be subject to applicable laws and contractual restrictions contained in the instruments governing its indebtedness, including the Company's credit facility and note purchase agreement. AGI's credit facility and note purchase agreement contain restrictive covenants customary for agreements of this nature, including covenants that limit the discretion of management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of AGI to incur additional indebtedness, to pay dividends or make certain other payments and to sell or otherwise dispose of material assets. In addition, the credit facility and note purchase agreement contain a number of financial covenants that will require AGI to meet certain financial ratios and financial tests. A failure to comply with these obligations could result in an event of default which, if not cured or waived, could permit acceleration of the relevant indebtedness and trigger financial penalties including a make-whole provision in the note purchase agreement. If the indebtedness under the credit facility and note purchase agreement were to be accelerated, there can be no assurance that the assets of AGI would be sufficient to repay in full that indebtedness. There can also be no assurance that the credit facility or any other credit facility will be able to be refinanced.

Information Systems, Privacy and Data Protection

Security breaches and other disruptions to AGI's information technology infrastructure could interfere with AGI's operations and could compromise AGI's and its customers' and suppliers' information, exposing AGI to liability that would cause AGI's business and reputation to suffer.
In the ordinary course of business, AGI relies upon information technology networks and systems, some of which are managed by third parties, to process, transmit and store electronic information, and to manage or support a variety of business processes and activities, including supply chain, manufacturing, distribution, invoicing and collection of payments from dealers or other purchasers of AGI equipment. AGI uses information technology systems to record, process and summarize financial information and results of operations for internal reporting purposes and to comply with regulatory financial reporting, legal and tax requirements.

Additionally, AGI collects and stores sensitive data, including intellectual property, proprietary business information and the proprietary business information of AGI's customers and suppliers, as well as personally identifiable information of AGI's customers and employees, in data centers and on information technology networks. The secure operation of these information technology networks and the processing and maintenance of this information is critical to AGI's business operations and strategy. Despite security measures and business continuity plans, AGI's information technology networks and infrastructure may be vulnerable to damage, disruptions or shutdowns due to attacks by hackers or breaches due to employee error or malfeasance or other disruptions during the process of upgrading or replacing computer software or hardware, power outages, computer viruses, telecommunication or utility failures or natural disasters or other catastrophic events. The occurrence of any of these events could compromise AGI's networks, and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability or regulatory penalties under laws protecting the privacy of personal information, disrupt operations, and damage AGI's reputation, which could adversely affect AGI's business.

Labour Relations

The Westeel workforce is comprised of both unionized and non-union employees. With respect to those employees that are covered by collective bargaining agreements, there can be no assurance as to the outcome of any negotiations to renew such agreements on satisfactory terms. Failure to renegotiate collective bargaining agreements could result in strikes, work stoppages or interruptions, and if any of these events were to occur, they could have a material adverse effect on AGI's reputation, operations and financial performance. If non-unionized employees, whether those of Westeel or AGI, become subject to collective agreements, the terms of any new collective agreements would have implications for the affected operations, and those implications could be material.

CHANGES IN ACCOUNTING POLICIES AND FUTURE ACCOUNTING CHANGES

Standards issued but not yet effective up to the date of issuance of the Company's 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 1, 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.

Amendments to IAS 1, Presentation of Financial Statements

On December 18, 2014 the IASB issued amendments to IAS 1 as part of its major initiative to improve presentation and disclosure in financial reports [the "Disclosure Initiative"]. The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted. These amendments will not require any significant change to current practice, but should facilitate improved financial statements disclosures. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

Amendments to IAS 19, Defined Benefit Plans, Employee Contributions

On November 21, 2013, the IASB issued amendments to IAS 19 to clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognize the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method, whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

These amendments are effective January 1, 2016, and the Company is currently evaluating the impact of this new pronouncement and does not anticipate it will have a significant impact on its consolidated financial statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including AGI's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

Management of AGI is responsible for designing internal controls over financial reporting for the Company as defined under National Instrument 52-109 issued by the Canadian Securities Administrators. Management has designed such internal controls over financial reporting, or caused them to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

The Company acquired Westeel on May 20, 2015 (see "Westeel Acquisitions") and Vis (see "GJ Vis Holdings Inc. Acquisition") on November 30, 2015. Management has not completed its review of internal controls over financial reporting or disclosure controls and procedures for this newly acquired operations. Since the acquisition occurred within 365 days of the end of the reporting period, management has limited the scope of design, and subsequent evaluation, of disclosure controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of this acquisition, as permitted under Section 3.3 of National Instrument 52-109 - *Certification of Disclosure in Issuer's Annual and Interim Filings*. For the period covered by this MD&A, management has undertaken specific procedures to satisfy itself with respect to the accuracy and completeness of Westeel's and Vis' financial information. The following is the summary financial information pertaining to Westeel and Vis that were included in Ag Growth's consolidated financial statements for the year ended December 31, 2015:

(thousands of dollars)	**Westeel**	**Vis**
Revenue	$87,312	$1,353
Profit	$2,275	$196
Current assets[1]	$74,923	$5,901
Non-current assets[1]	$208,363	$13,123
Current liabilities[1]	$257,526	$17,154
Non-current liabilities[1]	$22,493	$1,674

Note 1 - Balance sheet as at December 31, 2015

There have been no material changes in AGI's internal controls over financial reporting that occurred in the three-month period ended December 31, 2015, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

NON-IFRS MEASURES

In analyzing our results, we supplement our use of financial measures that are calculated and presented in accordance with IFRS, with a number of non-IFRS financial measures including "EBITDA", "Adjusted EBITDA", "gross margin", "funds from operations", "payout ratio", "adjusted payout ratio", "trade sales", "adjusted profit", and "diluted adjusted profit per share". A non-IFRS financial measure is a numerical measure of a company's historical performance, financial position or cash flow that excludes (includes) amounts, or is subject to adjustments that have the effect of excluding (including) amounts, that are included (excluded) in the most directly comparable measures calculated and presented in accordance with IFRS. Non-IFRS financial measures are not standardized; therefore, it may not be possible to compare these financial measures with other companies' non-IFRS financial measures having the same or similar businesses. We strongly encourage investors to review our consolidated financial statements and publicly filed reports in their entirety and not to rely on any single financial measure.

We use these non-IFRS financial measures in addition to, and in conjunction with, results presented in accordance with IFRS. These non-IFRS financial measures reflect an additional way of viewing aspects of our operations that, when viewed with our IFRS results and the accompanying reconciliations to corresponding IFRS financial measures, may provide a more complete understanding of factors and trends affecting our business.

In this MD&A, we discuss the non-IFRS financial measures, including the reasons that we believe that these measures provide useful information regarding our financial condition, results of operations, cash flows and financial position, as applicable, and, to the extent material, the additional purposes, if any, for which these measures are used. Reconciliations of non-IFRS financial measures to the most directly comparable IFRS financial measures are contained in this MD&A.

Management believes that the Company's financial results may provide a more complete understanding of factors and trends affecting our business and be more meaningful to management, investors, analysts and other interested parties when certain aspects of our financial results are adjusted for the gain (loss) on foreign exchange and other operating expenses and income. These measurements are non-IFRS measurements. Management uses the non-IFRS adjusted financial results and non-IFRS financial measures to measure and evaluate the performance of the business and when discussing results with the Board of Directors, analysts, investors, banks and other interested parties.

References to “EBITDA” are to profit before income taxes, finance costs, depreciation, amortization and asset impairment charges. References to “adjusted EBITDA” are to EBITDA before the Company’s gain or loss on foreign exchange, gains or losses on the sale of property, plant & equipment, non-cash share based compensation expenses and expenses related to corporate acquisition activity. Management believes that, in addition to profit or loss, EBITDA and adjusted EBITDA are useful supplemental measures in evaluating the Company’s performance. Management cautions investors that EBITDA and adjusted EBITDA should not replace profit or loss as indicators of performance, or cash flows from operating, investing, and financing activities as a measure of the Company’s liquidity and cash flows.

References to “trade sales” are to sales net of the gain or loss on foreign exchange. Management cautions investors that trade sales should not replace sales as an indicator of performance. References to “gross margin” are to trade sales less cost of sales net of the depreciation and amortization included in cost of sales.

References to “funds from operations” are to cash flow from operating activities before the net change in non-cash working capital balances related to operations and stock-based compensation, less maintenance capital expenditures and adjusted for the gain or loss on the sale of property, plant & equipment. Management believes that, in addition to cash provided by (used in) operating activities, funds from operations provide a useful supplemental measure in evaluating its performance.

References to “payout ratio” are to dividends declared as a percentage of funds from operations. References to “adjusted payout ratio” are to declared dividends paid in cash as a percentage of funds from operations.

References to “adjusted profit” and “diluted adjusted profit per share” are to profit for the period and diluted profit per share for the period adjusted for the non-cash CRA settlement, losses on foreign exchange, transaction costs, non-cash loss on available-for-sale investment and gain on sale of property, plant and equipment.

In addition, this MD&A includes certain financial information relating to Entringer, which is prepared in accordance with Brazilian generally accepted accounting principles ("Brazilian GAAP"), which differ in some material respects from IFRS, and accordingly may not be comparable to the financial statements of AGI or other Canadian public companies. In the case of the Entringer financial information, references to “normalized EBITDA” are to Entringer’s unaudited earnings before income taxes, finance costs, depreciation and amortization and include certain normalization adjustments including owner/manager compensation structure and related party transactions. Management believes that, in addition to sales, profit or loss and cash flows from operating, investing, and financing activities, normalized EBITDA is a useful supplemental measure in evaluating a company's performance. Normalized EBITDA is not a financial measure recognized by IFRS or Brazilian GAAP and does not have standardized meanings prescribed by

IFRS or Brazilian GAAP. Management cautions investors that normalized EBITDA should not replace sales or profit or loss as indicators of performance, or cash flows from operating, investing, and financing activities as a measure of a company's liquidity and cash flows. AGI's method of calculating normalized EBITDA may differ from the methods used by other issuers.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements that reflect our expectations regarding the future growth, results of operations, performance, business prospects, and opportunities of the Company. Forward-looking statements may contain such words as "anticipate", "believe", "continue", "could", "expects", "intend", "plans", "will" or similar expressions suggesting future conditions or events. In particular, the forward looking statements in this MD&A include statements relating to our business and strategy, including our outlook for our financial and operating performance including our expectations for adjusted sales and EBITDA, and with respect to our ability to achieve the expected benefits of the Entringer acquisition, the anticipated impact of the Entringer acquisition on our business and the timing thereof and our estimate of the costs of a new facility in Brazil and the timing of completion thereof. Such forward-looking statements reflect our current beliefs and are based on information currently available to us, including certain key expectations and assumptions concerning anticipated grain production in our market areas, financial performance, business prospects, strategies, product pricing, regulatory developments, tax laws, the sufficiency of budgeted capital expenditures in carrying out planned activities, political events, currency exchange rates, the cost of materials, labour and services and the value of Entringer's business and assets and liabilities assumed pursuant to the acquisition. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from results discussed in the forward-looking statements, including changes in international, national and local business conditions, weather patterns, crop planting, crop yields, crop conditions, the timing of harvest and conditions during harvest, seasonality, industry cyclicality, volatility of production costs, agricultural commodity prices, the cost and availability of capital, currency exchange rates, and competition. These risks and uncertainties are described under "Risks and Uncertainties" in this MD&A and in our most recently filed Annual Information Form. These factors should be considered carefully, and readers should not place undue reliance on the Company's forward-looking statements. There can be no assurance that any of the anticipated benefits of the Entringer acquisition will be realized. We cannot assure readers that actual results will be consistent with these forward-looking statements and we undertake no obligation to update such statements except as expressly required by law.

