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AG GROWTH INTERNATIONAL

FOR THE THREE-MONTH PERIOD
ENDED MARCH 31, 2011

On behalf of the Board of Directors, management and staff of AGI we are pleased to provide you with our Q-1 2011 Quarterly Report. Sales in Q-1 2011 increased $14.3 million over Q-1 2010 to $66 million; Adjusted EBITDA increased nearly $2.0 million to $11.8 million; and Net Profit per Share increased 15% to $0.38 per share.

These are our first financial statements following the conversion from Canadian GAAP to IFRS. Our CFO, Steve Sommerfeld, and his financial team worked extremely hard to provide you with a thorough set of notes to accompany these statements. There are numerous additional disclosures to help investors fully understand the meaning behind the numbers.

So what is behind our Q-1 record numbers? It's a combination of several factors including growth in our commercial business and heightened activity in offshore markets. Demand is strong globally as markets are challenged to improve their storage, handling and processing infrastructure. Q-1 2011 International Sales grew 62% over the same period last year. Portable grain handling equipment continued to be strong in the USA and better than expected in Western Canada.

Of our acquisitions in 2010, only Tramco contributed directly to our growth in 2010. The other two acquisitions from last year, Mepu and Franklin, did not directly contribute to bottom line growth. In fact Mepu's acute seasonality resulted in an expected negative impact in Q-1 (Mepu traditionally generates 1.5 times its annual EBITDA in Q-2 and Q-3). However the strategic value of Mepu is beginning to unfold. We have been able to offer customers our own drying equipment in a bundled format, expanding our share of wallet while providing leverage for Mepu in new markets. More importantly we are progressing with the development of a regional beachhead in Finland. AGI products are on the ground at Mepu, giving us direct capability to service and support developing markets, particularly in the CIS. We are also building a locally based, regional AGI sales force, including a sales office in Latvia to help drive growth in the On Farm sector from a sustainable customer base.

Q-1 saw the transfer of Wheatheart's livestock equipment manufacturing to Franklin in Winnipeg. This will provide us with some ongoing cost savings and a more stable labour market. Saskatoon's economy has experienced a major boom, primarily the result of a robust mining sector. Wheatheart's grain handling accessory products have been transferred to the Westfield plant in Rosenort. Last fall's expansion of the Rosenort facility has allowed us to comfortably absorb the additional manufacturing. The workforce at Westfield has stabilized after several years of rapid growth. This has provided us with the opportunity to strengthen our processes and relieve the pressure of recent growing pains.

Integration work commenced at our most recent acquisition, Tramco, in Q-1. We paid particular attention to sales/marketing synergies. It did not take long for our other commercial divisions to recognize the strength of Tramco's brand, and the leveraging opportunities that it presents to us internationally. With a sales office in the Netherlands, a strong customer base in Latin America and regular business activity in China, Tramco has provided AGI with access to numerous additional contacts globally. Work has been progressing on the establishment of a Latin

American sales office. We hope to be in a position to advise you of a location by this fall. We are also exploring opportunities to strengthen our participation in China. This, we expect, will be a longer term process.

Our International Sales Team continues to grow its capabilities and gain critical developmental experience. We are grateful for everyone's hard work, dedication and enthusiasm. This piece of our business is reminiscent of AGI's earlier years when we took on the challenges of a watershed acquisition, that being Westfield. Again the passion and resolve to build the business is both intense and invigorating. And while in this case we are constructing the platform from scratch, the tools are well in hand. We are strengthened by the power of the Hi Roller and Tramco brands, and by the breadth of our overall catalogue, including large bin capabilities at our new Twister plant.

A great deal of resources and operational focus has been directed toward the Twister Greenfield Expansion project in Nobleford, Alberta. On Saturday, June 4th I had the distinct pleasure of attending the official grand opening of the facility. It was a day of immense pride for our employees and their families…and rightfully so. What they have achieved as a group in the last year and a bit is truly outstanding. A substantial plant expansion; a major lean initiative; a subsequent plant consolidation; construction of a new bin plant; development and prototyping of a new product line; and the successful commissioning of all new bin line production equipment. I would like to take this opportunity to publicly thank everyone involved for their exceptional efforts and contributions. The leadership and execution demonstrated with these initiatives give us confidence that we are tracking toward our goal of establishing a world-class operation in Nobleford.

It is important to remember however that we are still at the front end of our development internationally. Our sales efforts are showing signs of gaining traction in a number of markets but will continue to experience choppiness while these markets get established. In the end the strength of our brands, the breadth of our catalogue and the talent of our team will make it happen. The demand for our commercial equipment continues to exceed historic levels. Our plan remains supported by positive agricultural fundamentals including favourable demographics, higher than historical commodity prices, food security as a growing priority and an increased emphasis on agricultural infrastructure around the world.

The trend to successive large corn crops in the USA appears to be intact. We estimate U.S. farmers planted close to 90 million acres of corn which should be supportive of demand for portable equipment. In addition, this year's spring planting was delayed significantly in a number of areas in North America due to wet weather and flooding. The late planting will push back the growing season and in turn result in a later than normal harvest. While this can have a negative impact on yields, the prolonged harvest season typically represents opportunities for our portable business. We will begin preparations for an anticipated strong second half of the year. As always we must respect the variables that Mother Nature brings to the table.

In closing, I would like to thank all of our shareholders for their commitment and support. In the time since the passing of our founding CEO and dear friend Rob Stenson last fall, it has become apparent that the strength of the relationships that Rob forged with the investment community on behalf of AGI remains intact for the benefit of our long term development. We cannot thank you enough helping us with the transition. We will continue to work hard, in alignment with you, to create long-term shareholder value.

Sincerely,

Signed

Gary Anderson

AG GROWTH INTERNATIONAL INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 13, 2011

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. ("Ag Growth", the "Company", "we", "our" or "us") for the year ended December 31, 2010, which were prepared in accordance with Canadian generally accepted accounting principles ("CGAAP") and the unaudited interim consolidated financial statements of the Company for the three month period ended March 31, 2011, which were prepared in accordance with International Financial Reporting Standards ("IFRS"). Results are reported in Canadian dollars unless otherwise stated. Throughout this MD&A references are made to "trade sales", "EBITDA", "adjusted EBITDA", "gross margin", "funds from operations" and "payout ratio". A description of these measures and their limitations are discussed below under "Non-IFRS Measures". See also "Risks and Uncertainties" in this MD&A and in our most recently filed Annual Information Form, and "Forward-Looking Statements" below.

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 the benefits of the acquisitions of Mepu, Franklin and Tramco (see "Acquisitions"), our business and strategy, including growth in sales to developing markets, the benefits of the expansion of the Company's grain storage product line, the effect of crop conditions in our market areas, the impact of current economic conditions and macroeconomic trends on the demand for our products, expectations regarding pricing for agricultural commodities, our working capital and capital expenditure requirements, capital resources and the payment of dividends. 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 financial performance, business prospects, strategies, product pricing, regulatory developments, tax laws, the sufficiency of budgeted capital expenditures in carrying out planned activities, foreign 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, crop yields, crop conditions, seasonality, industry cyclicality, volatility of production costs, commodity prices, foreign exchange rates, and competition. In addition, actual results may be materially affected by the pace of recovery from the global economic crisis in 2008-2009, including the cost and availability of capital. These risks and uncertainties are described under "Risks and Uncertainties" in this MD&A and in our most recently filed Annual Information Form. Although the forward-looking statements contained in this MD&A are based on what we believe to be reasonable assumptions, 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.

OVERVIEW

Trade sales for the three month period ended March 31, 2011 increased $14.4 million or 28% compared to the same period in the prior year due to strong demand for commercial equipment and contributions from newly acquired entities. International sales increased by 62% to $11.3 million largely due to commercial projects in Eastern Europe, South America and the Middle East. In North America, strong demand for commercial handling equipment more than offset the effect of less than optimal crop conditions in western Canada and a continuing strong Canadian dollar. Trade sales excluding newly acquired divisions increased $1.6 million, and had the foreign exchange rates experienced in 2010 been in effect in 2011, trade sales net of acquisitions would have increased approximately $4.3 million or 8% over 2010.

The Company also realized significant increases in EBITDA (14%) and adjusted EBITDA (20%) in 2011 compared to 2010. The growth in EBITDA was largely due to increased sales and earnings from two of its commercial divisions, Hi Roller and Union Iron, which resulted from strong demand both in North America and overseas. The EBITDA contribution from newly acquired divisions was limited in the first quarter primarily due the extreme seasonality of Finland based Mepu. Profit for the period increased 8% and basic and fully diluted net profit per share both increased 15% compared to the same period in the prior year.

ADOPTION OF IFRS

This MD&A is the Company's first under IFRS. A comprehensive summary of all of the significant changes including the various reconciliations of CGAAP financial statements to those prepared under IFRS is included in Note 35 to the Company's unaudited interim consolidated financial statements for the three month period ended March 31, 2011. Additional information regarding the Company's adoption of IFRS may also be found in "Transition to IFRS" in this MD&A.

Although the adoption of IFRS resulted in adjustments to the Company's financial statements, it did not materially affect the underlying cash flows or profitability trends of the Company. The following table reconciles net income as reported under CGAAP in 2010 to profit restated under IFRS for the three month period ended March 31, 2010 and the year ended December 31, 2010:

	Note	Three Months Ended March 31, 2010	Year Ended December 31, 2010
Net income reported under CGAAP		$6,425	$36,156
Differences increasing (decreasing) net income:			
Depreciation expense	**1**	294	2,113
Gain on sale of asset	**1**	(53)	(44)
Future income tax expense	**2**	(778)	(5,586)
Future income tax expense	**3**	(990)	(449)
Future income tax expense	**4**	141	413
Cost of sales	**5**	1	8
General and administrative	**6**	(288)	(1,703)
General and administrative	**7**	(28)	(115)
Gain on foreign exchange	**8**	(368)	(437)
Translation gain	**9**	(5)	(32)
Net profit recorded under IFRS		$4,351	$30,324

1. For all items of property, plant and equipment, the provisions of IAS 16 were retrospectively applied. The assessment and annual review criteria of useful lives and depreciation methods are more explicit in IFRS, which required Ag Growth to adjust certain carrying amounts of its assets. Furthermore, the componentization requirements are more explicit in IFRS. Differences relating to the level of componentization and useful lives resulted in a change to the carrying value of these assets which resulted in a decrease in depreciation expense and a reduction in the gain on sale of property, plant & equipment.
2. The Company converted from an income fund into a corporate entity in 2009 under a plan of arrangement that resulted in the Company receiving tax attributes and recording a deferred tax asset of $69,800 and a related deferred credit of $56,300. Under IFRS deferred credits are generally not recognized which ultimately results in an increase in the Company's non-cash future tax expense.
3. The application of the provisions of IAS 16 and other IAS provisions resulted in changes to the carrying amounts of certain assets for accounting purposes, which in turn affected timing differences between accounting and tax cost basis.
4. Under CGAAP the tax basis of the liability component of the convertible debenture is considered to be the same as its carrying amount, and therefore the recognition of a temporary difference is not required. IFRS requires the recognition of a temporary difference based on the difference between the carrying amount of the liability at issuance and its underlying tax basis.
5. The change in the Company's depreciation expense affected the Company's inventory overhead rate which resulted in a change in inventory values and a change in inventories expensed through cost of sales.
6. Under IFRS transaction costs incurred in the process of acquiring a business cannot be capitalized, but instead have to be immediately expensed.

7. Under IFRS the calculation of the expense related to equity-settled compensation plans differs to reflect changes in the measurement and recognition of the equity-settled awards that were outstanding and unvested at the transition date and those that were granted during the period.
8. Upon the adoption of IFRS the Company redesignated its foreign currency hedge contracts which resulted in a change to its gain or loss on foreign exchange.
9. Under IFRS the Company has identified a limited number of sales contracts as construction contracts and has recognized revenue based on the percentage of completion methodology which typically results in earlier recognition of revenues and costs. As a result, certain revenues and costs denominated in foreign currencies were recognized in different periods than under CGAAP and were translated to Canadian dollars at different rates of foreign exchange.

INCOME STATEMENT PRESENTATION

The Company has elected to categorize its income and expenses by their function which is one of the two alternatives available under IFRS. Under this methodology revenues and expenses are categorized according to their underlying activity or asset. Accordingly, amortization and foreign-exchange gains (losses), which were previously disclosed separately under CGAAP, have now been allocated to sales, cost of sales or general and administrative expenses. The most significant presentation differences compared to the Company's income statement presentation under CGAAP for the three months ended March 31, 2010 and year ended December 31, 2010 are as follows:

1. Sales

	Three Months Ended March 31, 2010	**Year Ended December 31, 2010**
Trade sales per CGAAP	$51,639	$262,077
Reclassify - gain on foreign exchange	791	6,570
Adoption of IFRS – revenue recognition (A)	0	183
Sales per IFRS	$52,430	$268,830

(A) See Note 8 under "Adoption of IFRS" above.

2. Cost of sales

	Three Months Ended March 31, 2010	**Year Ended December 31, 2010**
Cost of sales per CGAAP	$31,346	$160,504
Adoption of IFRS – inventory overhead	(1)	(8)
Adoption of IFRS – revenue recognition (B)	0	85
	31,345	160,581
Reclassify - depreciation and amortization	678	3,377
Cost of sales per IFRS	$32,023	$163,958

(B) See Note 8 under "Adoption of IFRS" above.

3. General and administrative expenses

	Three Months Ended March 31, 2010	Year Ended December 31, 2010
General and administrative per CGAAP	$8,432	$35,505
Reclassify - stock based compensation	1,496	6,394
Reclassify - research & development	342	1,444
Adoption of IFRS - acquisition costs (C)	291	1,696
Adoption of IFRS - other	29	117
	$10,590	$45,156
Reclassify - depreciation and amortization	807	3,353
Total general and administrative	$11,397	$48,509

(C) See Note 5 under "Adoption of IFRS" above.