ADDITIONAL INFORMATION

Additional information relating to AGI, including AGI's most recent Annual Information Form, is available on SEDAR (www.sedar.com).

Consolidated Financial Statements

Ag Growth International Inc.

December 31, 2015

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Ag Growth International Inc.

We have audited the accompanying consolidated financial statements of **Ag Growth International Inc.**, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Ag Growth International Inc.** as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Winnipeg, Canada
March 9, 2016

Chartered Professional Accountants

Ag Growth International Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[in thousands of Canadian dollars]

As at December 31

	2015 $	2014 $
ASSETS *[note 22]*		
Current assets		
Cash and cash equivalents *[note 15]*	**58,234**	25,295
Cash held in trust *[note 6[a]]*	**250**	250
Accounts receivable *[note 17]*	**73,524**	86,764
Inventory *[note 18]*	**98,722**	71,031
Prepaid expenses and other assets *[note 32[a]]*	**2,790**	6,852
Income taxes recoverable	**916**	3,375
	234,436	193,567
Non-current assets		
Property, plant and equipment, net *[notes 9 and 32[a]]*	**165,687**	99,612
Goodwill *[note 11]*	**164,081**	71,356
Intangible assets, net *[note 10]*	**163,781**	75,618
Available-for-sale investment *[note 14]*	**900**	900
Other assets *[note 25]*	**234**	—
Income taxes recoverable	**3,930**	3,812
Deferred tax asset *[note 26]*	**84**	—
	498,697	251,298
Assets held for sale *[note 13]*	**6,606**	2,251
Total assets	**739,739**	447,116
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities *[note 24]*	**47,721**	35,460
Customer deposits	**21,461**	12,864
Dividends payable	**2,883**	2,633
Current portion of contingent consideration *[note 6[c]]*	**2,687**	—
Acquisition, transaction and financing costs payable	**1,846**	2,266
Other financial liabilities *[note 6[b]]*	**9,017**	—
Income taxes payable	**4,472**	93
Subscription receipts commission payable *[note 6[b]]*	**—**	1,036
Current portion of long-term debt *[note 22]*	**34,600**	—
Current portion of obligations under finance lease *[note 22[e]]*	**209**	—
Current portion of derivative instruments *[note 27]*	**20,577**	6,618
Short-term debt *[note 22[d]]*	**—**	49,176
Provisions *[note 19]*	**6,550**	3,829
	152,023	113,975
Non-current liabilities		
Long-term debt *[note 22]*	**112,331**	28,949
Due to vendor *[note 7]*	**800**	671
Contingent consideration *[note 6[c]]*	**1,976**	—
Convertible unsecured subordinated debentures *[note 23]*	**197,585**	79,433
Obligations under finance lease *[note 22[e]]*	**1,177**	—
Derivative instruments *[note 27]*	**3,191**	2,290
Deferred tax liability *[notes 26]*	**32,938**	12,072
	349,998	123,415
Total liabilities	**502,021**	237,390
Shareholders' equity *[note 20]*		
Common shares	**244,840**	184,771
Accumulated other comprehensive income	**42,560**	14,838
Equity component of convertible debentures	**6,912**	3,135
Contributed surplus	**10,193**	12,954
Deficit	**(66,787)**	(5,972)
Total shareholders' equity	**237,718**	209,726
Total liabilities and shareholders' equity	**739,739**	447,116

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.

CONSOLIDATED STATEMENTS OF INCOME

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

Year ended December 31

	2015	**2014**
	$	$
Sales	**449,484**	400,145
Cost of goods sold *[note 8[d]]*	**330,445**	276,538
Gross profit	**119,039**	123,607
Expenses		
Selling, general and administrative *[note 8[e]]*	**102,665**	73,781
Other operating expense (income) *[note 8[a]]*	**253**	(1,305)
Impairment of available-for-sale investment *[note 14]*	**—**	1,100
Impairment charge *[note 16]*	**13,439**	—
Finance costs *[note 8[c]]*	**18,490**	11,450
Finance expense *[note 8[b]]*	**6,312**	2,382
	141,159	87,408
Profit (loss) before income taxes	**(22,120)**	36,199
Income tax expense (recovery) *[note 26]*		
Current	**4,722**	4,757
Deferred	**(1,613)**	27,342
	3,109	32,099
Profit (loss) for the year	**(25,229)**	4,100
Profit (loss) per share – basic *[note 30]*	**(1.81)**	0.31
Profit (loss) per share – diluted *[note 30]*	**(1.81)**	0.31

See accompanying notes

Ag Growth International Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

[in thousands of Canadian dollars]

Year ended December 31

	2015	2014
	$	$
Profit (loss) for the year	**(25,229)**	4,100
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	**(28,746)**	(9,159)
Losses on derivatives designated as cash flow hedges recognized in net earnings in the current period	**13,886**	4,743
Actuarial gains on defined benefit plan	**216**	—
Exchange differences on translation of foreign operations	**38,378**	14,712
Income tax relating to items that may be reclassified	**3,988**	1,177
Other comprehensive income for the year	**27,722**	11,473
Total comprehensive income for the year	**2,493**	15,573

See accompanying notes

Ag Growth International Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

[in thousands of Canadian dollars]

	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, 2015	**184,771**	**3,135**	**12,954**	**(5,972)**	**(6,545)**	**21,383**	**—**	**209,726**
Profit (loss) for the year	**—**	**—**	**—**	**(25,229)**	**—**	**—**	**—**	**(25,229)**
Other comprehensive income (loss)	**—**	**—**	**—**	**—**	**(10,813)**	**38,378**	**157**	**27,722**
Share-based payment transactions *[notes 20 and 21]*	**5,695**	**—**	**(2,761)**	**—**	**—**	**—**	**—**	**2,934**
Dividend reinvestment plan *[notes 20[d] and [e]]*	**5,252**	**—**	**—**	**—**	**—**	**—**	**—**	**5,252**
Dividends to shareholders *[note 20]*	**—**	**—**	**—**	**(33,593)**	**—**	**—**	**—**	**(33,593)**
Issuance of 2015 convertible unsecured subordinated debentures *[note 23]*	**—**	**3,777**	**—**	**—**	**—**	**—**	**—**	**3,777**
Dividend reinvestment plan costs *[notes 20[d] and [e]]*	**(16)**	**—**	**—**	**—**	**—**	**—**	**—**	**(16)**
Dividends on share-based compensation awards	**—**	**—**	**—**	**(881)**	**—**	**—**	**—**	**(881)**
Dividends on subscription receipt	**—**	**—**	**—**	**(1,112)**	**—**	**—**	**—**	**(1,112)**
Share issuance related to Westeel acquisition *[note 6[b]]*	**49,138**	**—**	**—**	**—**	**—**	**—**	**—**	**49,138**
As at December 31, 2015	**244,840**	**6,912**	**10,193**	**(66,787)**	**(17,358)**	**59,761**	**157**	**237,718**

See accompanying notes

Ag Growth International Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

[in thousands of Canadian dollars]

	Common shares	**Equity component of convertible debentures**	**Contributed surplus**	**Retained earnings (deficit)**	**Cash flow hedge reserve**	**Foreign currency reserve**	**Total equity**
	$	$	$	$	$	$	$
As at January 1, 2014	158,542	8,240	4,984	21,847	(3,306)	6,671	196,978
Profit for the year	—	—	—	4,100	—	—	4,100
Other comprehensive income (loss)	—	—	—	—	(3,239)	14,712	11,473
Share-based payment transactions *[notes 20 and 21]*	749	—	4,210	—	—	—	4,959
Dividend reinvestment plan *[notes 20[d] and [e]]*	5,127	—	—	—	—	—	5,127
Dividends to shareholders *[note 20]*	—	—	—	(31,476)	—	—	(31,476)
Dividend reinvestment plan costs *[notes 20[d] and [e]]*	(16)	—	—	—	—	—	(16)
Dividends on share-based compensation awards	—	—	—	(443)	—	—	(443)
Redemption of 2009 convertible unsecured subordinated debentures	20,369	(5,105)	3,760	—	—	—	19,024
As at December 31, 2014	184,771	3,135	12,954	(5,972)	(6,545)	21,383	209,726

See accompanying notes

Ag Growth International Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

[in thousands of Canadian dollars]

Year ended December 31

	2015	2014
	$	$
OPERATING ACTIVITIES		
Profit (loss) before income taxes for the year	**(22,120)**	36,199
Add (deduct) items not affecting cash		
Depreciation of property, plant and equipment	**9,058**	6,781
Amortization of intangible assets	**8,610**	4,940
Impairment of available-for-sale investment	**—**	1,100
Translation loss on foreign exchange	**30,360**	11,644
Non-cash component of interest expense	**3,090**	3,211
Share-based compensation expense	**3,004**	4,516
Impairment charge	**14,143**	—
Loss on sale of property, plant and equipment	**3,200**	583
Gain on disposal of asset held for sale	**(46)**	(1,105)
Employer contribution to defined benefit plan	**(245)**	—
Defined benefit plan expense	**517**	—
Non-cash investment tax credit	**(412)**	—
Dividends on share-based compensation	**(962)**	—
	48,197	67,869
Net change in non-cash working capital balances related to operations *[note 15]*	**35,039**	(39,243)
Income tax paid	**(2,613)**	(8,014)
Cash provided by operating activities	**80,623**	20,612
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	**(39,646)**	(17,373)
Acquisition of product line	**—**	(13,144)
Acquisition of Westeel, net of cash acquired *[note 6[b]]*	**(205,993)**	—
Acquisition of Vis *[note 6[c]]*	**(10,000)**	—
Changes to deposits related to property, plant and equipment	**2,252**	(2,252)
Transfer to cash held in trust and restricted cash	**—**	(250)
Proceeds from sale of property, plant and equipment	**3,557**	48
Proceeds from disposal of assets held for sale	**1,147**	2,400
Development and purchase of intangible assets	**(2,511)**	(1,721)
Transaction costs paid and payable	**(420)**	3,231
Cash used in investing activities	**(251,614)**	(29,061)
FINANCING ACTIVITIES		
Repayment of long-term debt	**(63,394)**	(3)
Repayment of obligation under finance leases	**(36)**	—
Redemption of convertible unsecured subordinated debentures, net	**—**	(95,861)
Issuance of long-term debt	**174,731**	—
Proceeds from short-term debt	**—**	49,176
Issuance of convertible unsecured subordinated debentures	**71,491**	—
Common share issuance	**51,766**	—
Subscription receipts commission payable	**(1,036)**	—
Subscription receipts financing costs	**(123)**	(1,934)
Dividends paid in cash *[note 20[d]]*	**(29,453)**	(26,349)
Dividend reinvestment plan costs incurred	**(16)**	(16)
Cash provided by (used in) financing activities	**203,930**	(74,987)
Net increase (decrease) in cash and cash equivalents during the year	**32,939**	(83,436)
Cash and cash equivalents, beginning of year	**25,295**	108,731
Cash and cash equivalents, end of year	**58,234**	25,295
Supplemental cash flow information		
Interest paid	**15,739**	7,870

See accompanying notes

December 31, 2015

1. ORGANIZATION

The consolidated financial statements of Ag Growth International Inc. [“Ag Growth Inc.”] for the year ended December 31, 2015 were authorized for issuance in accordance with a resolution of the directors on March 9, 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 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards [“IFRS”] as issued by the International Accounting Standards Board [“IASB”].

The Company adopted IFRS 8 on January 1, 2015. There was no material impact other than disclosure to the Company’s consolidated financial statements as a result of the adoption of these standards and amendments.

Basis of preparation

The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the parent company, Ag Growth 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 investment, which are measured at fair value.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except for the following adopted subsequent to the acquisition of Westeel *[note 6[b]]*.