4. Other Income and Finance Income

	Three Months Ended March 31, 2010	Year Ended December 31, 2010
Other income per CGAAP	$230	$1,294
Reclassify - interest income (D)	(158)	(765)
Reclassify – ineffective hedge	246	121
Reclassify – gain on foreign exchange	775	1,300
Adoption of IFRS (E)	(42)	(44)
Other operating income per IFRS	$ 1,051	$ 1,906
Finance income per CGAAP	$ 0	$ 0
Reclassify - interest income (D)	158	765
Finance income per IFRS	$158	$765

(D) The IFRS format provides a subtotal for operating income and accordingly the Company has classified its interest income earned on surplus cash balances as finance income.

(E) See Note 1 under "Adoption of IFRS" above.

OPERATING RESULTS

Trade sales (sales excluding the gain on foreign exchange), EBITDA and Adjusted EBITDA (see "Non-IFRS Measures") for the three months ended March 31, 2011 exceeded the levels achieved in the same period in 2010 due largely to strong demand for commercial equipment both domestically and overseas. Demand for on-farm portable grain handling equipment remained strong in the U.S. as the Company's distribution network replenished its inventory levels following a strong 2010 harvest. Sales of portable grain handling and storage equipment in western Canada decreased compared to the prior year as inventory carryover at the dealer level was higher than is typical due to a weak 2010 harvest that resulted from excessive moisture.

Trade sales for the three months ended March 31, 2011 were $66.0 million (2010 - $51.6 million), an increase of $14.4 million and a record for Ag Growth for the first quarter. The record first quarter sales achieved in 2011 were largely the result of sales from companies acquired in 2010 (see "Acquisitions") and strong demand for commercial equipment, offset by the negative effect of a stronger Canadian dollar and less than optimal crop conditions in western Canada.

Gross margin as a percentage of sales for the first quarter of 2011 was 35% and excluding the effect of gross margin from companies acquired in 2010 was 39% (2010 – 39%). Gross margin percentages in 2011 continued to benefit from manufacturing efficiencies realized through the effects of lean manufacturing and the advantages of high production volumes. Gross margin was negatively impacted by the stronger Canadian dollar. The reduction in the Company's consolidated gross margin percentage with the inclusion of companies acquired in 2010 resulted from changes in sales product mix and is consistent with management expectations.

Adjusted EBITDA for the three months ended March 31, 2011 was $11.8 million (2010 - $9.9 million). The increase over 2010 is largely the result of strong demand for commercial grain handling equipment and continued operating efficiencies, partially offset by the negative effect of the stronger Canadian dollar. Acquisitions made in 2010 did not contribute significantly to EBITDA largely due to seasonality at Mepu and the low margin nature of Franklin's operations.

ACQUISITIONS

The inclusion of the assets, liabilities and operating results of the following acquisitions significantly impact comparisons to 2010.

Mepu Oy - Ag Growth acquired 100% of the outstanding shares of Mepu Oy ("Mepu"), on April 29, 2010, for cash consideration of $11.3 million, plus costs related to the acquisition of $0.6 million and the assumption of a $1.0 million operating line. The acquisition was funded from cash on hand. Mepu is a Finland based manufacturer of grain drying systems and other agricultural equipment. The acquisition of Mepu provided the Company with a complementary product line, distribution in a region where the Company previously had only limited representation and a corporate footprint near the growth markets of Russia and Eastern Europe.

Franklin Enterprises Ltd. - Effective October 1, 2010, the Company acquired the assets of Franklin Enterprises Ltd ("Franklin"), a custom manufacturer, for cash consideration of $7.1 million, plus costs related to the acquisition of $0.4 million and a working capital adjustment of $1.7 million. The acquisition was funded from cash on hand. The Company acquired Franklin to enhance its manufacturing capabilities and to increase production capacity in periods of high in-season demand.

Tramco, Inc. – Ag Growth acquired 100% of the outstanding shares of Tramco, Inc. ("Tramco"), on December 20, 2010, for cash consideration of $21.5 million, less a working capital adjustment of $1.4 million. Costs related to the acquisition were $0.6 million. The acquisition was funded from cash on hand. Tramco is a manufacturer of heavy duty chain conveyors and related handling products. Tramco is an industry leader with a premier brand name and strong market share and as such provides the Company with an excellent entry point into a new segment of the food supply chain, the grain processing sector.

OPERATING RESULTS

(thousands of dollars)	Three Months Ended March 31	
	2011	**2010**
Trade sales (1)	$66,008	$51,639
Gain on foreign exchange (2)	1,057	791
Sales	67,065	52,430
Cost of inventories	42,535	31,345
Depreciation and amortization	1,416	678
Total cost of sales	43,951	32,023
Gross margin (1)	23,114	20,407
General and administrative	11,886	10,590
Depreciation and amortization	857	807
Other operating income	(588)	(1,051)
Other operating expenses	138	0
Operating Profit	10,821	10,061
Finance costs	3,118	3,129
Finance income	(224)	(158)
Profit before income taxes	7,927	7,090
Current income taxes	541	95
Future income taxes	2,680	2,644
Profit for the period	$4,706	$4,351
Net profit per share Basic Fully diluted	 $0.38 $0.38	 $0.33 $0.33

EBITDA RECONCILIATION

(thousands of dollars)	Three Months Ended March 31	
	2011	**2010**
Profit before income taxes	$7,927	$7,090
Finance costs	3,118	3,129
Depreciation and Amortization in cost of sales	1,416	678
Depreciation and Amortization in general and administrative	857	807
EBITDA (1)	**13,318**	**11,704**
Gain on foreign exchange in sales (2)	(1,057)	(791)
Other operating income (3)	(588)	(1,051)
Other operating expense (4)	138	0
Adjusted EBITDA (1)	**$11,811**	**$9,862**

(1) See "Non-IFRS Measures".
(2) Primarily related to gains on foreign exchange contracts.
(3) Comprised of foreign exchange gains of $570 (2010 – $775) and a gain on disposal of property, plant & equipment of $18 (2010 - $20). Results in 2010 also include foreign exchange gains of $247 related to the ineffective portion of hedge accounting and miscellaneous of $9.
(4) Foreign exchange loss related to the ineffective portion of hedge accounting.

ASSETS AND LIABILITIES (thousands of dollars)	**March 31 2011**	**March 31 2010**
Total assets	$380,009	$388,282
Total liabilities	$175,752	$159,403

DIVIDENDS (thousands of dollars)	**Three Months Ended March 31**	
	2011	**2010**
Declared per common share	$0.60	$0.51
Total dividends paid	$7,527	$6,701

The Company's dividend policy is described in the "Dividends" section of this MD&A.

Trade Sales

Trade sales represent sales excluding the Company’s gain on foreign exchange. Trade sales for the three months ended March 31, 2011 were $66.0 million. Trade sales excluding acquisitions were $53.2 million (2010 - $51.6 million).

A large proportion of Ag Growth’s sales are denominated in U.S. dollars and as a result the rate of foreign exchange (“FX”) between the Canadian and U.S. dollars is a significant factor when comparing financial results to the prior year. The Canadian dollar was stronger in the first quarter of 2011 (average rate of $0.99) compared to 2010 (average rate of $1.05) which resulted in lower sales for financial reporting purposes. To illustrate, in 2010 a $100,000 sale denominated in U.S. dollars would have been reported as CAD $105,000, while the same sale would have been reported as CAD $99,000 in 2011.

Had the foreign exchange rates experienced in 2010 been in effect in 2011, reported sales in 2011, net of sales attributable to acquisitions completed in 2010, would have been approximately $56.0 million, representing a significant increase of $4.3 million or 8% over the sales reported in 2010.

The increase in sales over 2010 was largely the result of the following:

- Sales to the U.S. market are denominated in U.S. dollars. In the three months ended March 31, 2011, sales in the U.S. (net of sales attributable to acquisitions completed in 2010) measured in U.S. dollars increased 9% compared to 2010. The significant increase is primarily the result of strong sales of commercial equipment as positive agricultural fundamentals continued to stimulate demand. Sales of portable grain handling equipment increased slightly compared to the prior year as the Company’s distribution network replenished its inventory levels after a strong 2010 harvest. Management anticipates demand in the U.S. will remain strong in 2011 due to positive agricultural fundamentals including consecutive large harvests, an increase in the planting of corn acres and higher than historical commodity prices.
- International sales in 2011 were $11.3 million (2010 - $5.0 million) and excluding acquisitions were $5.5 million. Ag Growth’s international footprint continues to grow as a result of additions to the Company’s international sales and marketing team and the acquisitions of Mepu and Tramco. Expansion of the Company’s storage bin product line was completed in the second quarter and management expects increased international storage bin sales to significantly impact the second half of 2011. International sales activity in the first quarter included sales to Russia, South America, the Middle East and Southeast Asia. Sales to certain developing markets remain constrained by unfavourable credit conditions however there are some indications that conditions are gradually improving.
- Canadian sales, net of sales attributable to acquisitions completed in 2010, increased 1% from 2010 as a 5% decrease in sales of portable grain handling and storage equipment, the result of a poor 2010 harvest in western Canada, was offset by an increase in sales of commercial equipment. The poor conditions experienced in 2010 have resulted in higher than normal inventory levels in the Company’s Canadian distribution network and is expected to have a slight negative impact on demand in the second quarter of 2011.

Other Operating Income and Other Operating Expenses

For financial statement reporting purposes, Ag Growth translates its U.S. dollar denominated debt to Canadian dollars at the rate of exchange in effect on the balance sheet date. The gain on translating U.S. dollar debt into Canadian dollars for the three months ended March 31, 2011 was $0.6 million (2010 – $0.8 million). The remainder of other operating income is primarily comprised of the impact of translating U.S. dollar denominated working capital at Canadian divisions to Canadian dollars at the balance sheet date and the impact of translating self-sustaining U.S. based subsidiaries to Canadian dollars (see "Financial Instruments - Foreign exchange contracts") and the gains related to the ineffective portion of the Company's hedge accounting for foreign exchange derivatives. Losses related to the ineffective portion of the Company's hedge accounting for foreign exchange derivatives are included in other operating expenses.

Gross Margin

Gross margin as a percentage of sales for the first quarter of 2011 was 35% and excluding the impact of companies acquired in 2010 was 39% (2010 – 39%). The following impacted the gross margin percentage compared to the prior year:

- A stronger Canadian dollar negatively impacts the Company's gross margin percentage. Had the foreign exchange rates experienced in 2010 been in effect in 2011, the Company's gross margin percentage excluding acquisitions would have increased from 39% to approximately 40%.
- The negative impact of foreign exchange and sales mix was partially offset by the continued benefits of high throughput and production efficiencies that resulted from the implementation of lean manufacturing practices at several of the Company's divisions.
- Material input costs did not significantly impact the gross margin percentage compared to 2010 as the recent rise in steel costs was largely offset by pre-existing steel contracts and sales price increases.
- As expected the consolidated gross margin was negatively impacted by the inclusion of Mepu, Franklin and Tramco as the gross margins of these newly acquired companies are inherently lower than Ag Growth's historical gross margin percentage. The impact in the first quarter of 2011 was amplified by the extreme seasonality of Mepu.

General and Administrative Expenses

General and administrative expenses (excluding depreciation) for the three months ended March 31, 2011 were $11.9 million or 17.7% of sales. Excluding acquisitions, general and administrative expenses were $9.3 million or 14.1% of sales (2010 - $10.6 million and 20.2% of sales). The decrease of $1.3 million from 2010 was the result of the following:

- The Company recorded a recovery of $0.1 million (2010 expense of $0.6 million) on its share award incentive plan ("SAIP"). The expense decreased due to movements in the Company's share price and because in the first quarter of 2011 there were 40,000 share awards outstanding compared to 146,667 in the first quarter of 2010.
- Ag Growth's long-term incentive plan ("LTIP") provides for annual awards based on a predetermined formula. The awards are expensed over the term of the participant's service period and as a result the expense in 2011 includes a component related to the current period as well as for LTIP awards from fiscal years 2008 – 2010. For the three months ended March 31, 2011 Ag Growth recorded an expense related to the LTIP of $0.7 million (2010 - $0.9 million).

- The remaining variance was the result of a number of offsetting items with no individual variance larger than $0.3 million.

EBITDA and Profit (see "Non-IFRS Measures")

Adjusted EBITDA for the three months ended March 31, 2011 was $11.8 million (2010 - $9.9 million). The increase over 2010 is largely due to strong demand for commercial equipment offset by the negative impact of the stronger Canadian dollar. EBITDA for the three months ended March 31, 2011 was $13.3 million (2010 - $11.7 million).

Finance Costs

The Company's bank indebtedness as at March 31, 2011 was $nil (2010 - $nil) and its outstanding long-term debt including the current portion was $23.8 million (2010 - $25.4 million). Long-term debt at March 31, 2011 is comprised of USD $25.0 million aggregate principal amount of non-amortizing secured notes that bear interest at 6.80% and mature October 29, 2016, net of deferred financing costs of $0.6 million and $0.1 million of 0% GMAC financing. The Company is also party to a credit facility with three Canadian chartered banks that includes CAD $10.0 million and USD $2.0 million available for working capital purposes and provides for non-amortizing long-term debt of up to CAD $38.0 million and USD $20.5 million. The facilities bear interest at rates of prime plus 0.50 % to prime plus 1.50% based on performance calculations and matures on October 29, 2012. See "Financial Instruments".

Obligations under capital lease of $0.4 million include a number of equipment leases with an average interest rate of 6.5%. The lease end dates are in 2011 and 2012.

Finance costs for the three month period ended March 31, 2011 were $3.1 million (2010 - $3.1 million). At March 31, 2011 the Company had outstanding $114.9 million aggregate principal amount of convertible unsecured subordinated debentures (2010 - $115.0 million). The Debentures bear interest at an annual rate of 7.0% and mature December 31, 2014. See "Capital Resources". Finance costs are comprised of coupon interest on the Debentures of $2.0 million, non-cash interest related to debenture accretion and the amortization of deferred finance costs of $0.6 million and stand-by fees and other cash interest of $0.5 million.