Employee benefits

Certain employees are covered by defined benefit pension plans and certain former employees are also entitled to other post-employment benefits such as medical and life insurance. The Company's defined benefit plan asset (obligation) is actuarially calculated by a qualified actuary at the end of each annual reporting period using the projected unit credit method and management's best estimates of the discount rate, the rate of compensation increase, retirement rates, termination rates, mortality rates and expected growth rate of health care costs. The discount rate used to value the defined benefit obligation for accounting purposes is based on the yield on a portfolio of high-quality corporate bonds denominated in the same currency with cash flows that match the terms of the defined benefit plan obligations. Past service costs (credits) arising from plan amendments are recognized in operating income in the year that they arise. The actuarially determined net interest costs on the net defined benefit plan obligation are recognized in interest cost for the defined benefit plan. Actual post-employment benefit costs incurred may differ materially from management estimates.

The fair values of plan assets are deducted from the defined benefit plan obligations to arrive at the net defined benefit plan asset (obligation). When the plan has a net defined benefit asset, the recognized asset is limited to the present value of economic benefits available in the form of future refunds from the plan or reductions in future contributions to the plan [the "asset ceiling"]. If it is anticipated that the Company will not be able to recover the value of the net defined benefit asset, after considering minimum funding requirements for future service, the net defined benefit asset is reduced to the amount of the asset ceiling. When the payment in the future of minimum funding requirements related to past service would result in a net defined benefit surplus or an increase in a surplus, the minimum funding requirements are recognized as a liability to the extent that the surplus would not be fully available as a refund or a reduction in future contributions.

Remeasurements including actuarial gains and losses and the impact of any minimum funding requirements are recognized through other comprehensive income and subsequently reclassified from accumulated other comprehensive income to retained earnings.

Current employee wages and benefits are expensed as incurred.

Principles of consolidation

The consolidated financial statements include the accounts of Ag Growth Inc. and its wholly owned subsidiaries, Ag Growth Industries Partnership, AGX Holdings Inc., Ag Growth Holdings Corp., AGI Alpha Holdings Corp., AGI Bravo Holdings Corp., Westfield Distributing (North Dakota) Inc., Hansen Manufacturing Corp. ["Hi Roller"], Union Iron Inc. ["Union Iron"], Applegate Trucking Inc., Applegate Livestock Equipment, Inc. ["Applegate"], Airlanco Inc. ["Airlanco"], Tramco, Inc. ["Tramco"], Tramco Europe Limited, Euro-Tramco B.V., Ag Growth Suomi Oy, Mepu Oy ["Mepu"], AGI Comercio de Equipamentos E Montagens Ltda, AGI Latvia Inc., Westeel Canada Inc. ["Westeel"], GJ Vis Holdings Inc. ["Vis"], GJ Vis Properties Inc., GJ Vis Enterprises Inc., Westeel EMEA S.L. and 42337133 S.R.L. as at December 31, 2015. Subsidiaries are fully consolidated from the date of acquisition, it being the date on which AGI obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-company balances, income and expenses and unrealized gains and losses resulting from intra-company transactions are eliminated in full.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments and liabilities incurred or assumed at the date of exchange. Acquisition costs for business combinations are expensed and included in selling, general and administrative expenses. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition.

Goodwill is initially measured at cost, being the excess of the cost of the business combination over AGI's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Any negative difference is recognized directly in the consolidated statements of income. If the fair values of the assets, liabilities and contingent liabilities can only be calculated on a provisional basis, the business combination is recognized using provisional values. Any adjustments resulting from the completion of the measurement process are recognized within 12 months of the date of acquisition ["measurement period"].

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of AGI's cash generating units ["CGUs"] that are expected to benefit from the synergies of the combination, irrespective of whether other assets and liabilities of the acquiree are assigned to those CGUs. Where goodwill forms part of a CGU and part of the operating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of operation. If the Company reorganizes its reporting structure in a way that changes the composition of one or more CGUs to which goodwill has been allocated, the goodwill is reallocated to the units affected. Goodwill disposed of or reallocated in these cases is measured based on the relative values of the operation disposed of and the portion of the CGU retained, or the relative fair value of the part of a CGU allocated to a new CGU compared to the part remaining in the old organizational structure.

Foreign currency translation

Each entity in AGI determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by AGI entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary items are translated at the functional currency spot rate as of the reporting date. Exchange differences from monetary items are recognized in the consolidated statements of income. Non-monetary items that are not carried at fair value are translated using the exchange rates as at the dates of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The assets and liabilities of foreign operations are translated into Canadian dollars at the rate of exchange prevailing at the reporting date and their consolidated statements of income are translated at the monthly rates of exchange. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the consolidated statements of income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the reporting date.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of any accumulated depreciation and any impairment losses determined. Cost includes the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary and, where relevant, the present value of all dismantling and removal costs. Where major components of property, plant and equipment have different useful lives, the components are recognized and depreciated separately. AGI recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when the cost is incurred and if it is probable that the future economic benefits embodied with the item can be reliably measured. All other repair and maintenance costs are recognized in the consolidated statements of income as an expense when incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and building components	20 – 60 years
Manufacturing equipment	10 – 20 years
Computer hardware	5 years
Leasehold improvements	Over the lease period
Equipment under finance leases	10 years
Furniture and fixtures	5 – 10 years
Vehicles	4 – 16 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the consolidated statements of income when the asset is derecognized.

The assets' useful lives and methods of depreciation of assets are reviewed at each financial year-end, and adjusted prospectively, if appropriate. No depreciation is taken on construction in progress until the asset is placed in use. Amounts representing direct costs incurred for major overhauls are capitalized and depreciated over the estimated useful life of the different components replaced.

Leases

The determination of whether an arrangement is, or contains, a lease is based on whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases, which transfer to AGI substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the consolidated statements of income.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that AGI will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense in the consolidated statements of income on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time, which AGI considers to be 12 months or more, to get ready for its intended use or sale, are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite useful lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization method and amortization period of an intangible asset with a finite useful life is reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of income in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives, which include brand names, are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Internally generated intangible assets are capitalized when the product or process is technically and commercially feasible and AGI has sufficient resources to complete development. The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Expenditures incurred to develop new demos and prototypes are recorded at cost as internally generated intangible assets. Amortization of the internally generated intangible assets begins when the development is complete and the asset is available for use and it is amortized over the period of expected future benefit. Amortization is recorded in cost of goods sold. During the period of development, the asset is tested for impairment at least annually.

Finite life intangible assets are amortized on a straight-line basis over the estimated useful lives of the related assets as follows:

Patents	4 – 10 years
Distribution networks	8 – 25 years
Demos and prototypes	3 – 15 years
Order backlog	3 – 6 months
Non-compete agreement	7 years
Software	8 years

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statements of income when the asset is derecognized.

Impairment of non-financial assets

AGI assesses at each reporting date whether there is an indication that an asset may be impaired. If such an indication exists, or when annual testing for an asset is required, AGI estimates the asset's recoverable amount. The recoverable amount of goodwill as well as intangible assets not yet available for use is estimated at least annually on December 31. The recoverable amount is the higher of an asset's or CGU group's fair value less costs to sell and its value in use.

Value in use is determined by discounting estimated future cash flows using a pre-tax discount rate that reflects the current market assessment of the time value of money and the specific risks of the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. The recoverable amount of assets that do not generate independent cash flows is determined based on the CGU group to which the asset belongs.

AGI bases its impairment calculation on detailed budgets and forecast calculations that are prepared separately for each of AGI's CGU groups to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For periods after five years, a terminal value approach is used.

An impairment loss is recognized in the consolidated statements of income if an asset's carrying amount or that of the CGU group to which it is allocated is higher than its recoverable amount. Impairment losses of a CGU group are first charged against the carrying value of the goodwill balance included in the CGU group and then against the value of the other assets, in proportion to their carrying amount. In the consolidated statements of income, the impairment losses are recognized in those expense categories consistent with the function of the impaired asset.

For assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, AGI estimates the asset's or CGU group's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset or CGU group in prior years. Such a reversal is recognized in the consolidated statements of income.

Goodwill is tested for impairment annually as at December 31 and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU group to which the goodwill relates. Where the recoverable amount of the CGU group is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at December 31, either individually or at the CGU group level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Cash and cash equivalents

All highly liquid temporary cash investments with an original maturity of three months or less when purchased are considered to be cash equivalents. For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash and money market funds, net of outstanding bank overdrafts.

Inventory

Inventory is comprised of raw materials and finished goods. Inventory is valued at the lower of cost and net realizable value, using a first-in, first-out basis. For finished goods, costs include all direct costs incurred in production, including direct labour and materials, freight, directly attributable manufacturing overhead costs based on normal operating capacity and property, plant and equipment depreciation.

Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or declining selling prices. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. When the circumstances that previously caused inventories to be written down below cost no longer exist, or when there is clear evidence of an increase in selling prices, the amount of the write-down previously recorded is reversed.

Financial instruments

Financial assets and liabilities

AGI classifies its financial assets as [i] financial assets at fair value through profit or loss, [ii] loans and receivables or [iii] available-for-sale, and its financial liabilities as either [i] financial liabilities at fair value through profit or loss ["FVTPL"] or [ii] other financial liabilities. Derivatives are designated as hedging instruments in an effective hedge, as appropriate. Appropriate classification of financial assets and liabilities is determined at the time of initial recognition or when reclassified in the consolidated statements of financial position.

All financial instruments are recognized initially at fair value plus, in the case of investments and liabilities not at fair value through profit or loss, directly attributable transaction costs. Financial instruments are recognized on the trade date, which is the date on which AGI commits to purchase or sell the asset.

Financial assets at fair value through profit or loss

Financial assets at FVTPL include financial assets classified as held-for-trading and financial assets designated upon initial recognition at FVTPL. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes cash and cash equivalents and derivative financial instruments entered into that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Financial assets at FVTPL are carried in the consolidated statements of financial position at fair value with changes in the fair value recognized in finance income or finance costs in the consolidated statements of income.

AGI has currently not designated any financial assets upon initial recognition as FVTPL.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held-for-trading. These embedded derivatives are measured at fair value with changes in fair value recognized in the consolidated statements of income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets in this category include receivables. Loans and receivables are initially recognized at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment. The effective interest amortization is included in finance income in the consolidated statements of income. The losses arising from impairment are recognized in the consolidated statements of income in finance costs.

Available-for-sale financial investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held-for-trading nor designated at FVTPL. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated statements of income and removed from the available-for-sale reserve.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest method. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the effective interest method. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statements of income.

Derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or when AGI has transferred its rights to receive cash flows from the asset.

Impairment of financial assets

AGI assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset [an incurred “loss event”] and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Trade receivables and other assets that are not assessed for impairment individually are assessed for impairment on a collective basis. Objective evidence of impairment includes the Company’s past experience of collecting payments as well as observable changes in national or local economic conditions.

For financial assets carried at amortized cost, AGI first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If AGI determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the consolidated statements of income.

Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the consolidated statement of income.

For available-for-sale financial investments, AGI assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statements of income – is removed from other comprehensive income and recognized in the consolidated statements of income. Impairment losses on equity investments are not reversed through the consolidated statements of income; increases in their fair value after impairment are recognized directly in other comprehensive income. In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statements of income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statements of income, the impairment loss is reversed through the consolidated statements of income.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition at FVTPL. Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Gains or losses on liabilities held-for-trading are recognized in the consolidated statements of income.

AGI has not designated any financial liabilities upon initial recognition as FVTPL.

Other financial liabilities

Financial liabilities are measured at amortized cost using the effective interest rate method. Financial liabilities include long-term debt issued, which is initially measured at fair value, which is the consideration received, net of transaction costs incurred, net of equity component. Transaction costs related to the long-term debt instruments are included in the value of the instruments and amortized using the effective interest rate method. The effective interest expense is included in finance costs in the consolidated statements of income.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of income.

Interest income

For all financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest method, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the consolidated statements of income.

Derivative instruments and hedge accounting

AGI uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its foreign currency risk and interest rate risk. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

AGI analyzes all of its contracts, of both a financial and non-financial nature, to identify the existence of any “embedded” derivatives. Embedded derivatives are accounted for separately from the host contract at the inception date when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value.

Any gains or losses arising from changes in the fair value of derivatives are recorded directly in the consolidated statements of income, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment [except for foreign currency risk].
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, AGI formally designates and documents the hedge relationship to which AGI wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument’s fair value in offsetting the exposure to changes in the cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine whether they have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the consolidated statements of income in other operating income or expenses. Amounts recognized as other comprehensive income are transferred to the consolidated statements of income when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in equity is transferred to the consolidated statements of income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

AGI uses primarily forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value of financial instruments

Fair value is the estimated amount that AGI would pay or receive to dispose of these contracts in an arm’s length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques that are recognized by market participants. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

Provisions

Provisions are recognized when AGI has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where AGI expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statements of income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Warranty provisions

Provisions for warranty-related costs are recognized when the product is sold or service provided. Initial recognition is based on historical experience.

Profit (loss) per share

The computation of profit (loss) per share is based on the weighted average number of shares outstanding during the period. Diluted profit (loss) per share is computed in a similar way to basic profit (loss) per share except that the weighted average shares outstanding are increased to include additional shares assuming the exercise of share options, share appreciation rights and convertible debt options, if dilutive.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to AGI and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. AGI assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. With the exception of third-party services, AGI has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

Revenue from the sale of goods is in general recognized when significant risks and rewards of ownership are transferred to the customer. AGI generally recognizes revenue when products are shipped, free on board shipping point; the customer takes ownership and assumes risk of loss; collection of the related receivable is probable; persuasive evidence of an arrangement exists; and, the sales price is fixed or determinable. Customer deposits are recorded as a current liability when cash is received from the customer and recognized as revenue at the time product is shipped, as noted above.

AGI applies layaway sales or bill and hold sales accounting in specific situations provided all appropriate conditions are met as of the reporting date.

Third-party services

AGI from time to time enters into arrangements with third-party providers to provide services for AGI's customers. Where AGI acts as agent, the revenue and costs associated with these services are recorded on a net basis and disclosed under other operating income.

Income taxes

AGI and its subsidiaries are generally taxable under the statutes of their country of incorporation.

Current income tax assets and liabilities for the current and prior period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where AGI operates and generates taxable income. Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of income (loss). Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

AGI follows the liability method of accounting for deferred taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to the temporary differences between the carrying value of the assets and liabilities on the consolidated financial statements and their respective tax bases.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates [and tax laws] that have been enacted or substantively enacted at the reporting date.

Deferred tax items are recognized in correlation to the underlying transaction either in the consolidated statements of income, other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill if it occurred during the measurement period or in profit or loss, when it occurs subsequent to the measurement period.

Indefinite life intangible assets are measured on an “on sale” basis for tax purposes.

Sales tax

Revenue, expenses and assets are recognized net of the amount of sales tax, except where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable and where receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statements of financial position.

Share-based compensation plans

Employees of AGI may receive remuneration in the form of share-based payment transactions, whereby employees render services and receive consideration in the form of equity instruments [equity-settled transactions, share award incentive plan and directors' deferred compensation plan] or cash [cash-settled transactions]. In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, the unidentified goods or services received are measured as the difference between the fair value of the share-based payment transaction and the fair value of any identifiable goods or services received at the grant date and are capitalized or expensed as appropriate.

Equity-settled transactions

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves, in equity, over the period in which the performance and/or service conditions are fulfilled.

The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting period reflects the extent to which the vesting period has expired and AGI's best estimate of the number of the shares that will ultimately vest. The expense or credit recognized for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in the consolidated statements of income in the respective function line. When options and other share-based compensation awards are exercised or exchanged, the amounts previously credited to contributed surplus are reversed and credited to shareholders' equity. The amount of cash, if any, received from participants is also credited to shareholders' equity.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation and any expense not yet recognized for the award [being the total expense as calculated at the grant date] is recognized immediately. This includes any award where vesting conditions within the control of either the Company or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black-Scholes model. This fair value is expensed over the period until the vesting date, with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognized in the consolidated statements of income in the line of the function the respective employee is engaged in.

Post-retirement benefit plans

AGI contributes to retirement savings plans subject to maximum limits per employee. AGI accounts for such defined contributions as an expense in the period in which the contributions are required to be made. Certain of AGI's plans classify as multi-employer plans and would ultimately provide the employee a defined benefit pension. However, based upon the evaluation of the available information, AGI is not required to account for the plans in accordance with the defined benefit accounting rules, and accounts for such plans as it does defined contribution plans.

Research and development expenses

Research expenses, net of related tax credits, are charged to the consolidated statements of income in the period they are incurred. Development costs are charged to operations in the period of the expenditure unless they satisfy the condition for recognition as an internally generated intangible asset.

Government grants

Government grants are recognized at fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grants relate to an asset, the fair value is credited to the cost of the asset and is released to the consolidated statements of income (loss) over the expected useful life in a consistent manner with the depreciation method for the relevant assets.

Investment tax credits

Federal and provincial investment tax credits are accounted for as a reduction of the cost of the related assets or expenditures in the year in which the credits are earned and when there is reasonable assurance that the credits can be used to recover taxes.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income, expenses and the disclosure of contingent liabilities. The estimates and related assumptions are based on previous experience and other factors considered reasonable under the circumstances, the results of which form the basis of making the assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Impairment of financial assets

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. A portion of the Company's sales are generated in overseas markets, a significant portion of which are in emerging markets such as countries in Eastern Europe. Emerging markets are subject to various additional risks, including: currency exchange rate fluctuations, 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. Future collections of accounts receivable that differ from the Company's current estimates would affect the results of the Company's operations in future periods as well as the Company's trade receivables and general and administrative expenses, and amounts may be material.

Impairment of non-financial assets

AGI's impairment test is based on value in use or fair value less cost to sell calculations that use a discounted cash flow model. The cash flows are derived from the forecast for the next five years and do not include restructuring activities to which AGI has not yet committed or significant future investments that will enhance the asset's performance of the CGU being tested. These calculations require the use of estimates and forecasts of future cash flows. Qualitative factors, including market presence and trends, strength of customer relationships, strength of local management, strength of debt and capital markets, and degree of variability in cash flows, as well as other factors, are considered when making assumptions with regard to future cash flows and the appropriate discount rate. The recoverable amount is most sensitive to the discount rate, as well as the forecasted margins and growth rate used for extrapolation purposes. A change in any of the significant assumptions or estimates used to evaluate goodwill and other non-financial assets could result in a material change to the results of operations. The key assumptions used to determine the recoverable amount for the different CGUs are further explained in note 12.

CGUs are defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The classification of assets into CGUs requires significant judgment and interpretations with respect to the integration between assets, the nature of products, the way in which management allocates resources and other relevant factors.

Development costs

Development costs are capitalized in accordance with the accounting policy described in note 3. Initial capitalization of costs is based on management's judgment that technical and economical feasibility is confirmed, usually when a project has reached a defined milestone according to an established project management model.

Useful lives of key property, plant and equipment and intangible assets

The depreciation method and useful lives reflect the pattern in which management expects the asset's future economic benefits to be consumed by AGI. Refer to note 3 for the estimated useful lives.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the consolidated statements of financial position including the determination of the fair value of the Company's available-for-sale asset cannot be derived from active markets, it is determined using valuation techniques including the discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Share-based payments

AGI measures the cost of equity-settled share-based payment transactions with employees by reference to the fair value of equity instruments at the grant date, whereas the fair value of cash-settled share-based payments is remeasured at every reporting date. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant of these instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield.

Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and expenses already recorded. AGI establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Such differences of interpretation may arise on a wide variety of issues, depending on the conditions prevailing in the respective company's domicile. As AGI assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognized. Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Acquisition accounting

For acquisition accounting purposes, all identifiable assets, liabilities and contingent liabilities acquired in a business combination are recognized at fair value at the date of acquisition. Estimates are used to calculate the fair value of these assets and liabilities as at the date of acquisition. Contingent consideration resulting from business combinations is valued at fair value at the acquisition date as part of the business combination. Where the contingent consideration meets the definition of a derivative and, thus, a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Company's 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 1, 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.

Amendments to IAS 1, *Presentation of Financial Statements*

On December 18, 2014 the IASB issued amendments to IAS 1 as part of its major initiative to improve presentation and disclosure in financial reports [the "Disclosure Initiative"]. The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted. These amendments will not require any significant change to current practice, but should facilitate improved financial statements disclosures. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

Amendments to IAS 19, *Defined Benefit Plans, Employee Contributions*

On November 21, 2013, the IASB issued amendments to IAS 19 to clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognize the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method, whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

These amendments are effective January 1, 2016, and the Company is currently evaluating the impact of this new pronouncement and does not anticipate it will have a significant impact on its consolidated financial statements.

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

6. 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.

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

	$
Accounts receivable	2,257
Inventory	1,650
Property, plant and equipment	120
Intangible assets	
Distribution network	2,566
Brand name	1,838
Intellectual property	1,266
Order backlog	35
Non-compete agreements	114
Goodwill	3,811
Accounts payable and accrued liabilities	(80)
Customer deposits	(319)
Provisions	(110)
Purchase consideration	13,148

The goodwill of $3,811 comprises the value of expected synergies arising from the acquisition. Goodwill is expected to be deductible for income tax purposes.

From the date of acquisition, Grain Vac contributed to the 2014 results $12,540 of revenue and the impacts on the cash flows as at December 31, 2014 on the acquisition of Grain Vac is as follows:

	$
Purchase consideration	13,148
Local taxes	246
Cash held in trust	(250)
Purchase consideration transferred	13,144

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

The acquisition of Grain Vac was an asset purchase, and as such the Company does not have access to the books and records of Grain Vac for any periods prior to the acquisition date of February 3, 2014. Therefore, the impact on revenue and profit of the Company from the acquisition of Grain Vac at the beginning of 2014 cannot be reported. The Company has also integrated Grain Vac with one of its divisions. Therefore, the operating results of Grain Vac cannot be separately reported from the date of acquisition.

The consideration transferred of $13,144 was paid in cash. The impact on the cash flow on the acquisition of Grain Vac is as follows:

	$
Transaction costs of the acquisition paid in 2013	119
Transaction costs of the acquisition paid in 2014	32
Purchase consideration transferred	13,144
Net cash flow on acquisition	13,295

As at December 31, 2015, the Company had cash held in trust of $250 [2014 – $250] relating to the acquisition of Grain Vac. Transaction costs of nil [2014 – $32] are included in selling, general and administrative costs.

[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 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.

During the year, the Company finalized the fair value of the property, plant and equipment, resulting in an increase in property, plant and equipment of $4,192, a decrease in goodwill of $3,068 and an increase in deferred tax liability of $1,124 from the period previously reported.

Included in other liabilities is the put option liability. The put option liability relates to a put option held by the non-controlling shareholders that 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. The values assigned to both the investment in the European subsidiary and the put option liability have been increased by $3,939 and $2,972 respectively as well as a decrease in goodwill of $967. These increases were due to the Company's review of financial information that became available subsequent to control of the European subsidiary.

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

From the date of acquisition, Westeel has contributed $73,214 of revenue and $1,058 of net income to the results of the Company. 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 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 consolidated financial statements were prepared. The final allocation of the purchase price and the working capital adjustment may change when more information becomes available.