Finance Income

Finance income is comprised of interest earned on the Company's surplus cash balances.

Depreciation and amortization

Under IFRS depreciation of property, plant and equipment and the amortization of intangible assets are categorized on the income statement in accordance with the function to which the underlying asset is related.

	Three Months Ended March 31	
	2011	2010
Depreciation in cost of sales	$1,108	$662
Depreciation in general and administrative	115	89
Total Depreciation	$1,223	$751

	Three Months Ended March 31	
	2011	2010
Amortization in cost of sales	$308	$16
Amortization in general and administrative	742	718
Total Amortization	$1,050	$734

Current income tax expense

For the three months ended March 31, 2011 the Company recorded a current tax expense of $0.5 million (2010 – $0.1 million). Current tax expense relates to certain subsidiary corporations of Ag Growth, including its U.S. and Finnish based divisions, and the increase compared to 2010 was the result of increased earnings from the Company's foreign subsidiaries.

Future income tax expense

For the three months ended March 31, 2011, the Company recorded future tax expense of $2.7 million (2010 – $2.6 million). The future tax expense in 2011 relates to the utilization of future tax assets plus the effect of the application of corporate tax rates to reversals of temporary differences between the accounting and tax treatment of depreciable assets, intangibles, reserves, deferred compensation plans and deferred financing fees.

Net profit and profit per share

For the three months ended March 31, 2011, the Company reported net profit of $4.7 million (2010 - $4.3 million), basic net profit per share of $0.38 (2010 - $0.33), and fully diluted net profit per share of $0.38 (2010 - $0.33).

QUARTERLY FINANCIAL INFORMATION (thousands of dollars):

	2011				
	Average Rate of FX	Sales	Profit (Loss)	Basic Profit per Share	Diluted profit per Share
Q1	$0.99	$67,065	$4,706	$0.38	$0.38
Q2					
Q3					
Q4					
Fiscal 2011	**$0.99**	**$67,065**	**$4,706**	**$0.38**	**$0.38**

	2010 (1)				
	Average Rate of FX	Sales	Profit (Loss)	Basic Profit per Share	Diluted Profit per Share
Q1	$1.05	$52,430	$4,351	$0.33	$0.33
Q2	$1.03	76,727	11,626	$0.90	$0.85
Q3	$1.05	88,703	15,164	$1.23	$1.12
Q4	$1.02	50,970	(817)	$(0.07)	$(0.07)
Fiscal 2010	**$1.04**	**$268,830**	**$30,324**	**$2.39**	**$2.36**

	2009 (1)				
	Average Rate of FX	Sales	Profit (Loss)	Basic Profit per Share	Diluted Profit per Share
Q1	$1.25	$55,289	$10,127	$0.79	$0.79
Q2	$1.18	66,840	16,431	1.29	1.27
Q3	$1.11	68,316	15,126	1.17	1.16
Q4	$1.07	46,849	3,619	0.28	0.27
Fiscal 2009	**$1.15**	**$237,294**	**$45,303**	**$3.53**	**$3.45**

(1) Quarterly results for 2010 have been restated in accordance with IFRS. The Company was not required to apply IFRS to periods prior to 2010 and accordingly 2009 comparative data was presented in accordance with CGAAP.

Interim period sales and profit historically reflect some seasonality. The third quarter is typically the strongest primarily due to the timing of construction of commercial projects and high in-season demand at the farm level. Due to the seasonality of Ag Growth's working capital movements, cash provided by operations will typically be highest in the fourth quarter.

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

- Sales, gain (loss) on foreign exchange, profit, and profit per share in all periods are significantly impacted by the rate of exchange between the Canadian and U.S. dollars.
- Sales, net profit and profit per share are significantly impacted by the acquisitions of Mepu (April 29, 2010), Franklin (October 1, 2010) and Tramco (December 20, 2010).
- Profit and profit per share in the first and second quarters of 2009 benefited from non-recurring future income tax recoveries related to Ag Growth's conversion to a corporation and a change in effective tax rates.
- Profit and profit per share subsequent to October 27, 2009 are impacted by interest expense related to the Debentures (see "Capital Resources").

CASH FLOW AND LIQUIDITY

The table below reconciles profit to cash provided by operations for the three months ended March 31, 2011 and 2010:

(thousands of dollars)	Three Months Ended March 31	
	2011	**2010**
Profit before income taxes for the period	$7,927	$7,090
Add charges (deduct credits) to operations not requiring a current cash payment:		
Depreciation and amortization	2,273	1,485
Translation loss (gain) on foreign exchange	(1,475)	(1,410)
Non-cash interest expense	589	569
Stock based compensation	714	1,524
Gain on sale of property, plant &equipment	(18)	(20)
	10,010	9,238
Net change in non-cash working capital balances related to operations:		
Accounts receivable	(5,409)	(9,746)
Inventory	(3,785)	(3,183)
Prepaid expenses and other assets	2,522	(267)
Accounts payable and accruals	(369)	1,300
Customer deposits	671	(1,176)
Provisions	41	141
	(6,329)	(12,931)
Settlement of SAIP obligation	(1,998)	0
Income tax received (paid)	(1,707)	55
Cash used in operations	$ (24)	$(3,638)

For the three months ended March 31, 2011, cash used in operations was $nil million (2010 –$3.6 million). The increase from 2010 is primarily the result of increased cash derived from changes in working capital balances. Ag Growth's working capital requirements in 2011 will be impacted by sales demand as well as certain risk factors including foreign exchange rates and fluctuations in input costs.

Working Capital Requirements

Interim period working capital requirements typically reflect the seasonality of the business. Ag Growth'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, Ag Growth 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. Ag Growth has typically fully repaid its operating line balance by early in the fourth quarter.

Results in 2011 are generally expected to approximate historical patterns, however due to a larger than typical opening cash balance the Company may not draw on its operating lines to the same extent as in prior years. Acquisitions completed in 2010 are expected to have a minor effect on seasonal working capital requirements in 2011 as sales and EBITDA at Mepu and Tramco have historically been weighted to the second and third quarters.

Capital Expenditures

Ag Growth had maintenance capital expenditures of $0.6 million in the first quarter of 2011, representing 1.0% of sales (2010 - $1.1 million or 2.1% of sales). Maintenance capital expenditures in 2011 relate primarily to purchases of manufacturing equipment, trucks, trailers, and forklifts and were funded through cash from operations. Maintenance capital expenditures in 2011 are expected to increase slightly over 2010 levels, largely due to the addition of three new divisions in 2010, and are expected to be funded through cash from operations.

Ag Growth 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. Ag Growth had non-maintenance capital expenditures in the three months ended March 31, 2011 of $1.8 million (2010 - $4.9 million). As expected, non-maintenance capital expenditures in 2011 have decreased significantly from 2010 and have been funded through cash from operations. Non-maintenance capital expenditures in 2011, excluding approximately $3.2 million to complete the storage bin capacity project as discussed below, are expected to return to 2009 levels and are expected to be financed through cash from operations. The following capital expenditures were classified as non-maintenance in 2011:

i. Grain storage bin capacity – in 2010 the Company invested $15.9 million towards a grain storage bin manufacturing facility and automated storage bin production equipment. The investment is expected to allow the Company to capitalize on international sales opportunities and to increase sales in North America. The total project cost is estimated at $19.1 million and the project is expected to be completed in the second quarter of 2011.
ii. Manufacturing equipment – the Company invested $0.1 million to upgrade certain equipment to allow for increased capacity, primarily at Applegate.

Cash Balance

For the three month period ended March 31, 2011, the Company’s cash balance decreased $24.2 million (2010 – $20.7 million). The decrease in the cash balance in 2011 resulted from payments related to the Tramco acquisition of $10.9 million, strategic capital expenditures of $1.8 million and seasonality.

CONTRACTUAL OBLIGATIONS (thousands of dollars)

	Total	2011	2012	2013	2014	2015+
Debentures	$114,885	$ 0	$ 0	$ 0	$114,885	$ 0
Long-term debt	24,321	12	14	0	0	24,295
Capital leases	367	235	132	0	0	0
Operating leases	2,212	716	510	313	248	425
Total obligations	$141,785	$963	$656	$313	$115,133	$24,720

Debentures relate to the aggregate principal amount of debentures issued by the Company in October 2009 (see "Convertible Debentures"). Long-term debt at March 31, 2011 is comprised of USD $25.0 million aggregate principal amount of secured notes issued through a note purchase and private shelf agreement and GMAC financed vehicle loans. Capital lease obligations relate to a number of leases for equipment. The operating leases relate primarily to vehicle, equipment, warehousing, and facility leases and were entered into in the normal course of business.

As at June 13, 2011, the Company had no outstanding commitments in relation to capital expenditures for building and equipment.

CAPITAL RESOURCES

Cash

The Company had a cash balance of $10.8 million as at March 31, 2011 (2010 – $88.4 million). The Company's cash balance at March 31, 2010 was higher than is typical because it included the majority of the net proceeds received from an October 2009 debenture offering (see "Convertible Debentures"). The debenture proceeds were largely deployed later in fiscal 2010.

Long-term debt

On October 29, 2009, the Company authorized the issue and sale of USD $25.0 million aggregate principal amount of secured notes through a note purchase and private shelf agreement. The notes are non-amortizing and bear interest at 6.80% and mature October 29, 2016. The agreement also provides for a possible future issuance and sale of notes of up to an additional USD $75.0 million aggregate principal amount, with maturity dates no longer than ten years from the date of issuance. Ag Growth is subject to certain financial covenants, including a maximum leverage ratio and a minimum debt service ratio. The Company is in compliance with all financial covenants.

On October 29, 2009, the Company also entered a credit facility with three Canadian chartered banks that includes CAD $10.0 million and USD $2.0 million available for working capital purposes, and provides for non-amortizing long-term debt of up to CAD $38.0 million and USD $20.5 million. No amounts were drawn under these facilities as at March 31, 2011. The facilities bear interest at rates of prime plus 0.50 % to prime plus 1.50% based on performance calculations and matures on October 29, 2012. Ag Growth 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.

For the three months ended March 31, 2011, the Company's effective interest rate on its U.S. dollar term debt was 3.8% (2010 – 3.8%) and on its Canadian dollar term debt was 3.5% (2010 – 2.8%). See "Financial Instruments".

Obligation under capital leases

In conjunction with the Franklin acquisition the Company assumed a number of capital leases for manufacturing equipment. The leases bear interest at rates averaging 6.5% and mature in 2011 and 2012. The Company expects to exercise the buyout option upon maturity of the equipment leases.

Convertible Debentures

In the fourth quarter of 2009, the Company issued $115 million aggregate principal amount of convertible unsecured subordinated debentures (the "Debentures") at a price of $1,000 per Debenture. The Debentures bear interest at an annual rate of 7.0% payable semi-annually on June 30 and December 31. Each Debenture is convertible into common shares of the Company at the option of the holder at a conversion price of $44.98 per common share. The maturity date of the Debentures is December 31, 2014.

Net proceeds of the offering of approximately $109.9 million were used by Ag Growth for general corporate purposes and to repay existing indebtedness of approximately USD $37.6 million and CAD $11.9 million under the Company's credit facility. In 2010, the Company used proceeds from the Debentures to fund the acquisitions of Mepu, Franklin and Tramco (see "Acquisitions") and to finance the expansion of the Company's storage bin product line (see "capital expenditures").

The Debentures are not redeemable before December 31, 2012. On and after December 31, 2012 and prior to December 31, 2013, the 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, 2013, the 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 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 Toronto Stock Exchange ("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 Debentures by delivering sufficient freely tradeable common shares to satisfy its interest obligation.

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

COMMON SHARES

The following common shares were issued and outstanding and participated pro rata in dividends during the periods indicated:

	# Common Shares
December 31, 2009	13,078,040
Normal course issuer bid	(674,600)
Share award incentive plan issuance	140,000
December 31, 2010	12,543,440
Conversion of subordinated debentures	2,556
March 31, 2011 and June 13, 2011	12,545,996

On December 10, 2009, Ag Growth commenced a normal course issuer bid for up to 1,272,423 common shares, representing 10% of the Company's public float at that time. In the year ended December 31, 2010, the Company purchased 674,600 common shares for $23.4 million under the normal course issuer bid. The normal course issuer bid was terminated on December 9, 2010.

During the three month period ended March 31, 2011 2,556 common shares were issued on conversion of $115,000 principal amount of Debentures. Ag Growth has reserved 2,554,136 common shares for issuance upon conversion of the Debentures as at March 31, 2011

Ag Growth has granted 220,000 share awards under its share award incentive plan. Effective January 1, 2010, a total of 73,333 awards vested and the equivalent number of common shares were issued to the participants. On October 15, 2010, an additional 66,667 share awards vested and the equivalent number of common shares were issued to the participant. Effective January 1, 2011, 40,000 share awards vested however no common shares were issued as the participants were compensated in cash rather than common shares. As at June 13, 2011, 40,000 share awards remain outstanding and subject to vesting and payment of the exercise price are each exercisable for one common share.

The administrator of the LTIP has acquired 317,304 common shares to satisfy its obligations with respect to awards under the LTIP for fiscal 2007, 2008, 2009 and 2010. These common shares are not cancelled but rather are held by the administrator until such time as they vest to the LTIP participants. As at March 31, 2011, a total of 165,929 common shares related to the LTIP had vested to the participants.

A total of 15,117 deferred grants of common shares are outstanding under the Company's Director's Deferred Compensation Plan.

Ag Growth's common shares trade on the TSX under the symbol AFN.

DIVIDENDS

Ag Growth declared dividends to security holders of $7.5 million in the three months ended March 31, 2011 (2010 - $6.7 million). Ag Growth increased its dividend rate from $0.17 per common share to $0.20 per common share in November 2010. Ag Growth'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 in the best interest of the Company and its shareholders.

FUNDS FROM OPERATIONS

Funds from operations, 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 the gain or loss 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 surplus cash or its 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.