Costs related to the Westeel acquisition in the year ended December 31, 2015 were $3,455 [2014 – $1,389] 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 23]*. The remainder of the purchase price was funded by the Company through expanded credit facilities *[note 22]*.

Upon the completion of the Westeel acquisition, the Subscription Receipt holders received one common share of AGI per Subscription Receipt *[note 20]*.

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

The assets and liabilities of the European subsidiary on the date of control have been recorded in the 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	3,708
Accounts payable and accrued liabilities	(13,238)
Purchase consideration	11,190

The goodwill of $3,708 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.

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 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 acquisition of the European subsidiary were $230 [2014 – 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 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 $1,353 of revenue and $196 of net income to the results of the Company. 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 consolidated financial statements were prepared. The final allocation of the purchase price and the working capital adjustment may change when more information becomes available.

Costs related to the Vis acquisition in the year ended December 31, 2015 were $92 [2014 – 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. $2,687 has been recorded in current liabilities and $1,976 has been recorded in non-current liabilities.

7. DUE TO VENDOR

Tramco, Inc. [“Tramco”]

In the year ended December 31, 2013, the Company recorded a tax deduction in regards to the write-off of a receivable outstanding as at the date of the Tramco acquisition. Per the terms of the purchase agreement, the tax benefit related to this deduction, net of 15% which is to the benefit of the Company, is required to be paid to the vendor of Tramco once the deduction has become statute barred. The impact of this deduction from taxable income was to reduce current income tax expense by $118 and income tax payable by $780. The amount payable to the vendor upon the deduction becoming statute barred of $800 has been recorded as a long-term liability on the consolidated statements of financial position.

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

8. OTHER EXPENSES (INCOME)

	2015 $	2014 $
[a] Other operating expenses (income)		
Net loss (gain) on disposal of property, plant and equipment	**3,200**	(522)
Net gain on disposal of assets held for sale	**(46)**	—
Other	**(2,901)**	(783)
	253	(1,305)
[b] Finance expense (income)		
Interest income from banks	**(215)**	(26)
Loss on foreign exchange	**6,527**	2,408
	6,312	2,382
[c] Finance costs		
Interest on overdrafts and other finance costs	**247**	511
Interest, including non-cash interest, on debts and borrowings	**7,398**	2,694
Interest, including non-cash interest, on convertible debentures *[note 23]*	**10,845**	8,245
	18,490	11,450

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

		2015 $	2014 $
[d]	**Cost of goods sold**		
	Depreciation	**8,418**	6,167
	Amortization of intangible assets	**2,545**	554
	Warranty provision	**2,721**	429
	Cost of inventories recognized as an expense	**316,761**	269,388
		330,445	276,538
[e]	**Selling, general and administrative expenses**		
	Depreciation	**640**	614
	Amortization of intangible assets	**6,065**	4,386
	Minimum lease payments recognized for operating leases	**2,261**	1,662
	Corporate acquisition activity	**5,405**	1,801
	Selling, general and administrative	**88,294**	65,318
		102,665	73,781
[f]	**Employee benefits expense**		
	Wages and salaries	**116,172**	97,851
	Share-based payment expense *[note 21]*	**3,004**	4,516
	Pension costs	**3,264**	2,283
		122,440	104,650
	Included in cost of goods sold	**80,811**	69,269
	Included in general and administrative expenses	**41,629**	35,381
		122,440	104,650

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

9. PROPERTY, PLANT AND EQUIPMENT

	Land $	Grounds $	Buildings $	Leasehold improvements $	Furniture and fixtures $	Vehicles $	Computer hardware $	Manufacturing equipment $	Construction in progress $	Total $
COST										
Balance, January 1, 2015	6,318	1,073	44,286	2,485	1,597	5,946	3,677	60,601	8,188	134,171
Additions	553	1,977	28,166	528	413	543	551	16,592	(9,677)	39,646
Acquisition of a subsidiary	10,867	176	17,869	62	387	1,166	79	17,069	4	47,679
Classification as held for sale	(2,500)	(338)	(3,086)	—	—	—	(5)	(190)	—	(6,119)
Disposals	(2,264)	—	(4,638)	(579)	(72)	(120)	(42)	(1,224)	—	(8,939)
Impairment *[note 16]*	—	—	(3,111)	—	—	—	—	(4,922)	—	(8,033)
Exchange differences	862	112	3,301	136	86	172	229	4,052	1,577	10,527
Balance, December 31, 2015	**13,836**	**3,000**	**82,787**	**2,632**	**2,411**	**7,707**	**4,489**	**91,978**	**92**	**208,932**
DEPRECIATION										
Balance, January 1, 2015	—	406	5,653	869	843	3,692	2,454	20,642	—	34,559
Depreciation charge for the year	—	143	2,115	216	167	549	467	5,401	—	9,058
Classification as held for sale	—	(41)	(528)	—	—	—	(5)	(89)	—	(663)
Disposals	—	—	(696)	(578)	(27)	(102)	(37)	(657)	—	(2,097)
Exchange differences	—	26	234	97	42	83	147	1,759	—	2,388
Balance, December 31, 2015	**—**	**534**	**6,778**	**604**	**1,025**	**4,222**	**3,026**	**27,056**	**—**	**43,245**
Net book value, January 1, 2015	6,318	667	38,633	1,616	754	2,254	1,223	39,959	8,188	99,612
Net book value, December 31, 2015	**13,836**	**2,466**	**76,009**	**2,028**	**1,386**	**3,485**	**1,463**	**64,922**	**92**	**165,687**

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

	Land	Grounds	Buildings	Leasehold improvements	Furniture and fixtures	Vehicles	Computer hardware	Manufacturing equipment	Construction in progress	Total
	$	$	$	$	$	$	$	$	$	$
COST										
Balance, January 1, 2014	4,798	1,006	43,380	2,375	1,490	6,173	2,996	54,233	43	116,494
Additions	1,793	27	730	55	90	116	666	5,750	8,146	17,373
Classification as held for sale	(443)	—	(870)	—	—	—	—	—	—	(1,313)
Disposals	—	—	—	—	(3)	(412)	(54)	(1,150)	—	(1,619)
Exchange differences	170	40	1,046	55	20	69	69	1,768	(1)	3,236
Balance, December 31, 2014	**6,318**	**1,073**	**44,286**	**2,485**	**1,597**	**5,946**	**3,677**	**60,601**	**8,188**	**134,171**
DEPRECIATION										
Balance, January 1, 2014	—	322	4,326	601	688	3,417	2,085	16,639	—	28,078
Depreciation charge for the year	—	79	1,386	232	148	540	375	4,021	—	6,781
Classification as held for sale	—	—	(163)	—	—	—	—	—	—	(163)
Disposals	—	—	—	—	(2)	(299)	(52)	(635)	—	(988)
Exchange differences	—	5	104	36	9	34	46	617	—	851
Balance, December 31, 2014	**—**	**406**	**5,653**	**869**	**843**	**3,692**	**2,454**	**20,642**	**—**	**34,559**
Net book value, January 1, 2014	4,798	684	39,054	1,774	802	2,756	911	37,594	43	88,416
Net book value, December 31, 2014	**6,318**	**667**	**38,633**	**1,616**	**754**	**2,254**	**1,223**	**39,959**	**8,188**	**99,612**

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

AGI regularly assesses its long-lived assets for impairment. As at December 31, 2015 and 2014, the recoverable amount of each CGU exceeded the carrying amounts of the assets allocated to the respective units.

Capitalized borrowing costs

No borrowing costs were capitalized in 2014 or 2015.

10. INTANGIBLE ASSETS

	Distribution networks $	Brand names $	Patents $	Software $	Order Backlog $	Non-compete agreement $	Development projects $	Total $
COST								
Balance, January 1, 2015	60,582	37,525	2,559	2,245	35	114	5,787	108,847
Internal development	—	—	30	—	—	—	1,730	1,760
Acquired	42,023	47,702	—	751	3,089	—	—	93,565
Impairment *[note 16]*	(1,763)	(839)	—	(43)	—	—	(919)	(3,564)
Exchange differences	3,702	2,138	201	379	4	—	349	6,773
Balance, December 31, 2015	**104,544**	**86,526**	**2,790**	**3,332**	**3,128**	**114**	**6,947**	**207,381**
AMORTIZATION								
Balance, January 1, 2015	30,336	—	1,148	853	32	15	845	33,229
Amortization charge for the year	5,475	—	241	517	1,825	16	536	8,610
Impairment *[note 16]*	(1,184)	—	—	(32)	—	—	(163)	(1,379)
Exchange differences	2,796	—	161	171	2	—	10	3,140
Balance, December 31, 2015	**37,423**	**—**	**1,550**	**1,509**	**1,859**	**31**	**1,228**	**43,600**
Net book value, December 31, 2015	**67,121**	**86,526**	**1,240**	**1,823**	**1,269**	**83**	**5,719**	**163,781**

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

	Distribution networks $	Brand names $	Patents $	Software $	Order Backlog $	Non-compete agreement $	Development projects $	Total $
COST								
Balance, January 1, 2014	56,547	34,827	1,203	1,711	—	—	4,384	98,672
Internal development	—	—	4	—	—	—	1,334	1,338
Acquired	2,566	1,838	1,266	387	35	114	—	6,206
Exchange differences	1,469	860	86	147	—	—	69	2,631
Balance, December 31, 2014	**60,582**	**37,525**	**2,559**	**2,245**	**35**	**114**	**5,787**	**108,847**
AMORTIZATION								
Balance, January 1, 2014	25,377	—	873	510	—	—	425	27,185
Amortization charge for the year	3,970	—	213	290	32	15	420	4,940
Exchange differences	989	—	62	53	—	—	—	1,104
Balance, December 31, 2014	**30,336**	**—**	**1,148**	**853**	**32**	**15**	**845**	**33,229**
Net book value, December 31, 2014	**30,246**	**37,525**	**1,411**	**1,392**	**3**	**99**	**4,942**	**75,618**

The Company is continuously working on research and development projects. Development costs capitalized include the development of new products and the development of new applications of existing products and prototypes. Research costs and development costs that are not eligible for capitalization have been expensed and are recognized in selling, general and administrative expenses.

Intangible assets include patents acquired through business combinations, which have a remaining life between two and nine years. All brand names with a carrying amount of $86,526 [2014 – $37,525] have been qualified as indefinite useful life intangible assets, as the Company expects to maintain these brand names and currently no end point of the useful lives of these brand names can be determined. The Company assesses the assumption of an indefinite useful life at least annually. For definite life intangibles, the Company assesses whether there are indicators of impairment at subsequent reporting dates as a triggering event for performing an impairment test.

Intangible assets and research and development expenses for the year ended December 31, 2015, are net of combined federal and provincial scientific research and experimental development [“SR&ED”] tax credits in the amounts of $34 and $100, respectively. A number of specific criteria must be met in order to qualify for federal and provincial SR&ED investment tax credits. As at December 31, 2015, the Corporation had Federal investment tax credit carryforwards in the amount of $2,324 [2014 – $4,229], Federal SR&ED investment tax credit carryforwards in the amount of $935 [2014 – $865], Provincial SR&ED investment tax credit carryforwards in the amount of $232 [2014 – $199] and Provincial manufacturing or processing tax credits in the amount of $439 [2014 – $425]; these begin expiring in 2015.

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

Other significant intangible assets are goodwill *[note 11]* and the distribution network of the Company. The distribution network was acquired in past business combinations and reflects the Company's dealer network in North America. The remaining amortization period for the distribution network ranges from 2 to 20 years.

The Company had no contractual commitments for the acquisition of intangible assets as of the reporting date.