(thousands of dollars)	**Three months ended March 31**	
	2011	**2010**
EBITDA	$13,318	$11,704
Stock based compensation	714	1,524
Non-cash interest expense	589	569
Translation loss (gain) on foreign exchange	(1,475)	(1,410)
Interest expense	(3,118)	(3,129)
Income taxes (paid) received	(1,707)	55
Maintenance capital expenditures	(643)	(1,077)
Funds from operations (1)	$7,678	$8,236

Funds from operations can be reconciled to cash provided by operating activities as follows:

(thousands of dollars)	Three months ended March 31	
	2011	**2010**
Cash provided by operating activities	$(24)	$(3,638)
Change in non-cash working capital	6,329	12,931
Settlement of SAIP option	1,998	0
Maintenance capital expenditures	(643)	(1,077)
Gain on sale of assets	18	20
Funds from operations (1)	$7,678	$8,236
Shares outstanding (2)	12,498,022	13,100,572
Dividends declared per share	$0.60	$0.51
Funds from operations per share (1)	$0.61	$0.63
Payout ratio (1)	98%	81%

(1) See "Non-IFRS Measures".
(2) Fully diluted weighted average, excluding the potential dilution of the convertible debentures as the calculation includes the interest expense related to the convertible debentures.

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. Dividends in the first quarter of 2011 were funded through cash on hand and cash from operations and the Company expects dividends in the remainder of 2011 will be funded through cash on hand and cash from operations.

Ag Growth'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 in the best interest of the Company and its shareholders. The Company increased its dividend from $2.04 per annum to $2.40 per annum in November 2010.

OUTLOOK

The primary demand drivers for portable grain handling equipment are volume of grains grown, storage practices and commodity prices, and management believes these factors will continue to be supportive of high levels of demand in 2011. U.S. farmers in 2011 planted approximately 90 million acres of corn (2010 – 87.9 million). The high number of acres planted, favourable U.S. crop conditions in most areas and higher than historical commodity prices bodes well for demand for portable grain handling equipment.

Crop production in western Canada in 2010 was negatively impacted by unusually high moisture which led to higher than typical inventory carryover levels at the dealer level. As a result, sales of portable grain handling and storage equipment in western Canada decreased 5% in the first quarter of 2011 compared to the prior year. Although a late spring and excessive moisture in certain areas have resulted in planting delays, management currently anticipates sales levels in western Canada in the second half of 2011 will exceed those realized in the second half of 2010. Demand for the balance of 2011 will be influenced by a number of factors, including the number of acres ultimately planted by Canadian farmers.

Positive agricultural fundamentals and improving macro-economic conditions both domestically and internationally continue to stimulate demand for commercial grain handling equipment. First quarter sales at the Company's commercial divisions exceeded the record levels experienced in 2010 and backorder levels remain strong. Based on current conditions management anticipates continued high levels of domestic and international demand for the balance of 2011.

In 2010 the Company initiated a project to expand the breadth of its storage bin product offering and increase its bin production capacity, primarily to allow Ag Growth to capitalize on international sales opportunities. Production and shipping commenced in the latter half of the second quarter. Sales and marketing activity has been robust, particularly in new international markets, and the Company expects increased storage bin sales will positively impact its financial results in the second half of 2011.

Ag Growth acquired three companies in 2010 and the inclusion of their results for a full year in 2011 will significantly impact comparisons to 2010:

- Mepu (acquired April 29, 2010) manufactures grain drying systems and had average sales and EBITDA of approximately 14 million Euros (CAD $19 million) and 1.5 million Euros (CAD $2 million), respectively, in the three fiscal years prior to acquisition. The nature of Mepu's business is very seasonal with a heavy weighting towards the second and third quarters. Results at Mepu have approximated historical patterns and the Company expects strong in-season demand in the second and third quarters of 2011.
- Franklin (acquired October 1, 2010) is a custom manufacturer acquired to enhance the Company's manufacturing capabilities and to provide interdivisional manufacturing support. Franklin has played an integral role in the development of the Company's new storage bin product line. Franklin's existing custom manufacturing business is expected to generate monthly sales of approximately $1 million and to roughly break-even on an EBITDA basis.
- Tramco (acquired December 20, 2010) manufactures commercial chain conveyors and related handling equipment, primarily for the food processing sector, and had average sales and EBITDA of approximately $30 million and $4 million, respectively, in the two fiscal years prior to acquisition. Demand in the processing sector in 2011 remains strong, particularly in overseas markets.

Financial results in 2011 will be positively impacted by the Company's 2010 acquisitions and an increased contribution from its recently expanded storage bin line. On a percentage basis, the Company's consolidated gross margin is expected to decrease compared to 2010 due to the related change in product sales mix. In addition, gross margin percentages may be pressured by increased input costs. The Company has historically been able to largely mitigate rising input costs through sales price increases, the use of steel contracts and through the ability of the Company's commercial divisions to quote on projects based on current input costs.

Ag Growth's financial results are impacted by the rate of exchange between the Canadian and U.S. dollars. A stronger Canadian dollar negatively impacts sales and gross margin percentages compared to prior periods. The Company's average rate of exchange in 2010 was $1.04. The Canadian dollar has strengthened in 2011 and accordingly, based on prevailing exchange rates, may have a negative impact when comparing 2011 financial results to those reported in 2010. In addition, based on prevailing exchange rates, the Company expects its gain on foreign exchange to decrease compared to the prior year.

On balance, based on current conditions management anticipates continued strong North American demand for both portable and commercial grain equipment will be complemented by increased sales and EBITDA from newly acquired divisions, the expansion of the Company's storage bin product offering and improving conditions in overseas markets.

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.

Construction contracts

The percentage of completion and the revenue to recognize are determined on the basis of estimates. Consequently, Ag Growth has implemented an internal financial budgeting and reporting system. In particular, Ag Growth reviews the estimates of contract revenue and contract costs on a quarterly basis.

Impairment of non-financial assets

Ag Growth's impairment test is based on value in use 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 that Ag Growth is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The calculation is [amongst others] sensitive to the discount rate used as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Development costs

Development costs are capitalized. 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 Ag Growth.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the interim consolidated statement of financial position cannot be derived from active markets, they are 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

Ag Growth 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.

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 tax income and expense already recorded. Ag Growth 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.

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. dollar. Ag Growth has entered into foreign exchange contracts with a Canadian chartered bank to partially hedge its foreign currency exposure on anticipated U.S. dollar sales transactions and as at March 31, 2011, 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)**
April – November 2011	$37,000	$1.09	$40,321

At March 31, 2011, the fair value of the outstanding forward foreign exchange contracts was a gain of $4.3 million. Consistent with prior periods, the Company has elected to apply hedge accounting for these contracts and the unrealized gain has been recognized in other comprehensive income for the period ended March 31, 2011.

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 deem 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.

Industry Cyclicality and General Economic Conditions
The performance of the agricultural industry is cyclical, and to the extent that the agricultural sector declines or experiences a downturn, this is likely to have a negative impact on the grain handling, storage and conditioning industry, and the business of Ag Growth. The agricultural sector has benefited from the expansion of the ethanol industry, and to the extent the ethanol industry declines or experiences a downturn, this is likely to have a negative impact on the grain handling, storage and conditioning industry, and the business of Ag Growth.

Future developments in the domestic 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 continuing negative economic conditions, declines in stock markets, contraction of credit availability or other factors affecting economic conditions generally.

Risk of Decreased Crop Yields
Decreased crop yields due to poor weather conditions and other factors are a significant risk affecting Ag Growth. 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
Various materials and components are purchased in connection with Ag Growth's manufacturing process, some or all of which may be subject to wide price variation. Consistent with past and current practices within the industry, Ag Growth seeks to manage its exposure to material and component price volatility by planning and negotiating significant purchases on an annual basis, and endeavours to pass through to customers, most, if not all, of the price volatility. There can be no assurance that industry dynamics will allow Ag Growth to continue to reduce its exposure to volatility of production costs by passing through price increases to its customers.

Foreign Exchange Risk
Ag Growth generates a majority of its sales in U.S. dollars, but a materially smaller proportion of its expenses are denominated in U.S. dollars. In addition, Ag Growth may denominate its long term borrowings in U.S. dollars. Accordingly, fluctuations in the rate of exchange between the Canadian dollar and the U.S. dollar may significantly impact the Company's financial results. Management has implemented a foreign currency hedging strategy and has entered into a series of hedging arrangements to partially mitigate the potential effect of fluctuating exchange rates. To the extent that Ag Growth does not adequately hedge its foreign exchange risk, changes in the

exchange rate between the Canadian dollar and the U.S. dollar may have a material adverse effect on Ag Growth's results of operations, business, prospects and financial condition.

Acquisition and Expansion Risk
Ag Growth may expand its operations by increasing the scope of operations at existing facilities or by acquiring additional businesses, products or technologies. There can be no assurance that the Company will be able to identify, acquire, or profitably manage additional businesses, or successfully integrate any acquired business, products, or technologies into the business, or increase the scope of operations at existing facilities without substantial expenses, delays or other operational or financial difficulties. The Company's ability to increase its scope of operations or acquire additional businesses may be impacted by its cost of capital and access to credit. Acquisitions and expansions may involve a number of special risks including diversion of management's attention, failure to retain key personnel, unanticipated events or circumstances, and legal liabilities, some or all of which could have a material adverse effect on Ag Growth's performance. In addition, there can be no assurance that an increase in the scope of operations at existing facilities or that acquired 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 Ag Growth's results of operations and financial condition.

Commodity Prices, International Trade and Political Uncertainty
Prices of commodities are influenced by a variety of unpredictable factors that are beyond the control of Ag Growth, including weather, government (Canadian, United States and other) farm programs and policies, and changes in global demand or other economic factors. A decrease in commodity prices could negatively impact the agricultural sector, and the business of Ag Growth. New legislation or amendments to existing legislation, including the Energy Independence and Security Act in the U.S., 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
Ag Growth experiences competition in the markets in which it operates. Certain of Ag Growth's competitors may have greater financial and capital resources than Ag Growth. Ag Growth 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 Ag Growth'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. Ag Growth may also face potential competition from the emergence of new products or technology.

Seasonality of Business
The seasonality of the demand for Ag Growth's products results in lower cash flow in the first three quarters of each calendar year and 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 Ag Growth's credit facility will be sufficient to offset the seasonal variations in Ag Growth's cash flow.

Business Interruption
The operation of Ag Growth'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. Ag Growth 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, Ag Growth'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. Ag Growth is not able to predict the occurrence of business interruptions.

Litigation
In the ordinary course of its business, Ag Growth 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 may result in product liability claims that require not only proper insuring of risk, but management of the legal process as well.

Dependence on Key Personnel
Ag Growth's future business, financial condition, and operating results depend on the continued contributions of certain of Ag Growth'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 Ag Growth'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 Ag Growth 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 Ag Growth will not unionize in the future. If successful, such an occurrence could increase labour costs and thereby have an adverse affect on Ag Growth's results of operations.

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

Availability of Credit
Ag Growth's credit facility expires October 29, 2012, 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. In addition, the business of the Company may be adversely impacted in the event that the Company's customer base does not have access to sufficient financing. Sales related to the construction of commercial grain handling facilities, sales to developing markets, and sales to North American farmers may be impacted.

Interest Rates
Ag Growth's term and operating credit facilities bear interest at rates that are in part dependant 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
Ag Growth will use 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.

Cash Dividends are not Guaranteed
Future dividend payments by Ag Growth and the level thereof is uncertain, as Ag Growth's dividend policy and the funds available for the payment of dividends from time to time are dependent upon, among other things, operating cash flow generated by Ag Growth and its subsidiaries, financial requirements for Ag Growth's operations and the execution of its growth strategy, fluctuations in working capital and the timing and amount of capital expenditures, debt service requirements and other factors beyond Ag Growth’s control.

Income Tax Matters
Income tax provisions, including current and future 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 Ag Growth's specific situation. The amount and timing of reversals of temporary differences will also depend on Ag Growth's future operating results, acquisitions and dispositions of assets and liabilities. The business and operations of Ag Growth are complex and Ag Growth 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 Ag Growth’s interpretation of and compliance with relevant tax legislation and regulations. While Ag Growth believes that its existing and proposed tax filing positions are more likely than not to be sustained, there are a number of existing and proposed tax filing positions including in respect of the Conversion that may be the subject of review by taxation authorities. Therefore, it is possible that additional taxes could be payable by Ag Growth and the ultimate value of Ag Growth'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.

Ag Growth May Issue Additional Common Shares Diluting Existing Shareholders’ Interests
The Company is authorized to issue an unlimited number of common shares for such consideration and on such terms and conditions as shall be established by the Directors without the approval of any Shareholders, except as required by the TSX. In addition, the Company may, at its option, satisfy its obligations with respect to the interest payable on the Debentures and the repayment of the face value of the Debentures through the issuance of common shares.

Leverage, Restrictive Covenants
The degree to which Ag Growth is leveraged could have important consequences to the 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 Ag Growth’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 Ag Growth to the risk of increased interest rates; and (iv) Ag Growth may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures.

Ag Growth'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 Ag Growth to make 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. Ag Growth'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 Ag Growth 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 Ag Growth 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 Ag Growth 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.

International Sales and Operations
A portion of Ag Growth's sales are generated in overseas markets and Ag Growth anticipates increasing its offshore sales and operations in the future. Sales and operations outside of North America, particularly in emerging markets, are subject to various risks, including: currency exchange rate fluctuations; foreign economic conditions; trade barriers; competition with domestic and international manufacturers and suppliers; exchange controls; national and regional labour strikes; political risks and 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; 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 Ag Growth's offshore sales and operations in the future.

RECENT ACCOUNTING CHANGES

For all periods up to and including the year ended December 31, 2010, Ag Growth presented its consolidated financial statements in accordance with CGAAP. The Company's financial statements for the three-month period ended March 31, 2011, and this MD&A, are the first Ag Growth has prepared in accordance with IFRS.

Transition to IFRS

For the majority of accounting policy choices, the Company did not change the accounting policies it applied under CGAAP if it was not required to do so under IFRS. In preparing its consolidated financial statements in accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1"), the Company availed itself of certain of the optional exemptions from full retrospective application of IFRS. A comprehensive summary of the optional exemptions applied by the Company is included in Note 33 in the Company's March 31, 2011 unaudited interim consolidated financial statements.

The transition to IFRS did result in a number of changes to the Company's Statements of Financial Position as at January 1, 2010, its IFRS transition date, and to its Statements of Income, Comprehensive Income, Cash Flows and Equity for its 2010 reporting periods. A comprehensive summary of all of the significant changes including the various reconciliations of CGAAP financial statements to those prepared under IFRS is included in Note 33 in the Company's March 31, 2011 unaudited interim consolidated financial statements. Although the adoption of IFRS resulted in adjustments to the Company's financial statements, it did not materially impact the underlying cash flows or profitability trends of the Company.

NEW ACCOUNTING PRONOUNCEMENTS

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of the existing standard for financial instruments (IAS 39) and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of Ag Growth's financial assets. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. What remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. IFRS 10 establishes a single control model that applies to all entities (including 'special purpose entities,' or 'structured entities' as they are now referred to in the new standards, or 'variable interest entities' as they are referred to under generally accepted accounting principles in the United States). The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Under IFRS 10, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. This principle applies to all investees, including structured entities.

IFRS 10 is effective for annual periods commencing on or after January 1, 2013. The Group is currently in the process of evaluating the implications of this new standard, if any.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 uses some of the terms that were used by IAS 31, but with different meanings. Whereas IAS 31 identified three forms of joint ventures (i.e., jointly controlled operations, jointly controlled assets and jointly controlled entities), IFRS 11 addresses only two forms of joint arrangements (joint operations and joint ventures) where there is joint control. IFRS 11 defines joint control as the contractually agreed sharing of control of an arrangement which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control.

Because IFRS 11 uses the principle of control in IFRS 10 to define joint control, the determination of whether joint control exists may change. In addition, IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. For joint operations (which includes former jointly controlled operations, jointly controlled assets, and potentially some former JCEs), an entity recognizes its assets, liabilities, revenues and expenses, and/or its relative share of those items, if any. In addition, when specifying the appropriate accounting, IAS 31 focused on the legal form of the entity, whereas IFRS 11 focuses on the nature of the rights and obligations arising from the arrangement.

IFRS 11 is effective for annual periods commencing on or after January 1, 2013. The Group is currently in the process of evaluating the implications of this new standard, if any.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. One of the most significant changes introduced by IFRS 12 is that an entity is now required to disclose the judgements made to determine whether it controls another entity.

IFRS 12 is effective for annual periods commencing on or after January 1, 2013. The Group is currently in the process of evaluating the implications of this new standard, which will be limited to disclosure requirements for the financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. While many of the concepts in IFRS 13 are consistent with current practice, certain principles, such as the prohibition on blockage discounts for all fair value measurements, could have a significant effect. The disclosure requirements are substantial and could present additional challenges.

Deferred Tax: Recovery of Underlying Assets (amendments to IAS 12)

On 20 December 2010, the IASB issued Deferred Tax: Recovery of Underlying Assets (amendments to IAS 12) concerning the determination of deferred tax on investment property measured at fair value. The amendments incorporate SIC-21 Income Taxes — Recovery of Revalued Non-Depreciable Assets into IAS 12 for non-depreciable assets measured using the revaluation model in IAS 16 Property, Plant and Equipment The aim of the amendments is to provide a practical solution for jurisdictions where entities currently find it difficult and subjective to determine the expected manner of recovery for investment property that is measured using the fair value model in IAS 40 Investment Property. IAS 12 has been updated to include:

- A rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale; and

- A requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis.

The amendments are mandatory for annual periods beginning on or after 1 January 2012, but earlier application is permitted.This amendment is not expected to have any impact on the Company.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS

The Company acquired the shares of Mepu, the assets of Franklin and the shares of Tramco in fiscal 2010 (see “Acquisitions”). Management has not fully completed its review of internal controls over financial reporting or disclosure controls and procedures for these newly acquired operations. Since the acquisitions occurred within the 365 days 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 the 2010 acquisitions, 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 the acquired operations’ financial information. The following is the summary financial information pertaining to the acquisitions that were included in Ag Growth’s consolidated financial statements for the three months ended March 31, 2011:

(thousands of dollars)	**Mepu**[1]	**Franklin**[1]	**Tramco**[1]
Revenue	$1,642	$3,939	$7,201
Net income	$(1,020)	$(272)	$625
Current assets[2]	$7,484	$2,722	$12,928
Non-current assets[2]	$10,459	$8,052	$21,834
Current liabilities[2]	$2,261	$1,781	$7,844
Non-current liabilities[2]	$1,026	$132	$4,113

1 Results from January 1, 2011 to March 31, 2011
2 Balance sheet as at March 31, 2011

There have been no material changes in Ag Growth’s internal controls over financial reporting that occurred in the three month period ended March 31, 2011, 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” and “trade sales”. 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 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 the 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 the 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 . This measurement is a non-IFRS measurement. 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, amortization and depreciation. References to "Adjusted EBITDA" are to EBITDA before the gain (loss) on foreign exchange, other operating income and other operating expenses. 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. References to "gross margin" are to trade sales less cost of inventories net of the depreciation and amortization included in cost of sales. Management cautions investors that trade sales should not replace sales as an indicator of performance.

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.

ADDITIONAL INFORMATION

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

INVESTOR RELATIONS

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Unaudited Interim Consolidated Financial Statements

Ag Growth International Inc.

March 31, 2011

Ag Growth International Inc.

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[in thousands of Canadian dollars]

	As at March 31, 2011	As at December 31, 2010	As at January 1, 2010
	$	$	$
ASSETS *[note 22]*			
Current assets			
Cash and cash equivalents *[note 15]*	**10,806**	34,981	109,094
Cash held in trust *[note 7]*	**1,819**	1,817	—
Restricted cash *[note 16]*	**845**	865	—
Accounts receivable *[note 17]*	**43,944**	38,535	25,072
Inventory *[note 18]*	**56,359**	52,574	39,621
Prepaid expenses and other assets *[notes 7 and 21[f]]*	**5,106**	7,628	1,772
Income taxes recoverable	**1,111**	—	598
Derivative instruments *[note 27]*	**4,298**	4,200	7,652
	124,288	140,600	183,809
Non-current assets			
Property, plant and equipment, net *[note 9]*	**78,685**	79,022	37,873
Goodwill *[note 11]*	**62,059**	62,355	52,187
Intangible assets, net *[note 10]*	**71,593**	72,345	68,441
Available-for-sale investment *[note 14]*	**2,800**	2,000	2,000
Derivative instruments *[note 27]*	—	—	1,848
Deferred tax asset *[note 25]*	**39,483**	42,063	47,356
	254,620	257,785	209,705
Assets held for sale *[note 13]*	**1,101**	—	—
Total assets	**380,009**	398,385	393,514
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities *[note 24]*	**22,254**	22,623	12,736
Customer deposits	**7,244**	6,573	8,340
Dividends payable	**2,509**	2,509	2,224
Acquisition price, transaction and financing costs payable *[notes 7 and 29]*	**1,914**	11,994	1,028
Income taxes payable	—	56	—
Current portion of long-term debt *[note 22]*	**16**	128	16
Current portion of obligations under finance leases *[note 22]*	**235**	432	—
Current portion of share award incentive plan *[note 21]*	**1,528**	2,003	—
Provisions *[note 19]*	**1,983**	1,942	1,194
	37,683	48,260	25,538
Non-current liabilities			
Long-term debt *[note 22]*	**23,809**	24,518	25,403
Obligations under finance leases *[note 22]*	**132**	138	—
Convertible unsecured subordinated debentures *[note 23]*	**105,553**	105,140	103,107
Deferred tax liability *[note 25]*	**8,575**	8,464	2,214
Share award incentive plan *[note 21]*	—	1,571	5,857
	138,069	139,831	136,581
Total liabilities	**175,752**	188,091	162,119
Shareholders' equity *[note 20]*			
Common shares	**150,202**	151,376	157,279
Accumulated other comprehensive income (loss)	**(753)**	(6)	5,590
Equity component of convertible debentures	**5,105**	5,105	5,105
Contributed surplus	**4,826**	6,121	3,859
Retained earnings	**44,877**	47,698	59,562
Total shareholders' equity	**204,257**	210,294	231,395
Total liabilities and shareholders' equity	**380,009**	398,385	393,514
Commitments and contingencies *[note 32]*			

See accompanying notes

On behalf of the Board of Directors:

(signed) Bill Lambert
Director

(signed) John R. Brodie, FCA
Director

Ag Growth International Inc.

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF INCOME

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

	Three-month period ended	
	March 31, 2011	**March 31, 2010**
	$	$
Sales	**67,065**	52,430
Cost of goods sold *[note 8[e]]*	**43,951**	32,023
Gross margin	**23,114**	20,407
Expenses		
Selling, general and administrative *[note 8[f]]*	**12,743**	11,397
Other operating income *[note 8[a]]*	**(588)**	(1,051)
Other operating expenses *[note 8[b]]*	**138**	—
	12,293	10,346
Operating profit	**10,821**	10,061
Finance costs *[note 8[d]]*	**3,118**	3,129
Finance income *[note 8[c]]*	**(224)**	(158)
Profit before income taxes	**7,927**	7,090
Income tax expense *[note 25]*		
Current	**541**	95
Deferred	**2,680**	2,644
	3,221	2,739
Profit for the period	**4,706**	4,351
Profit per share - basic *[note 30]*	**0.38**	0.33
Profit per share - diluted *[note 30]*	**0.38**	0.33

See accompanying notes

Ag Growth International Inc.

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

[in thousands of Canadian dollars]

For the three-month period ended March 31, 2011

	Common shares	Equity component of convertible debentures	Contributed surplus	Retained earnings	Cash flow hedge and foreign currency reserve	Available-for-sale reserve	Total equity
	$	$	$	$	$	$	$
As at January 1, 2011	**151,376**	**5,105**	**6,121**	**47,698**	**(6)**	**—**	**210,294**
Profit for the period	**—**	**—**	**—**	**4,706**	**—**	**—**	**4,706**
Other comprehensive loss	**—**	**—**	**—**	**—**	**(1,335)**	**588**	**(747)**
Total comprehensive income	**151,376**	**5,105**	**6,121**	**52,404**	**(1,341)**	**588**	**214,253**
Conversion of subordinated debentures *[note 20]*	**115**	**—**	**—**	**—**	**—**	**—**	**115**
Share-based payment transactions *[note 20]*	**(1,289)**	**—**	**(1,295)**	**—**	**—**	**—**	**(2,584)**
Dividends to shareholders *[note 20]*	**—**	**—**	**—**	**(7,527)**	**—**	**—**	**(7,527)**
As at March 31, 2011	**150,202**	**5,105**	**4,826**	**44,877**	**(1,341)**	**588**	**204,257**

See accompanying notes

Ag Growth International Inc.

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

[in thousands of Canadian dollars]

For the year ended December 31, 2010

	Common shares	Equity component of convertible debentures	Contributed surplus	Retained earnings	Cash flow hedge and foreign currency reserve	Total equity
	$	$	$	$	$	$
As at January 1, 2010	157,279	5,105	3,859	59,562	5,590	231,395
Profit for the year	—	—	—	30,324	—	30,324
Other comprehensive loss	—	—	—	—	(5,596)	(5,596)
Total comprehensive income	157,279	5,105	3,859	89,886	(6)	256,123
Share-based payment transactions	2,154	—	2,262	—	—	4,416
Common shares purchased under normal course issuer bid	(8,057)	—	—	(15,334)	—	(23,391)
Dividends to shareholders	—	—	—	(26,854)	—	(26,854)
As at December 31, 2010	151,376	5,105	6,121	47,698	(6)	210,294

See accompanying notes

Ag Growth International Inc.

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

[in thousands of Canadian dollars]

For the three-month period ended March 31, 2010

	Common shares	Equity component of convertible debentures	Contributed surplus	Retained earnings	Cash flow hedge and foreign currency reserve	Total equity
	$	$	$	$	$	$
As at January 1, 2010	157,279	5,105	3,859	59,562	5,590	231,395
Profit for the period	—	—	—	4,351	—	4,351
Other comprehensive loss	—	—	—	—	(55)	(55)
Total comprehensive income	157,279	5,105	3,859	63,913	5,535	235,691
Share-based payment transactions	(204)	—	93	—	—	(111)
Dividends to shareholders	—	—	—	(6,701)	—	(6,701)
As at March 31, 2010	157,075	5,105	3,952	57,212	5,535	228,879

See accompanying notes

Ag Growth International Inc.

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

[in thousands of Canadian dollars]

	Three-month period ended	
	March 31, 2011	**March 31, 2010**
	$	$
Profit for the period	**4,706**	4,351
Other comprehensive income (loss)		
Change in fair value of derivatives designated as cash flow hedges	**1,043**	2,899
Income tax effect on cash flow hedges	**(28)**	(446)
Losses (gains) on derivatives designated as cash flow hedges recognized in net earnings in the current period	**(798)**	(964)
Exchange differences on translation of foreign operations	**(1,552)**	(1,544)
Gain on available-for-sale financial assets	**800**	—
Income tax effect on available-for-sale financial assets	**(212)**	—
Other comprehensive income (loss) for the period	**(747)**	(55)
Total comprehensive income (loss) for the period	**3,959**	4,296

See accompanying notes

Ag Growth International Inc.