11. GOODWILL

	2015 $	**2014** $
Balance, beginning of year	**71,356**	65,322
Acquisition *[note 6]*	**87,564**	3,811
Impairment *[note 16]*	**(414)**	—
Exchange differences	**5,575**	2,223
Balance, end of year	**164,081**	71,356

12. IMPAIRMENT TESTING

The Company performs its annual goodwill impairment test as at December 31. The recoverable amount of the Company's CGUs has been determined based on value in use for the year ended December 31, 2015, using cash flow projections covering a five-year period. The various pre-tax discount rates applied to the cash flow projections are between 12.3% and 14.3% [2014 – 12.6% and 13.2%] and cash flows beyond the five-year period are extrapolated using a 3% growth rate [2014 – 3%], which is management's estimate of long-term inflation and productivity growth in the industry and geographies in which it operates.

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

The Company's CGUs and goodwill and indefinite life intangible assets allocated thereto are as follows, which represents how goodwill and indefinite life intangible assets are monitored by management:

	2015 $	**2014** $
On-Farm		
Goodwill	**122,117**	42,045
Intangible assets with indefinite lives	**68,502**	25,986
Commercial		
Goodwill	**41,964**	29,311
Intangible assets with indefinite lives	**18,024**	11,539
Total		
Goodwill	**164,081**	71,356
Intangible assets with indefinite lives	**86,526**	37,525

Key assumptions used in valuation calculations

The calculation of value in use or fair value less cost to sell for all the CGUs is most sensitive to the following assumptions:

- Gross margins;
- Discount rates;
- Market share during the budget period; and
- Growth rate used to extrapolate cash flows beyond the budget period.

Gross margins

Forecasted gross margins are based on actual gross margins achieved in the years preceding the forecast period. Margins are kept constant over the forecast period and the terminal period, unless management has started an efficiency improvement process.

Discount rates

Discount rates reflect the current market assessment of the risks specific to each CGU. The discount rate was estimated based on the weighted average cost of capital for the industry. This rate was further adjusted to reflect the market assessment of any risk specific to the CGU for which future estimates of cash flows have not been adjusted.

Market share assumptions

These assumptions are important because, as well as using industry data for growth rates [as noted below], management assesses how the CGU's position, relative to its competitors, might change over the forecast period.

Growth rate estimates

Rates are based on published research and are primarily derived from the long-term Consumer Price Index expectations for the markets in which AGI operates. Management considers the Consumer Price Index to be a conservative indicator of the long-term growth expectations for the agricultural industry.

13. ASSETS HELD FOR SALE

In 2010, AGI transferred all production activities from its Lethbridge, Alberta facility to Nobleford, Alberta. In 2013, AGI transferred all production activities from its existing Swift Current, Saskatchewan facility to a new location in Swift Current, Saskatchewan. In 2014, AGI transferred certain production activities from one facility to another facility in Winnipeg, Manitoba. AGI concluded that the land and building in Lethbridge, Alberta and Winnipeg, Manitoba and the land, grounds, and building at the existing Swift Current, Saskatchewan facility met the definition of an asset held for sale. The carrying amounts of the assets presented in the consolidated statements of financial position solely consist of the land, grounds, and building. In 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. Also in 2015, AGI transferred all production activities from its 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 $1,356 has been recorded as assets held for sale.

In 2014, the land, grounds and building of the Swift Current, Saskatchewan facility included in assets held for sale were sold. In 2015, the land and building of the Lethbridge facility included in assets held for sale were sold and the related carrying amount of $1,101 was removed from assets held for sale. As at December 31, 2015, only the land and building and selected equipment in Winnipeg, Manitoba, Decatur, Illinois and Regina, Saskatchewan remain as assets held for sale.

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

As at December 31, 2015, the land carrying value is $2,944 [2014 – $589] and the building carrying value is $3,662 [2014 – $1,662].

14. 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. Prior to December 31, 2014, the deposit was fully utilized. 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.

15. CASH AND CASH EQUIVALENTS/CHANGES IN NON-CASH WORKING CAPITAL

Cash and cash equivalents as at the date of the consolidated statements of financial position and for the purpose of the consolidated statements of cash flows relate to cash at banks and cash on hand. Cash at banks earns interest at floating rates based on daily bank deposit rates.

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

	2015 $	**2014** $
Accounts receivable	**39,048**	(25,688)
Inventory	**8,881**	(11,835)
Prepaid expenses and other assets	**2,076**	(441)
Accounts payable and accrued liabilities	**(23,571)**	4,508
Customer deposits	**7,056**	(6,106)
Provisions	**1,549**	319
	35,039	(39,243)

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

16. IMPAIRMENT OF MEPU AND APPLEGATE

During 2015, AGI conducted a strategic review regarding operations in Union City, USA and Yläne, Finland in the fourth quarter of 2015. 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 27[c] for further details related to the determination of fair value.

17. 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:

	2015 $	**2014** $
Total accounts receivable	**77,820**	87,825
Less allowance for doubtful accounts	**(4,296)**	(1,061)
Total accounts receivable, net	**73,524**	86,764
Of which		
Neither impaired nor past due	**44,624**	60,564
Not impaired and past the due date as follows:		
Within 30 days	**18,745**	10,501
31 to 60 days	**5,046**	5,524
61 to 90 days	**2,835**	3,103
Over 90 days	**6,570**	8,133
Less allowance for doubtful accounts	**(4,296)**	(1,061)
Total accounts receivable, net	**73,524**	86,764

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

During 2014 and 2015, accounts receivable in the amount of $29,317 owing from one customer in Ukraine that otherwise would have been past due were renegotiated and extended to 2015. The accounts receivable owing from this customer are 90% insured with Export Development Canada [“EDC”], and the insured amount was collected from EDC in 2015. The Company has reserved in the allowance for doubtful accounts $2,942, or 10%, that equals to the uninsured amount of the accounts receivable.

Trade receivables assessed to be impaired are included as an allowance in selling, general and administrative expenses in the period of the assessment. The movement in the Company’s allowance for doubtful accounts for the years ended December 31, 2015 and December 31, 2014 was as follows:

	2015 $	**2014** $
Balance, beginning of year	**1,061**	811
Additional provision recognized	**3,563**	272
Amounts written off during the period as uncollectible	**(142)**	(34)
Amounts recovered during the period	**(272)**	(10)
Exchange differences	**86**	22
Balance, end of year	**4,296**	1,061

18. INVENTORY

	2015 $	**2014** $
Raw materials	**51,917**	38,552
Finished goods	**46,805**	32,479
	98,722	71,031

Inventory is recorded at the lower of cost and net realizable value.

During the year ended December 31, 2015, no provisions [2014 – nil] were expensed through cost of goods sold. There were no write-downs of finished goods and no reversals of write-downs during the year, with the exception of $2,556 [2014 – nil] that was included in the impairment of Mepu and Applegate *[note 16]*.

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

19. PROVISIONS

Provisions consist of the Company's warranty provision. A provision is recognized for expected claims on products sold based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred in the next financial year. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns.

	2015 $	**2014** $
Balance, beginning of year	**3,829**	3,400
Costs recognized	**6,326**	4,947
Change in reserve	**2,580**	111
Amounts charged against provision	**(6,185)**	(4,629)
Balance, end of year	**6,550**	3,829

20. EQUITY

[a] Common shares

Authorized
Unlimited number of voting common shares without par value

Issued
14,590,368 common shares

	Number #	**Amount** $
Balance, January 1, 2014	12,613,060	158,542
Settlement of LTIP – vested shares *[note 21[c]]*	15,231	749
Convertible unsecured subordinated debentures *[note 23]*	422,897	20,369
Dividend reinvestment plan costs	—	(16)
Dividend reinvestment shares issued from treasury	114,439	5,127
Balance, December 31, 2014	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 21[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 6[b]]*	1,112,050	49,138
Balance, December 31, 2015	**14,590,368**	**244,840**

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

[b] Contributed surplus

	2015 $	2014 $
Balance, beginning of year	**12,954**	4,984
Equity-settled director compensation *[note 21[b]]*	**268**	308
Exercise of grants under DDCP	**(396)**	—
Dividends on 2012 SAIP	**881**	443
Settlement of 2012 SAIP dividends	**(1,066)**	—
Obligation under 2012 SAIP *[note 21[a]]*	**2,736**	4,208
Settlement of 2012 SAIP obligation	**(5,184)**	—
Settlement of LTIP obligation – vested shares	**—**	(749)
Redemption of 2009 convertible unsecured subordinated debentures	**—**	3,760
Balance, end of year	**10,193**	12,954

[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.

Defined benefit plan reserve

The defined benefit plan reserve contains recognized actuarial gains and losses relating to past employment benefit obligations.

[d] Dividends paid and proposed

In the year ended December 31, 2015, the Company declared dividends of $33,593 or $2.40 per common share [2014 – $31,476 or $2.40 per common share] and dividends on share compensation awards of $881 [2014 – $443]. In the year ended December 31, 2015, 132,165 common shares were issued to shareholders from treasury under the dividend reinvestment plan [the "DRIP"]. In the year ended December 31, 2015, dividends paid to shareholders were financed $28,341 [2014 – $26,349] from cash on hand and $5,252 [2014 – $5,127] 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 December 31, 2015, the Company paid dividends of $0.20 per common share to shareholders of record on January 29, 2016 and February 29, 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 share on the Toronto Stock Exchange for the five trading days preceding the applicable dividend payment date. The Company incurred costs of $16 [2014 – $16] with respect to implementation 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 percent 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 December 31, 2015 and December 31, 2014, no preferred shares were issued or outstanding.

21. SHARE-BASED COMPENSATION PLANS

[a] Share award incentive plan ["SAIP"]

The 2012 SAlP

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"] 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 December 31, 2015, 263,000 Restricted Awards and 110,000 Performance Awards have been granted. The Company 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. In addition, the expense of the Performance Awards is based on the probability of achieving 110% of the Payout Multiplier. In the year ended December 31, 2015, AGI expensed $2,736 for the 2012 SAIP [2014 – $4,208].

[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 minimum of 20% 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 year ended December 31, 2015, an expense of $268 [2014 – $308] 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.

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

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. During the year ended December 31, 2015, 7,037 common shares were granted under the DDCP [2014 – 8,934] and as at December 31, 2015, a total of 54,572 [2014 – 47,535] common shares had been granted under the DDCP and 18,436 [2014 – 7,502] common shares had been issued.

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

For the year ended December 31, 2015, an expense of $3,004 [2014 – $4,516] 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, 2014	214,000	110,000
Granted	28,000	—
Forfeited	(3,000)	—
Balance, December 31, 2014	239,000	110,000
Granted	16,000	—
Vested	(54,383)	(110,000)
Forfeited	(8,283)	—
Balance, December 31, 2015	**192,334**	**—**

There is no exercise price on the 2012 SAIP awards.

A summary of the status of the rights to shares to be issued under the Long Term Incentive Plan [“LTIP”] is presented below:

	2015 Shares #	**2014 Shares** #
Outstanding, beginning of year	**—**	15,231
Vested	**—**	(15,231)
Forfeited	**—**	—
Outstanding, end of year	**—**	—

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

22. LONG-TERM DEBT AND OBLIGATIONS UNDER FINANCE LEASES

	Interest rate %	Maturity	December 31, 2015 $	December 31, 2014 $
Current portion of long-term debt				
Short-term debt			**—**	49,176
Series A secured notes [U.S. dollar denominated]	6.8	2016	**34,600**	—
Total current long-term debt			**34,600**	49,176
Non-current portion of long-term debt				
Series A secured notes [U.S. dollar denominated]	6.8	2016	**—**	29,003
Series B secured notes	4.4	2025	**25,000**	—
Term A secured loan	3.4	2019	**50,000**	—
Term B secured loan	3.4	2022	**40,000**	—
Total non-current long-term debt			**115,000**	29,003
Less deferred financing costs			**2,669**	54
Long-term debt			**112,331**	28,949
Current portion of obligations under finance leases	Euribor +2	2017	**209**	—
Non-current portion of obligations under finance leases	Euribor +2	2017	**1,177**	—
Obligations under finance leases			**1,386**	—
Total interest-bearing loans and borrowings			**148,317**	78,125

[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 year ended December 31, 2015 on AGI's Canadian dollar operating facility was 3.6% [2014 – 3.0%] and on its U.S. dollar operating facility was 3.3% [2014 – 3.3%]. As at December 31, 2015, there was nil [2014 – 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 27]*. 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 27]*. 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. The effective interest rate for the year ended December 31, 2015 on AGI's Canadian dollar revolver facility was 4.0% [2014 – 3.0%] and on its U.S. dollar revolver facility was 5.0% [2014 – 3.3%]. As at December 31, 2015, there was nil [2014 – 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 December 31, 2015 and December 31, 2014, AGI was in compliance with all financial covenants.