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Three-month period ended	
	March 31, 2011	**March 31, 2010**
	$	$
OPERATING ACTIVITIES		
Profit before income taxes for the period	**7,927**	7,090
Add (deduct) items not affecting cash		
Depreciation and impairment of property, plant and equipment	**1,223**	751
Amortization and impairment of intangible assets	**1,050**	734
Translation gain on foreign exchange	**(1,475)**	(1,410)
Non-cash component of interest expense	**589**	569
Stock-based compensation	**714**	1,524
Gain on sale of property, plant and equipment	**(18)**	(20)
	10,010	9,238
Net change in non-cash working capital balances related to operations *[note 15]*	**(6,329)**	(12,931)
Settlement of SAIP obligation	**(1,998)**	—
Income tax received (paid)	**(1,707)**	55
Cash used in operating activities	**(24)**	(3,638)
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	**(2,403)**	(6,015)
Acquisition of shares of Tramco, Inc. *[note 7],* net of cash acquired	**(9,946)**	—
Proceeds from sale of property, plant and equipment	**29**	48
Development of intangible assets	**(306)**	—
Transaction costs paid	**(134)**	(603)
Cash used in investing activities	**(12,760)**	(6,570)
FINANCING ACTIVITIES		
Repayment of long-term debt	**(312)**	(4)
Repayment of obligations under finance leases	**(204)**	—
Dividends paid	**(7,527)**	(6,689)
Decrease in financing costs payable	—	(150)
Purchase of shares in the market under the long-term incentive plan	**(3,348)**	(3,608)
Cash used in financing activities	**(11,391)**	(10,451)
Net decrease in cash and cash equivalents during the period	**(24,175)**	(20,659)
Cash and cash equivalents, beginning of period	**34,981**	109,094
Cash and cash equivalents, end of period	**10,806**	88,435

See accompanying notes

Ag Growth International Inc.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

March 31, 2011

1. ORGANIZATION

The interim consolidated financial statements of Ag Growth International Inc. ["Ag Growth Inc."] for the three-month period ended March 31, 2011 were authorized for issuance in accordance with a resolution of the directors on June 13, 2011. 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 1301 Kenaston Blvd., Winnipeg, Manitoba, Canada.

2. OPERATIONS

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

Included in these interim 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 "Ag Growth" or the "Company".

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For all periods up to and including the year ended December 31, 2010, Ag Growth presented its consolidated financial statements in accordance with Canadian generally accepted accounting principles ["Canadian GAAP"]. The interim consolidated financial statements for the three-month period ended March 31, 2011 are the first Ag Growth has prepared in accordance with International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board ["IASB"].

Accordingly, Ag Growth has prepared financial statements which comply with IFRS for periods beginning on or after January 1, 2011 as described in the accounting policies below. In preparing these interim consolidated financial statements, Ag Growth's opening statement of financial position was prepared as at January 1, 2010, Ag Growth's date of transition to IFRS. Note 33 explains the principal adjustments made by Ag Growth in restating its Canadian GAAP statement of financial position as at January 1, 2010, and its previously published Canadian GAAP financial statements for the year ended December 31, 2010 and the three-month period ended March 31, 2010, to be in compliance with IFRS.

Basis of preparation

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

The accounting policies set out below have been applied consistently to all periods presented in these interim consolidated financial statements and in preparing an opening IFRS consolidated statement of financial position at January 1, 2010, for the purposes of the transition.

In the preparation of these interim consolidated financial statements, Ag Growth has provided additional disclosures to explain the transition to IFRS and provided incremental disclosures that would normally have been presented in the year end 2010 financial statements, would those have been prepared under IFRS. Future interim reports may not necessarily include the same level of disclosures as these interim consolidated financial statements.

Statement of compliance

These interim consolidated financial statements have been prepared in accordance with International Accounting Standards ["IAS"] IAS 34, *Interim Financial Reporting* ["IAS 34"] and are covered by IFRS 1, *First-time Adoption of International Financial Reporting Standards* ["IFRS 1"] because they are part of the period covered by the Company's first IFRS financial statements for the year ending December 31, 2011. These interim consolidated financial statements have been prepared in accordance with those IFRS standards and International Financial Reporting Interpretations Committee ["IFRIC"] IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements. The IFRS standards and IFRIC interpretations that will be applicable at December 31, 2011, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these interim consolidated financial statements. Accordingly, the accounting policies will be finalized when the first annual IFRS financial statements are prepared for the year ending December 31, 2011. The policies set out below have been consistently applied to all the periods presented.

Principles of consolidation

The interim consolidated financial statements include the accounts of Ag Growth International Inc. and its wholly-owned subsidiaries, Ag Growth Industries Partnership, AGX Holdings Inc., Ag Growth Holdings Corp., Westfield Distributing (North Dakota) Inc., Hansen Manufacturing Corp. ["Hansen"], Union Iron Inc. ["Union Iron"], Applegate Trucking Inc., Applegate Livestock Equipment, Inc. ["Applegate"], Tramco, Inc. ["Tramco"], Tramco Europe Ltd., Euro-Tramco B.V., Ag Growth Suomi Oy and Mepu Oy ["Mepu"] as at March 31, 2011. Subsidiaries are fully consolidated from the date of acquisition, being the date on which Ag Growth 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 purchase 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 incurred subsequent to January 1, 2010 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 Ag Growth'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 statement 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.

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 Ag Growth's cash-generating units ["CGU"] 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.

On first-time adoption of IFRS, Ag Growth elected not to apply IFRS 3, *Business Combinations* retrospectively to acquisitions carried out before January 1, 2010. Accordingly, the goodwill associated with acquisitions carried out prior to the IFRS transition date of January 1, 2010 is carried at the amount reported in the consolidated financial statements prepared under Canadian GAAP as of December 31, 2009.

Foreign currency translation

Each entity in Ag Growth 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 Ag Growth 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 profit or loss. 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 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 statement 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. Ag Growth 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 statement 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 to 60 years
Manufacturing equipment	10 to 20 years
Computer hardware	5 years
Leasehold improvements	Over the lease period
Equipment under finance leases	10 years
Furniture and fixtures	5 to 10 years
Vehicles	4 to 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 statement 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 Ag Growth 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 statement of income.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that Ag Growth 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 interim consolidated statement of income on a straight-line basis over the lease term.

Borrowing costs

On or after the IFRS transition date of January 1, 2010, borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time, which Ag Growth 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 statement 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 Ag Growth 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	8 years
Distribution networks	8-25 years
Demos and prototypes	3-10 years
Inventory order backlog	6 months
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 statement of income when the asset is derecognized.

Impairment of non-financial assets

Ag Growth 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, Ag Growth 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. The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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 to which the asset belongs.

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

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

For assets excluding 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, Ag Growth estimates the asset's or CGU'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 in prior years. Such a reversal is recognized in the statement 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 to which the goodwill relates. Where the recoverable amount of the CGU 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 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 statement of cash flows, cash and cash equivalents consist of cash and money market funds as defined above, 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

Ag Growth 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 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 statement 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 Ag Growth commits to purchase or sell the asset.

***Financial assets at fair value through profit or loss* ["FVTPL"]**

Financial assets at FVTPL include financial assets 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 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 statement of financial position at fair value with changes in the fair value recognized in finance income or finance costs in the statement of income.

Ag Growth 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 statement 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 and cash and cash equivalents. 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 statement of income. The losses arising from impairment are recognized in the statement 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 statement of income in finance costs 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 statement of income.

Derecognition

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

Impairment of financial assets

Ag Growth 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.

For financial assets carried at amortized cost, Ag Growth 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 Ag Growth 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 profit or loss.

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 profit or loss.

For available-for-sale financial investments, Ag Growth 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 statement of income - is removed from other comprehensive income and recognized in the interim consolidated statement of income. Impairment losses on equity investments are not reversed through the statement 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 statement 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 statement of income, the impairment loss is reversed through the statement of income.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as 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 statement of income.

Ag Growth 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. 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 statement 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 statement 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 statement of income.

Derivative instruments and hedge accounting

Ag Growth 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.

Ag Growth 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 statement 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, Ag Growth formally designates and documents the hedge relationship to which Ag Growth 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 that they actually have been highly effective throughout the financial reporting periods for which they were designated.

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

Fair value hedges

The change in the fair value of an interest rate hedging derivative is recognized in the statement of income in finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the statement of income in finance costs.

For fair value hedges relating to items carried at amortized cost, the adjustment to carrying value is amortized through the statement of income over the remaining term to maturity. Effective interest rate amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognized, the unamortized fair value is recognized immediately in the statement of income.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the statement of income.

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 statement of income in other operating income or expenses. Amounts recognized as other comprehensive income are transferred to the statement 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 statement 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.

Ag Growth 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 statement 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 Ag Growth 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 Ag Growth 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 Ag Growth 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 statement 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. The initial estimate of warranty related costs is revised quarterly.

Earnings per share

The computation of earnings per share is based on the weighted average number of shares outstanding during the period. Diluted earnings per share are computed in a similar way to basic earnings 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 Ag Growth 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. Ag Growth assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. Ag Growth 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. Ag Growth 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.

In transactions involving the sale of specific customer products, Ag Growth applies lay away sales accounting. Under lay away sales, Ag Growth recognizes revenue prior to the product being shipped, provided the following criteria are met as of the reporting date:

- The goods are ready for delivery to the customer; this implies the goods have been produced to the specifications of the customer and Ag Growth has assessed, through its quality control processes, that the goods comply with the specifications;
- A deposit of more than 80% of the total contract value for the respective goods has been received;
- The goods are specifically identified for the customer in Ag Growth's inventory tracking system; and
- Ag Growth does not have any other obligation than to ship the product, or to store the product until the customer picks it up.

Construction contracts

Ag Growth from time to time enters into arrangements with its customers that are considered construction contracts. These contracts [or a combination of contracts] are specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Ag Growth principally operates fixed price contracts. If the outcome of such a contract can be reliably measured, revenue associated with the construction contract is recognized by reference to the stage of completion of the contract activity at period end [the percentage of completion method].

The outcome of a construction contract can be estimated reliably when: [i] the total contract revenue can be measured reliably; [ii] it is probable that the economic benefits associated with the contract will flow to the entity; [iii] the costs to complete the contract and the stage of completion can be measured reliably; and [iv] the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a construction contract cannot be estimated reliably [principally during early stages of a contract], contract revenue is recognized only to the extent of costs incurred that are expected to be recoverable. In applying the percentage of completion method, revenue recognized corresponds to the total contract revenue [as defined above] multiplied by the actual completion rate based on the proportion of total contract costs [as defined above] incurred to date and the estimated costs to complete.

Income taxes

Ag Growth 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 Ag Growth operates and generates taxable income. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of income. 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.

Ag Growth 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 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 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 credits and 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 credits and 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 relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in 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.

Sales tax

Revenues, 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 statement of financial position.

Share-based compensation plans

Employees of Ag Growth 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, long-term incentive plan and directors deferred compensation plan] or cash [cash-settled transactions, share award incentive plan]. 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 Ag Growth'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 statement 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. All cancellations of equity-settled transaction awards are treated equally.

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 *[note 21]*. 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 statement of income in the line of the function the respective employee is engaged in.

Post-retirement benefit plans

Ag Growth contributes to retirement savings plans subject to maximum limits per employee. Ag Growth accounts for such defined contributions as an expense in the period in which the contributions are required to be made. Ag Growth does not have any defined benefit plans. Certain of Ag Growth'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, Ag Growth is not required to account for the plans in accordance with the defined benefit accounting rules.

Research and development expenses

Research expenses, net of related tax credits, are charged to the statement 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 intangible asset, it is probable that future economic benefits will flow to Ag Growth and the cost of the intangible asset can be reliably measured.

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. SEASONALITY OF BUSINESS

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

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the 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.

Construction contracts

The percentage of completion and the revenue to recognize are determined on the basis of estimates. Consequently, Ag Growth has implemented an internal financial budgeting and reporting system. In particular, Ag Growth reviews the estimates of contract revenue and contract costs on a quarterly basis.

Impairment of non-financial assets

Ag Growth'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 that Ag Growth is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The calculation is [amongst other items] sensitive to the discount rate used as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are further explained in note 12.

Development costs

Development costs are capitalized in accordance with the accounting policy 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 Ag Growth. 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 statement of financial position cannot be derived from active markets, they are 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

Ag Growth 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.

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 expense already recorded. Ag Growth 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 Ag Growth assesses the probability for a 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 of 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.

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Company's 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"]

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of the existing standard for financial instruments [IAS 39] and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of Ag Growth's financial assets. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 *Consolidation — Special Purpose Entities*. What remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. IFRS 10 establishes a single control model that applies to all entities [including 'special purpose entities,' or 'structured entitie' as they are now referred to in the new standards, or 'variable interest entities' as they are referred to in US GAAP]. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Under IFRS 10, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. This principle applies to all investees, including structured entities.

IFRS 10 is effective for annual periods commencing on or after January 1, 2013. The Company is currently in the process of evaluating the implications of this new standard, if any.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities — Non-monetary Contributions by Venturers*. IFRS 11 uses some of the terms that were used by IAS 31, but with different meanings. Whereas IAS 31 identified three forms of joint ventures [i.e., jointly controlled operations, jointly controlled assets and jointly controlled entities], IFRS 11 addresses only two forms of joint arrangements [joint operations and joint ventures] where there is joint control. IFRS 11 defines joint control as the contractually agreed sharing of control of an arrangement which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control.

Because IFRS 11 uses the principle of control in IFRS 10 to define joint control, the determination of whether joint control exists may change. In addition, IFRS 11 removes the option to account for jointly controlled entities ["JCEs"] using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. For joint operations [which includes former jointly controlled operations, jointly controlled assets, and potentially some former JCEs], an entity recognizes its assets, liabilities, revenues and expenses, and/or its relative share of those items, if any. In addition, when specifying the appropriate accounting, IAS 31 focused on the legal form of the entity, whereas IFRS 11 focuses on the nature of the rights and obligations arising from the arrangement.

IFRS 11 is effective for annual periods commencing on or after January 1, 2013. The Company is currently in the process of evaluating the implications of this new standard, if any.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28 *Investment in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. One of the most significant changes introduced by IFRS 12 is that an entity is now required to disclose the judgments made to determine whether it controls another entity.

IFRS 12 is effective for annual periods commencing on or after January 1, 2013. The Company is currently in the process of evaluating the implications of this new standard, which will be limited to disclosure requirements for the financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. While many of the concepts in IFRS 13 are consistent with current practice, certain principles, such as the prohibition on blockage discounts for all fair value measurements, could have a significant effect. The disclosure requirements are substantial and could present additional challenges.

IFRS 13 is effective for annual periods commencing on or after January 1, 2013 and will be applied prospectively. The Company is currently in the process of evaluating the implications of this new standard.

Deferred Tax: Recovery of Underlying Assets (amendments to IAS 12)

On December 20, 2010, the IASB issued *Deferred Tax: Recovery of Underlying Assets* (amendments to IAS 12) concerning the determination of deferred tax on investment property measured at fair value. The amendments incorporate SIC-21 *Income Taxes — Recovery of Revalued Non-Depreciable Assets* into IAS 12 for non-depreciable assets measured using the revaluation model in IAS 16 *Property, Plant and Equipment.* The aim of the amendments is to provide a practical solution for jurisdictions where entities currently find it difficult and subjective to determine the expected manner of recovery for investment property that is measured using the fair value model in IAS 40 *Investment Property*. IAS 12 has been updated to include:

- A rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale; and
- A requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis.

The amendments are mandatory for annual periods beginning on or after January 1, 2012, but earlier application is permitted. This amendment is not expected to have any impact on the Company.

7. BUSINESS COMBINATIONS

Acquisitions in 2010

[a] Mepu

Effective April 29, 2010, the Company acquired 100% of the outstanding shares of Mepu, a manufacturer of grain drying systems. The acquisition of Mepu provides the Company with a complementary product line, distribution in a region where the Company previously had only limited representation and a corporate footprint near the growth markets of Russia and Eastern Europe.

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

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

	$
Accounts receivable	**1,208**
Inventory	**4,465**
Prepaid expenses and other	**396**
Deferred tax asset	**330**
Property, plant and equipment	**4,084**
Intangible assets	
Distribution network	**1,562**
Brand name	**743**
Order backlog	**363**
Goodwill	**3,614**
Bank indebtedness	**(1,035)**
Long-term debt	**(382)**
Accounts payable and accrued liabilities	**(2,752)**
Customer deposits	**(134)**
Deferred tax liability	**(1,188)**
Purchase consideration transferred	**11,274**

The fair value of the trade receivables amounts to $1,208. The gross amount of trade receivables is $1,408.

The goodwill of $3,614 comprises the value of expected synergies arising from the acquisition and the values included in the workforce of the new subsidiary. The goodwill balance is allocated to Mepu and certain North American divisions' CGUs because management is expecting sales synergies from a wider product line and complementary distribution networks. None of the goodwill recognized is expected to be deductible for income tax purposes.

From the date of acquisition, Mepu has contributed to the 2010 results $11,089 of revenue and $850 to the net profit before tax of the Company. If the combination had taken place as at January 1, 2010, revenue from continuing operations would have increased by $2,378 and the profit from continuing operations for the Company would decrease by $1,631.

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

The purchase consideration in the amount of $11,274 was paid in cash. The impacts on the cash flow on the acquisition of Mepu are as follows:

	$
Transaction costs of the acquisition	**643**
Purchase consideration transferred	**11,274**
Net cash flow on acquisition	**11,917**

Transaction costs of the acquisition are included in cash flows from investing activities. As at March 31, 2011, the Company had cash held in trust of $597 relating to the acquisition of Mepu.

[b] Franklin Enterprises Ltd. ["Franklin"]

Effective October 1, 2010, the Company acquired substantially all of the operating assets of Franklin, a custom manufacturer. The Company acquired Franklin to enhance its manufacturing capabilities and to increase production capacity in periods of high in-season demand.

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

	$
Inventory	**1,557**
Prepaid expenses and other	**8**
Property, plant and equipment	**8,171**
Goodwill	**68**
Obligations under finance lease contracts	**(707)**
Accounts payable and accrued liabilities	**(241)**
Purchase consideration transferred	**8,856**

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

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

The goodwill of $68 comprises the value of expected synergies arising from the acquisition and the values included in the workforce of the new subsidiary. The goodwill balance is allocated to the Franklin CGU and is expected to be deductible for tax purposes.

The acquisition of Franklin was an asset purchase and as such the Company does not have access to the books and records of Franklin for any periods prior to the acquisition date of October 1, 2010. Therefore, the impacts on revenues and profit of the Company from an acquisition of Franklin at the beginning of 2010 cannot be reported. From the date of acquisition, Franklin has contributed $3,290 of revenue and a net loss before tax of $548 to the 2010 results.

The purchase consideration in the amount of $8,856 was paid in cash. The impacts on the cash flow on the acquisition of Franklin are as follows:

	$
Transaction costs of the acquisition	**356**
Purchase consideration transferred	**8,856**
Net cash flow on acquisition	**9,212**

Transaction costs of the acquisition are included in cash flows from investing activities. As at March 31, 2011, the Company had cash held in trust of $250 relating to the acquisition of Franklin.

[c] Tramco

Effective December 20, 2010, the Company acquired 100% of the outstanding shares of Tramco, a manufacturer of chain conveyors. Tramco is an industry leader and provides the Company with an entry point into the grain processing sector of the food supply chain.

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

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

	$
Accounts receivable	**4,216**
Inventory	**4,162**
Prepaid expenses and other	**208**
Deferred tax asset	**340**
Property, plant and equipment	**8,495**
Intangible assets	
Distribution network	**1,701**
Brand name	**2,361**
Software	**1,118**
Order backlog	**272**
Goodwill	**7,327**
Accounts payable and accrued liabilities	**(4,423)**
Customer deposits	**(967)**
Income taxes payable	**(143)**
Deferred tax liability	**(4,550)**
Purchase consideration transferred	**20,117**

The fair value of the trade receivables amounts to $4,216. The gross amount of trade receivables is $4,277.

The allocation of the purchase price to acquired assets and liabilities and the calculation of the working capital adjustment are preliminary, utilizing information available at the time the interim consolidated financial statements were prepared. The purchase price allocation is preliminary due to the late timing of the transaction in December 2010. The final allocation of the purchase price and the working capital adjustment may change when more information becomes available.

Included in prepaid expenses and other assets in the interim consolidated statement of financial position as at March 31, 2011, is $1,446 [December 31, 2010 - $1,403] related to the working capital adjustment owing from the vendor.

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

The goodwill of $7,327 comprises the value of expected synergies arising from the acquisition and the values included in the workforce of the new subsidiary. The goodwill balance is expected to be allocated to Tramco as a CGU and certain other North American CGUs because management expects sales synergies to result from complementary product lines and an enhanced distribution network. However, as the transaction was completed shortly before the Company's December 31, 2010 year end, the allocation had not been finalized as of that date, nor the current reporting date. Under IFRS, a one-year window is available subsequent to the acquisition date to finalize the allocation.

Goodwill at the time of the transaction is not deductible for tax purposes.

From the date of acquisition, Tramco has contributed $184 of revenue and a net loss before tax of $78 to the 2010 results of the Company. Tramco has operations in the U.S. and the U.K. and their results were not consolidated on a regular basis. As a result, the Company is not able to quantify the impact Tramco would have had on the Company's financial results if the acquisition had been made on January 1, 2010.

The impacts on the cash flow on acquisition of Tramco are as follows:

	$
Transaction costs of the acquisition paid in 2010	**339**
Transaction costs of the acquisition paid in 2011	**164**
Purchase consideration transferred in 2010	**9,168**
Purchase consideration transferred in 2011	**9,946**
Transferred to cash held in trust	**995**
Net cash flow on acquisition	**20,612**

Transaction costs of the acquisition are included in cash flows from investing activities. At the request of the vendor, the purchase price was paid in two installments. The second installment of $9,946 was paid on January 5, 2011. As at March 31, 2011, the Company had cash held in trust of $972 relating to the acquisition of Tramco.

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

8. OTHER INCOME (EXPENSES)

	March 31, 2011 $	March 31, 2010 $
[a] Other operating income		
Cash flow hedge accounting, ineffective portion	—	247
Gain on foreign exchange	**570**	775
Net gain on disposal of property, plant and equipment	**18**	20
Other	—	9
	588	1,051
[b] Other operating expenses		
Cash flow hedge accounting, ineffective portion	**138**	—
[c] Finance income		
Interest income from banks	**224**	158
[d] Finance costs		
Interest on overdrafts and other finance costs	**11**	17
Interest, including non-cash interest, on debts and borrowings	**559**	582
Interest, including non-cash interest, on convertible debentures *[note 23]*	**2,541**	2,523
Finance charges payable under finance lease contracts	**7**	7
	3,118	3,129

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

	March 31, 2011 $	March 31, 2010 $
[e] Cost of goods sold		
Depreciation	**1,108**	662
Amortization of intangible assets	**308**	16
Warranty provision	**(57)**	161
Cost of inventories recognized as an expense	**42,592**	31,184
	43,951	32,023
[f] Selling, general and administrative expenses		
Selling, general and administrative	**11,631**	10,239
Amortization of intangible assets	**742**	718
Depreciation	**115**	89
Minimum lease payments recognized as an operating lease expense	**255**	351
	12,743	11,397
[g] Employee benefits expense		
Wages and salaries	**18,110**	12,757
Share-based payment transaction expense	**548**	1,440
Pension costs	**485**	291
	19,143	14,488
Included in cost of goods sold	**13,086**	9,049
Included in general and administrative expense	**6,057**	5,439
	19,143	14,488

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

9. PROPERTY, PLANT AND EQUIPMENT

	Land	Grounds	Buildings and building components	Leasehold improvements	Furniture and fixtures	Vehicles	Computer hardware	Manufacturing equipment	Construction in progress	Total
	$	$	$	$	$	$	$	$	$	$
COST										
Balance, January 1, 2010	2,919	235	14,030	453	856	3,870	1,568	22,451	253	46,635
Additions	—	80	3,012	—	12	1,276	206	2,902	17,309	24,797
Acquisitions of a subsidiary	2,010	173	10,953	—	119	303	199	6,891	27	20,675
Disposals	(66)	—	(170)	—	—	(146)	(5)	(260)	—	(647)
Exchange differences	(86)	—	(226)	(22)	(5)	(20)	(20)	(436)	—	(815)
Balance, December 31, 2010	4,777	488	27,599	431	982	5,283	1,948	31,548	17,589	90,645
DEPRECIATION										
Balance, January 1, 2010	—	77	1,036	139	214	1,454	871	4,971	—	8,762
Depreciation charge for the year	—	47	490	63	82	519	254	1,757	—	3,212
Disposals	—	—	(23)	—	—	(79)	(3)	(146)	—	(251)
Exchange differences	—	—	(11)	(6)	(1)	(5)	(7)	(70)	—	(100)
Balance, December 31, 2010	—	124	1,492	196	295	1,889	1,115	6,512	—	11,623
Net book value, January 1, 2010	2,919	158	12,994	314	642	2,416	697	17,480	253	37,873
Net book value, December 31, 2010	4,777	364	26,107	235	687	3,394	833	25,036	17,589	79,022

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

	Land $	Grounds $	Buildings and building components $	Leasehold improvements $	Furniture and fixtures $	Vehicles $	Computer hardware $	Manufacturing equipment $	Construction in progress $	Total $
Balance, January 1, 2011	4,777	488	27,599	431	982	5,283	1,948	31,548	17,589	90,645
Additions	—	3	8,358	13	21	376	52	1,004	(7,424)	2,403
Classification as asset held for sale	(146)	—	(1,089)	—	—	—	—	—	—	(1,235)
Disposals	—	—	—	—	—	—	—	(97)	—	(97)
Exchange differences	(32)	(3)	(131)	(10)	(1)	(10)	(5)	(247)	1	(438)
Balance, March 31, 2011	4,599	488	34,737	434	1,002	5,649	1,995	32,208	10,166	91,278
DEPRECIATION										
Balance, January 1, 2011	—	124	1,492	196	295	1,889	1,115	6,512	—	11,623
Depreciation charge for the period	—	17	262	17	26	159	73	669	—	1,223
Classification as asset held for sale	—	—	(134)	—	—	—	—	—	—	(134)
Disposals	—	—	—	—	—	(2)	—	(55)	—	(57)
Exchange differences	—	—	(7)	(5)	(1)	(4)	(6)	(39)	—	(62)
Balance, March 31, 2011	—	141	1,613	208	320	2,042	1,182	7,087	—	12,593
Net book value, January 1, 2011	4,777	364	26,107	235	687	3,394	833	25,036	17,589	79,022
Net book value, March 31, 2011	4,599	347	33,124	226	682	3,607	813	25,121	10,166	78,685

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

Construction in progress is comprised primarily of building and equipment, the cost of which has not been depreciated as the assets were not placed in use in the reporting period.

Ag Growth regularly assesses its long-lived assets for impairment. As at March 31, 2011, 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 2010 or the first quarter of 2011. Ag Growth availed itself of the borrowing cost exemption available in IFRS 1.

Finance leases

Included in manufacturing equipment is equipment held under finance leases, the carrying value of which at March 31, 2011 was $740 [December 31, 2010 - $839, January 1, 2010 - nil]. Leased assets are pledged as security for the related finance lease liabilities.