[d] Short-term debt

The 2014 Debentures were recorded as short-term debt as at December 31, 2014 as the maturity date of the 2014 Debentures was June 29, 2015 unless automatically extended upon completion of AGI's acquisition of Westeel. During the three-month period ended June 30, 2015, the acquisition of Westeel was completed, the maturity date of the 2014 Debentures automatically extended to December 31, 2019 and the 2014 Debentures were reclassified from short-term debt to convertible unsecured subordinated debentures.

[e] 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%.

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

23. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES

	2015 $	2014 $
Principal amount	**213,000**	86,250
Equity component	**(9,922)**	(4,480)
Accretion	**2,193**	814
Financing fees, net of amortization	**(7,686)**	(3,151)
Convertible unsecured subordinated debentures	**197,585**	79,433

2009 Debentures

In 2009, the Company issued convertible unsecured subordinated debentures in the aggregate principal amount of $115 million [the “2009 Debentures”]. The maturity date of the 2009 Debentures was December 31, 2014. In January 2014, holders of $19.0 million principal amount of the 2009 Debentures exercised the conversion option and were issued 422,897 common shares. The Company fully redeemed all remaining outstanding 2009 Debentures on January 20, 2014. In 2014, the Company recorded interest expense on the 7.0% coupon of $440 and expensed all remaining unamortized accretion and finance fee balances in the amounts of $937 and $588, respectively.

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 year ended December 31, 2015 [year ended December 31, 2014 – nil]. As at December 31, 2015, 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 year ended December 31, 2015, the Company recorded accretion of $834 [2014 – $822], non-cash interest expense relating to financing costs of $715 [2014 – $707] and interest expense of $4,528 [2014 – $4,751]. 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 year ended December 31, 2015 [2014 – nil]. As at

December 31, 2015, 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 year ended December 31, 2015, the Company recorded accretion of $378 [2014 – nil], non-cash interest expense relating to financing costs of $436 [2014 – nil] and interest expense on the 5.25% coupon of $2,717 [2014 – 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 year ended December 31, 2015. As at December 31, 2015, 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.

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 year ended December 31, 2015, the Company recorded accretion of $138 [2014 – nil], non-cash interest expense relating to financing costs of $147 [2014 – nil] and interest expense on the 5.00% coupon of $1,006 [2014 – 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.

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

24. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2015 $	**2014** $
Trade payables	**22,603**	17,016
Other payables	**9,882**	8,346
Personnel-related accrued liabilities	**13,812**	9,511
Accrued outstanding service invoices	**1,424**	587
	47,721	35,460

Trade payables and other payables are non-interest bearing and are normally settled on 30- or 60-day terms. Personnel-related accrued liabilities include primarily vacation accruals, bonus accruals and overtime benefits. For explanations on the Company's credit risk management processes, refer to note 27.

25. RETIREMENT BENEFIT PLANS

AGI contributes to group retirement savings plans subject to maximum limits per employee. The expense recorded during the year ended December 31, 2015 was $3,264 [2014 – $2,283]. AGI expects to contribute $4,378 for the year ending December 31, 2016.

AGI accounts for one plan covering substantially all of its employees of the Mepu division as a defined contribution plan, although it does provide the employees with a defined benefit [average pay] pension. The plan qualifies as a multi-employer plan and is administered by the Government of Finland. AGI is not able to obtain sufficient information to account for the plan as a defined benefit plan.

On May 20, 2015, AGI acquired Westeel *[note 6[b]]*. Included in the acquisition is a defined benefit plan. For the purposes of the following discussion, beginning of period is defined as May 20, 2015.

The Company has a defined benefit plan providing pension benefits to certain of its union employees and former employees. The Company operates the defined benefit pension plan in Canada. The plan is a flat-dollar defined benefit pension plan, which provides clearly defined benefits to members based on negotiated benefit rates and years of credited service. Responsibility for the governance of the plan and overseeing the plan including investment policy and performance lie with the Pension and Investment Committee. The Company has set up a pension committee to assist in the management of the plan and has also appointed experienced, independent professional experts such as investment managers and actuaries.

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

The Company's defined benefit pension plan will measure the respective accrued benefit obligation and the fair value of plan assets at December 31 of each year. Actuarial valuations are performed annually or tri-annually as required. The Company's registered defined benefit plan was last valued on December 31, 2013. The present value of the defined obligation, and the related current service cost and past service cost, were measured using the Unit Credit Method.

The liabilities were not revalued at December 31, 2015. We have used the same methods and assumptions used at May 20, 2015 for the purpose of estimating the liabilities at December 31, 2015. The following assumptions were used to determine the periodic pension expense and the net present value of the accrued pension obligations:

	December 31, 2015 %	**May 20, 2015** %
Expected long-term rate of return on plan assets	**4.00**	4.00
Discount rate on benefit costs	**4.00**	4.00
Discount rate on accrued pension and post-employment obligations	**4.00**	4.00
Rate of compensation increases	**n/a**	n/a

The weighted average duration of the defined benefit obligation as of December 31, 2015 is 16.80 years [May 20, 2015 – 17.55 years]. Compensation increases were not included in the valuation of the accrued pension obligation because the accrued benefit is not a function of salary. All members receive a fixed benefit rate monthly for each year of credited service. This same benefit rate is received by all plan members regardless of salary level.

The following table outlines the key assumptions for 2015 and the sensitivity of changes in each of these assumptions on the defined benefit plan obligation. The sensitivity analysis is hypothetical and should be used with caution. The sensitivities of each key assumptions have been calculated independently of any changes in other key assumptions. Actual experience may result in changes in a number of key assumptions simultaneously. Changes in one factor may result in changes in another which could amplify or reduce the impact of such assumptions.

	Increase in assumption $	**Decrease in assumption** $
Impact of 0.5% increase/decrease in discount rate assumption	(957)	1,079
Impact of 1 year increase/decrease in life expectancy assumption	315	(323)

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

The net expense of $517 [2014 – nil] for the period is included in cost of sales and an expense of nil [2014 – nil] for the period is included in selling, general and administrative expense in the consolidated statements of income.

Information about the Company's defined benefit pension plan, in aggregate, is as follows:

	December 31, 2015 $
Plan assets	
Fair value of plan assets, beginning of period	**12,562**
Interest income on plan assets	**298**
Actual return on plan assets	**(387)**
Employer contributions	**245**
Benefits paid	**(272)**
Fair value of plan assets, end of period	**12,446**

	December 31, 2015 $
Accrued benefit obligation	
Accrued benefit obligation, beginning of period	**11,860**
Current service cost	**504**
Interest cost	**311**
Actuarial gains from experience adjustments	**(191)**
Benefits paid	**(272)**
Accrued benefit obligation, end of period	**12,212**
Net accrued benefit asset	**234**

The net accrued benefit asset of $234 is included in other assets in non-current assets.

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

The major categories of plan assets for each category are as follows:

	December 31, 2015		**May 20, 2015**	
	$	%	$	%
Canadian equity securities	**3,684**	**29.6**	3,769	30.0
U.S. equity securities	**2,178**	**17.5**	2,261	18.0
International equity securities	**2,191**	**17.6**	2,135	17.0
Fixed-income securities	**4,393**	**35.3**	4,397	35.0
	12,446	**100.0**	12,562	100.0

Management's assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation. The actual return on plan assets was a loss of $387 [2014 – nil].

All equity and debt securities are valued based on quoted prices in active markets for identical assets or liabilities or based on inputs other than quoted prices in active markets that are observable for the asset or liability, either directly [i.e. as prices] or indirectly [i.e. derived from prices].

The Company's asset allocation reflects a balance of fixed-income investments, which are sensitive to interest rates, and equities, which are expected to provide higher returns and inflation sensitive returns over the long term. The Company's targeted asset allocations are actively monitored and adjusted to align the asset mix with the liability profile of the plan.

The Company expects to make contributions of $468 [2015 – $245] to the defined benefit plan in 2016. The actual amount paid may vary from the estimate based on actuarial valuations being completed, investment performance, volatility in discount rates, regulatory requirements and other factors.

Through its defined benefit plan, the Company is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The plan liability is calculated using a discount rate set with reference to corporate bond yields; if plan assets under-perform this yield, this will create a deficit. The plan holds a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while contributing volatility and risk in the short-term.

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

However, the Company believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the Company's long term strategy to manage the plan efficiently.

Change in fixed-income security yields

A decrease in corporate fixed-income security yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's fixed-income security holdings.

Life expectancy

The plan's obligation is to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liability.

26. INCOME TAXES

The major components of income tax expense for the years ended December 31, 2015 and 2014 are as follows:

Consolidated statements of income

	2015 $	**2014** $
Current tax expense		
Current income tax charge	**4,722**	4,757
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	**(1,613)**	27,342
Income tax expense reported in the consolidated statements of income	**3,109**	32,099

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

Consolidated statements of comprehensive income

	2015 $	2014 $
Deferred tax related to items charged or credited directly to other comprehensive income during the period		
Unrealized loss on derivatives	**(4,047)**	(1,177)
Defined benefit plan reserve	**59**	—
Exchange differences on translation of foreign operations	**1,895**	906
Income tax credited directly to other comprehensive income	**(2,093)**	(271)

The reconciliation between tax expense and the product of accounting profit multiplied by the Company's domestic tax rate for the years ended December 31, 2015 and 2014 is as follows:

	2015 $	2014 $
Accounting profit (loss) before income tax	**(22,120)**	36,199
At the Company's statutory income tax rate of 26.80% [2014 – 26.60%]	**(5,928)**	9,629
Tax rate changes	**(9)**	(66)
Additional deductions allowed in a foreign jurisdiction	**(259)**	(619)
Tax losses not recognized as a deferred tax asset	**1,984**	624
Withholding tax on dividend	**1,652**	—
Foreign rate differential	**897**	1,747
Non-deductible SAIP expense	**608**	548
State income tax, net of federal tax benefit	**251**	593
Unrealized foreign exchange loss	**3,519**	1,398
Derecognition of deferred tax asset due to CRA settlement	**—**	16,889
Permanent differences and others	**394**	1,356
At the effective income tax rate (14.05%) [2014 – 88.67%]	**3,109**	32,099

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

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

	Consolidated statements of financial position		Consolidated statements of income	
	2015 $	**2014** $	**2015** $	**2014** $
Inventories	**(90)**	(88)	**2**	—
Property, plant and equipment and other assets	**(21,115)**	(14,239)	**932**	1,509
Intangible assets	**(32,833)**	(14,943)	**366**	1,741
Deferred financing costs	**(611)**	(261)	**350**	93
Accruals and long-term provisions	**4,238**	2,274	**(1,727)**	(544)
Tax loss carryforwards expiring between 2020 to 2035	**1,614**	483	**(1,062)**	9,414
Investment tax credits	**(627)**	(618)	**9**	(505)
Canadian exploration expenses	**13,218**	13,952	**734**	15,224
Capitalized development expenditures	**(1,060)**	(905)	**155**	126
Convertible debentures	**(2,087)**	(975)	**(273)**	(456)
SAIP liability	**82**	878	**796**	(571)
Equity impact LTIP	**—**	—	**—**	312
Other comprehensive income	**6,417**	2,370	**—**	—
CRA settlement related to investment tax credits	**—**	—	**—**	1,905
Exchange difference on translation of foreign operations	**—**	—	**(1,895)**	(906)
Deferred tax expense			**(1,613)**	27,342
Net deferred tax assets (liabilities)	**(32,854)**	(12,072)		
Reflected in the statement of financial position as follows				
Deferred tax assets	**84**	—		
Deferred tax liabilities	**(32,938)**	(12,072)		
Deferred tax assets (liabilities), net	**(32,854)**	(12,072)		

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

Reconciliation of deferred tax assets (liabilities), net

	2015	**2014**
	$	$
Balance, beginning of year	**(12,072)**	13,094
Deferred tax recovery (expense) during the period recognized in profit or loss	**1,613**	(27,342)
CRA settlement related to investment tax credits recorded in income tax recoverable	**—**	1,905
Deferred tax liability setup on business acquisition	**(23,103)**	—
Deferred tax expense during the period recognized in shareholders' equity	**(1,385)**	—
Deferred tax recovery (expense) during the period recognized in other comprehensive income (loss)	**2,093**	271
Balance, end of year	**(32,854)**	(12,072)

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 temporary differences in its Finnish operations of 6,283 Euros [2014 – 2,646 Euros] and its Brazilian operations of 2,764 BRL [2014 – nil]. Accordingly, the Company has recorded a deferred tax asset for all other deductible temporary differences as at December 31, 2015 and as at December 31, 2014.

Included in the current year's income tax expense was $1,652 [2014 – nil] withholding tax paid on the repatriation of surplus from a subsidiary. As at December 31, 2015, there was no recognized deferred tax liability [2014 – 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 [2014 – $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 these consolidated financial statements.

There are no income tax consequences to the Company attached to the payment of dividends in either 2015 or 2014 by the Company to its shareholders.

27. 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 December 31, 2015 and December 31, 2014.

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 consolidated statements of financial position sensitivity relates to derivatives.
- The sensitivity of the relevant 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 at December 31, 2015 and December 31, 2014, including the effect of hedge accounting.
- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges at December 31, 2015 for the effects of the assumed underlying changes.

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

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.

A significant part of the Company's sales are transacted in U.S. dollars and Euros and as a result, fluctuations in the rate of exchange between the U.S. dollar, the Euro 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 December 31, 2015, AGI's U.S. dollar denominated debt totalled $34.6 million [2014 – $29.0 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 $
January – December 2016	100,500	1.1771
January – December 2017	9,000	1.2462

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 year ended December 31, 2015 were U.S. $231 million, and the total of its cost of goods sold and its selling, general and administrative expenses denominated in that currency was U.S. $169 million. Accordingly, a 10% increase or decrease in the value of the U.S. dollar relative to its Canadian counterpart would result in a $23.1 million increase or decrease in sales and a total increase or decrease of $16.9 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 $12.4 million increase or decrease in the foreign exchange gain and a $15.2 million increase or decrease to other comprehensive income.

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

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 year ended December 31, 2015, the Company realized a loss on its foreign exchange contracts of $15.3 million [2014 – loss of $5.6 million].

The open foreign exchange forward contracts as at December 31, 2015 are as follows:

		Notional Canadian dollar equivalent		
	Notional amount of currency sold $	**Contract amount** $	**Cdn $ equivalent** $	**Unrealized gain (loss)** $
U.S. dollar contracts	**109,500**	**1.1827**	**129,509**	**(21,767)**

The open foreign exchange forward contracts as at December 31, 2014 are as follows:

		Notional Canadian dollar equivalent		
	Notional amount of currency sold $	**Contract amount** $	**Cdn $ equivalent** $	**Unrealized gain (loss)** $
U.S. dollar contracts	127,500	1.10	139,849	(8,958)
Euro contracts	500	1.52	701	50

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 consolidated statements of income.

During 2015, a loss of $1,317 [2014 – nil] arising from hedge ineffectiveness was recorded through net earnings in foreign exchange loss (gain). The cash flow hedges of the expected future sales were assessed to be highly effective and a net unrealized loss of $21,767, with a deferred tax asset of $6,417 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 December 31, 2015 and December 31, 2014 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 year ended December 31, 2015 was $2,001 [2014 – nil].

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 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.

At December 31, 2015, the Company had one international customer [2014 – one international customer] that accounted for approximately 5% [2014 – 30%] of all receivables owing. The requirement for an impairment provision is analyzed at each reporting date on an individual basis for major customers. Additionally, a large number of minor receivables are grouped into homogeneous groups and assessed for impairment collectively. The Company does not generally hold collateral as security on its accounts receivable but has received collateral from the one international customer in 2015.

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

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.

The tables below summarize the undiscounted contractual payments of the Company's financial liabilities as at December 31, 2015 and 2014:

December 31, 2015	**Total** $	**0 - 6 months** $	**6 - 12 months** $	**12 - 24 months** $	**2 - 4 years** $	**After 4 years** $
Trade payables and provisions	**54,271**	**54,271**	**—**	**—**	**—**	**—**
Dividends payable	**2,883**	**2,883**	**—**	**—**	**—**	**—**
Acquisition, transaction and financing costs payable	**1,846**	**1,846**	**—**	**—**	**—**	**—**
Contingent consideration	**5,000**	**—**	**3,000**	**2,000**	**—**	**—**
Other financial liabilities	**9,017**	**—**	**9,017**	**—**	**—**	**—**
Term debt	**176,976**	**37,906**	**2,914**	**4,260**	**57,499**	**74,396**
Convertible unsecured subordinated debentures [include interest]	**256,202**	**5,498**	**5,498**	**10,995**	**155,462**	**78,750**
Total financial liability payments	**506,195**	**102,404**	**20,429**	**17,255**	**212,961**	**153,146**

December 31, 2014	**Total** $	**0 - 6 months** $	**6 - 12 months** $	**12 - 24 months** $	**2 - 4 years** $	**After 4 years** $
Bank debt [includes interest]	85,257	53,629	986	30,642	—	—
Trade payables and provisions	39,289	39,289	—	—	—	—
Dividends payable	2,633	2,633	—	—	—	—
Acquisition, transaction and financing costs payable	2,266	2,266	—	—	—	—
Subscription receipts commission payable	1,036	1,036	—	—	—	—
Convertible unsecured subordinated debentures [include interest]	102,098	2,264	2,264	4,528	93,042	—
Total financial liability payments	232,579	101,117	3,250	35,170	93,042	—

[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 consolidated financial statements:

	2015		2014	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Financial assets				
Loans and receivables				
Cash and cash equivalents	**58,234**	**58,234**	25,295	25,295
Cash held in trust	**250**	**250**	250	250
Accounts receivable	**73,524**	**73,524**	86,764	86,764
Available-for-sale investment	**900**	**900**	900	900
Financial liabilities				
Other financial liabilities				
Interest-bearing loans and borrowings	**148,317**	**148,531**	78,125	82,119
Trade payables and provisions	**54,271**	**54,271**	39,289	39,289
Dividends payable	**2,883**	**2,883**	2,633	2,633
Acquisition transaction and financing costs payable	**1,846**	**1,846**	2,266	2,266
Contingent consideration	**4,663**	**4,663**	—	—
Other financial liabilities	**9,017**	**9,017**	—	—
Subscription receipts commission payable	**—**	**—**	1,036	1,036
Derivative instruments	**23,768**	**23,768**	8,908	8,908
Convertible unsecured subordinated debentures	**197,585**	**185,414**	79,433	74,900

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, restricted cash, 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 2014, 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 1

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.

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

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.

The FV hierarchy of financial instruments recorded on the consolidated statements of financial position is as follows:

	2015			2014		
	Level 1 $	**Level 2** $	**Level 3** $	**Level 1** $	**Level 2** $	**Level 3** $
Financial assets						
Available-for-sale investment	**—**	**—**	**900**	—	—	900
Financial liabilities						
Interest-bearing loans and borrowings	**—**	**148,317**	**—**	—	78,125	—
Contingent consideration	**—**	**—**	**4,663**	—	—	—
Other financial liabilities	**—**	**—**	**9,017**	—	—	—
Derivative instruments	**—**	**23,768**	**—**	—	8,908	—
Convertible unsecured subordinated debentures	**—**	**197,585**	**—**	—	79,433	—

During the reporting years ended December 31, 2015 and December 31, 2014, 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 expense.

28. 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 its 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 its 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 December 31, 2015 and December 31, 2014, all of these covenants were complied with *[note 22]*.

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 twelve 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.

29. 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.

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

Other relationships

Burnet, Duckworth & Palmer LLP provides legal services to the Company and a Director of AGI is a partner of Burnet, Duckworth & Palmer LLP. The total cost of these legal services related to a debenture offering and general matters were $2.3 million during the year ended December 31, 2015 [2014 – $1.4 million], and $0.2 million is included in accounts payable and accrued liabilities as at December 31, 2015. These transactions are measured at the exchange amount and were incurred during the normal course of business.

Compensation of key management personnel of AGI

AGI's key management consists of 25 individuals including its CEO, CFO, its Officers and other senior management, divisional general managers and its Directors.

	2015 $	**2014** $
Short-term employee benefits	**104**	94
Contributions to defined contribution plans	**212**	173
Salaries	**5,939**	5,593
Share-based payments	**3,004**	4,516
Total compensation paid to key management personnel	**9,259**	10,376

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

30. 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:

	2015 $	**2014** $
Profit (loss) attributable to shareholders for basic and diluted profit per share	**(25,229)**	4,100
Basic weighted average number of shares	**13,932,082**	13,092,279
Dilutive effect of DDCP	**—**	36,902
Dilutive effect of RSU	**—**	231,630
Diluted weighted average number of shares	**13,932,082**	13,360,811
Profit (loss) per share – basic	**(1.81)**	0.31
Profit (loss) per share – diluted	**(1.81)**	0.31

The 2013, 2014 and 2015 convertible unsecured subordinated debentures were excluded from the calculation of diluted net profit per share because their effect is anti-dilutive.

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

31. REPORTABLE BUSINESS SEGMENT

The company manufactures agricultural equipment with a focus on grain handling, storage and conditioning products. As at December 31, 2015, 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.

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 financia l statements:

	Revenue		**Property, plant and equipment, goodwill, intangible assets and available-for-sale investment**	
	2015 $	**2014** $	**2015** $	**2014** $
Canada	**138,085**	105,851	**352,741**	148,139
United States	**191,794**	216,392	**120,479**	90,315
International	**119,605**	77,902	**21,229**	9,032
	449,484	400,145	**494,449**	247,486

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.

32. 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 nil [2014 – $28,101] for which deposits of nil [2014 – $10,401] were made.

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

[b] Letters of credit

As at December 31, 2015, the Company has outstanding letters of credit in the amount of $4,802 [2014 – $10,055].

[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	2,475
After one year but no more than five	5,178
After five years	2,265
	9,918

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

During the year ended December 31, 2015, the Company recognized an expense of $2,261 [2014 – $1,771] 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.

33. SUBSEQUENT EVENTS

Effective March 9, 2016, the Company acquired 100% of the outstanding shares of Entringer Industrial S.A. ["Entringer"] for cash consideration of $15.3 million. $10.2 million was paid on acquisition and the remaining $5.1 million is payable if Entringer achieves specified earnings targets. The acquisition and related transaction costs were funded from the Company's cash balance. Due to the timing of the acquisition, the allocation of the purchase price has not yet been finalized.