10. INTANGIBLE ASSETS

	Distribution networks $	Brand names $	Patents $	Software $	Order backlog $	Development projects $	Total $
COST							
Balance, January 1, 2011	**52,346**	**32,582**	**1,138**	**1,092**	**628**	**—**	**87,786**
Additions							
Internal development	**—**	**—**	**—**	**—**	**—**	**629**	**629**
Exchange differences	**(243)**	**(150)**	**(20)**	**(25)**	**6**	**—**	**(432)**
Balance, March 31, 2011	**52,103**	**32,432**	**1,118**	**1,067**	**634**	**629**	**87,983**
AMORTIZATION							
Balance, January 1, 2011	**14,509**	**—**	**568**	**—**	**364**	**—**	**15,441**
Amortization charge for the period	**788**	**—**	**22**	**226**	**14**	**—**	**1,050**
Exchange differences	**(99)**	**—**	**(10)**	**(4)**	**12**	**—**	**(101)**
Balance, March 31, 2011	**15,198**	**—**	**580**	**222**	**390**	**—**	**16,390**
Net book value, March 31, 2011	**36,905**	**32,432**	**538**	**845**	**244**	**629**	**71,593**

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

	Distribution networks $	Brand names $	Patents $	Software $	Order backlog $	Total $
COST						
Balance, January 1, 2010	49,709	29,812	1,184	—	—	80,705
Additions - acquisition of subsidiary	3,263	3,104	—	1,118	635	8,120
Exchange differences	(626)	(334)	(46)	(26)	(7)	(1,039)
Balance, December 31, 2010	52,346	32,582	1,138	1,092	628	87,786
AMORTIZATION						
Balance, January 1, 2010	11,763	—	501	—	—	12,264
Amortization charge for the year	2,970	—	83	—	365	3,418
Exchange differences	(224)	—	(16)	—	(1)	(241)
Balance, December 31, 2010	14,509	—	568	—	364	15,441
Net book value, January 1, 2010	37,946	29,812	683	—	—	68,441
Net book value, December 31, 2010	37,837	32,582	570	1,092	264	72,345

The Company is continuously working on research and development projects. The Company operates a development centre that coordinates the efforts throughout Ag Growth. Development costs capitalized include primarily the development of new products, the development of new applications of already 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. Development projects have not been amortized as the related assets were not placed in use during the reporting period.

Intangible assets include patents acquired through business combinations which have a remaining life of seven years. All brand names with a carrying amount of $32,432 [December 31, 2010 - $32,582, January 1, 2010 - $29,812] 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. Ag Growth tested its indefinite lived intangible assets at the IFRS transition date and each subsequent annual reporting date. For definite life intangibles, an impairment test was performed as of the transition date and the Company assesses whether there are indicators of impairment at subsequent reporting dates as a triggering event for performing an impairment test.

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 and the dealer network of the Mepu operating

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

division. The remaining amortization period for the distribution network ranges from four to 19 years.
As of the reporting date, the Company had no contractual commitments for the acquisition of intangible assets.

11. GOODWILL

	March 31, 2011 $	December 31, 2010 $
COST		
Balance, beginning of period	**62,355**	52,187
Additions - acquisition of subsidiary	**80**	11,073
Exchange differences	**(376)**	(905)
Balance, end of period	**62,059**	62,355

12. IMPAIRMENT TESTING

For purposes of impairment testing, the Company determined that each of its seven operating divisions were CGUs as of its IFRS transition date. Under the IFRS 1 transition guidance, Ag Growth performed an impairment test as at January 1, 2010. Upon the acquisition of Franklin during 2010, Ag Growth reconsidered its CGUs and concluded that Wheatheart no longer met the CGU definition and management reallocated the assets and goodwill on a relative fair value basis to the Applegate and Westfield CGUs.

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

Goodwill acquired through business combinations is allocated on a relative fair value basis to the CGUs that benefit from the acquisition. The Company performs its annual impairment test as at December 31 on all CGUs. The recoverable amount of the CGUs has been determined based on either a value in use or fair value less costs to sell calculation, using cash flow projections covering a five-year period. The various pre-tax discount rates applied to the cash flow projections are between 12.2% and 18.9% [January 1, 2010 - 14.3% and 19.8%] and cash flows beyond the five-year period are extrapolated using a 3% growth rate [January 1, 2010 - 3%], which is management's estimate of long-term CPI expectations.

	March 31, 2011 $	**December 31, 2010** $	**January 1, 2010** $
Westfield			
Goodwill	**29,208**	29,208	29,208
Intangible assets with indefinite lives	**19,000**	19,000	19,000
Edwards			
Goodwill	**5,123**	5,123	5,123
Intangible assets with indefinite lives	**5,163**	5,163	5,163
Hi Roller			
Goodwill	**5,340**	5,465	5,751
Intangible assets with indefinite lives	**3,150**	3,224	3,392
Union Iron			
Goodwill	**7,834**	8,018	8,437
Intangible assets with indefinite lives	**2,095**	2,144	2,257
Tramco			
Goodwill	**7,081**	7,206	—
Intangible assets with indefinite lives	**2,255**	2,308	—
Other			
Goodwill	**7,473**	7,335	3,668
Intangible assets with indefinite lives	**769**	743	—
Total			
Goodwill	**62,059**	62,355	52,187
Intangible assets with indefinite lives	**32,432**	32,582	29,812

Key assumptions used in valuation calculations

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

- Gross margin;
- 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 cash generating unit. 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 cash generating unit 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 CPI expectations for the markets in which Ag Growth operates. Management considers CPI to be a conservative indicator of the long-term growth expectations for the agricultural industry.

13. ASSETS HELD FOR SALE

As at March 31, 2011, Ag Growth concluded that land and building in Lethbridge, Alberta, Canada met the definition of an asset held for sale. The carrying amounts of the assets as presented in the interim consolidated statement of financial position solely consist of the land and building. The land value represents $146 as at March 31, 2011.

14. AVAILABLE-FOR-SALE INVESTMENT

On December 22, 2009, the Company purchased two million common shares at $1.00 per share in a private Canadian corporate farming organization ["Investco"]. In conjunction with the Company's investment, Investco provided Ag Growth with a non-refundable deposit of $2,000 for future purchases of grain handling, storage and conditioning equipment. As the purchase and the deposit were conditional upon each other, the transaction has been recorded as a non-monetary exchange. The exchange of non-monetary assets was recorded at $2,000, representing the fair value of the common shares at the time of issuance based on the share price paid by other third parties at that time. The Company's investment represents approximately 2.0% of the outstanding shares of Investco. At this point in time, management intends to hold the investment for an indefinite period of time.

In the three-month period ended March 31, 2011, Investco completed a private placement of 22,193,921 common shares at $1.40 per common share. The private placement included a large number of unrelated parties and increased Investco's outstanding common shares by approximately 40%. The private placement was determined to represent an active market and as a result the Company assessed the fair value of its 2,000,000 common shares at $1.40 per common share. Accordingly, the Company increased the value of its investment by $800 with the offsetting amount recorded in other comprehensive income.

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

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

Cash and cash equivalents as at the date of the interim consolidated statement of financial position and for the purpose of the interim consolidated statement of cash flows are as follows:

	March 31, 2011 $	**December 31, 2010** $	**January 1, 2010** $
Cash at banks and on hand	**3,033**	11,201	41,110
Short-term deposits	**7,773**	23,780	67,984
Total cash and cash equivalents	**10,806**	34,981	109,094

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

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

	March 31, 2011 $	**March 31, 2010** $
Accounts receivable	**(5,409)**	(9,746)
Inventory	**(3,785)**	(3,183)
Prepaid expenses and other assets	**2,522**	(267)
Accounts payable and accrued liabilities	**(369)**	1,300
Customer deposits	**671**	(1,176)
Provisions	**41**	141
	(6,329)	(12,931)

16. RESTRICTED CASH

Restricted cash of $845 [December 31, 2010 - $865] consists of funds advanced to Ag Growth as collateral for a receivable from an end user of Ag Growth products. The funds will be repaid upon collection of the related receivable.

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

17. ACCOUNTS RECEIVABLE

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

	March 31, 2011 $	**December 31, 2010** $	**January 1, 2010** $
Total accounts receivable	**44,427**	39,019	25,571
Less allowance for doubtful accounts	**483**	484	499
Total accounts receivable, net	**43,944**	38,535	25,072
Of which			
Neither impaired nor past due	**30,904**	17,661	17,552
Not impaired and past the due date as follows:			
Within 30 days	**6,102**	7,231	3,457
31 to 60 days	**941**	7,044	927
61 to 90 days	**190**	3,295	795
Over 90 days	**6,290**	3,788	2,840
Less allowance for doubtful accounts	**(483)**	(484)	(499)
Total accounts receivable, net	**43,944**	38,535	25,072

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

Trade receivables assessed to be impaired are included in selling, general and administrative expenses in the period of the assessment. The movement in the Company's allowance for doubtful accounts for the periods ended March 31, 2011 and December 31, 2010 was as follows:

	March 31, 2011 $	**December 31, 2010** $
Balance, beginning of period	**484**	499
Additional provision recognized	**30**	113
Amounts written off during the period as uncollectible	**(31)**	(5)
Amounts recovered during the period	**1**	17
Unused provision reversed	**—**	(137)
Exchange differences	**(1)**	(3)
Balance, end of period	**483**	484

18. INVENTORY

	March 31, 2011 $	**December 31, 2010** $	**January 1, 2010** $
Raw materials	**30,704**	29,516	21,581
Finished goods	**25,655**	23,058	18,040
	56,359	52,574	39,621

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

During the three-month period ended March 31, 2011, provisions of nil [2010 - nil] were expensed through cost of goods sold. There were no write-downs of finished goods and no reversals of write-downs included in cost of goods sold during the period.

[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.

	March 31, 2011 $	**December 31, 2010** $
Balance, beginning of year	**1,942**	1,194
Costs recognized	**795**	2,971
Amounts charged against provision	**(754)**	(2,223)
Balance, end of year	**1,983**	1,942

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

20. EQUITY

[a] Common shares

Authorized

Unlimited number of voting common shares without par value

Issued

12,394,621 common shares

	Number #	Amount $
Balance, January 1, 2010	13,020,099	157,279
Purchase of common shares under LTIP	(167,900)	(6,032)
Purchase of common shares under normal course issuer bid	(674,600)	(8,057)
Settlement of LTIP obligation - vested shares	81,951	2,737
Settlement of SAIP obligation - vested shares	140,000	5,449
Balance, December 31, 2010	12,399,550	151,376
Purchase of common shares under LTIP *[note 21[a]]*	**(67,996)**	**(3,346)**
Conversion of subordinated debentures	**2,556**	**115**
Settlement of LTIP obligation - vested shares *[note 21[e]]*	**60,511**	**2,057**
Balance, March 31, 2011	**12,394,621**	**150,202**

The 12,394,621 common shares at March 31, 2011 are net of 151,375 common shares with a stated value of $6,264 that are being held by the Company under the terms of the LTIP until vesting conditions are met.

The 12,399,550 common shares at December 31, 2010 are net of 143,890 common shares with a stated value of $5,027 that are being held by the Company under the terms of the LTIP until vesting conditions are met.

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

[b] Normal course issuer bid

On December 10, 2009, Ag Growth commenced a normal course issuer bid for up to 1,272,423 common shares, representing 10% of the Company's public float at that time. The normal course issuer bid terminated on December 9, 2010. In the year ended December 31, 2010, Ag Growth purchased and cancelled 674,600 common shares under the normal course issuer bid for $23,391.

[c] Contributed surplus

	Three-month period ended March 31, 2011 $	**Year ended December 31, 2010** $
Balance, beginning of period	**6,121**	3,859
Equity-settled director compensation	**110**	227
Obligation under LTIP	**652**	4,279
Exercise price on vested SAIP awards	**—**	18
Settlement of LTIP obligation - vested shares	**(2,057)**	(2,262)
Balance, end of period	**4,826**	6,121

[d] 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.

Available-for-sale reserve

The available-for-sale reserve contains the cumulative change in the fair value of available-for-sale investments. Gains and losses are reclassified to the income statement when the available-for-sale investments are impaired or derecognized.

[e] Dividends paid and proposed

In the three-month period ended March 31, 2011, the Company declared dividends of $7,527 or $0.60 per common share [2010 - $6,701 or $0.51 per common share]. Ag Growth's dividend policy is to pay cash dividends on or about the 30th of each month to shareholders of record on the last business day of the previous month and the Company's current monthly dividend rate is $0.20 per common share. Subsequent to March 31, 2011, the Company declared dividends of $0.20 per common share on each of April 29, 2011 and May 31, 2011. Total dividends declared in the year ended December 31, 2010 were $26,854 or $2.12 per basic weighted average common share.

[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 outstanding at the close of business on December 20, 2010 [the "Record Time"]. In addition, the Board of Directors authorized the issuance of one Right in respect of each additional Common Share issued from treasury after the Record Time.

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 $150.00 per Right.

The Rights Plan is subject to approval of the Toronto Stock Exchange, and requires approval by the Company's shareholders within six months of the Rights Plan's effective date. The Company will be seeking shareholder approval at its 2011 Annual and Special General Meeting.

21. SHARE-BASED COMPENSATION PLANS

[a] Long-term incentive plan ["LTIP"]

The LTIP is a compensation plan that awards common shares to key management based on the Company's operating performance. Pursuant to the LTIP, the Company establishes the amount to be allocated to management based upon the amount by which distributable cash, as defined in the LTIP, exceeds a predetermined threshold. The service period commences January 1st of the year the award is generated and ends at the end of the fiscal year. The award vests on a graded scale over an additional three-year period from the end of the respective performance year. The LTIP provides for immediate vesting in the event of retirement, death, termination without cause or in the event the participant becomes disabled. The cash awarded under the plan formula is used to purchase Ag Growth common shares at market prices. All vested awards are settled with participants in common shares purchased by the administrator of the plan and there is no cash settlement alternative.

The amount owing to participants is recorded as an equity award in contributed surplus as the award is settled with participants with treasury shares purchased in the open market. The expense is recorded in the different interim consolidated statement of income lines by function depending on the role of the respective management member.

During the three-month period ended March 31, 2011, the administrator purchased 67,996 common shares [2010 - 61,200 common shares] in the market for $3,346 [2010 - $2,181]. The fair value of this share-based payment equals the share price as of the respective measurement date as dividends related to the shares in the administrated fund are paid annually to the LTIP participants.

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

The Company has a share award incentive plan which authorizes the Directors to grant awards ["Share Awards"] to employees or officers of Ag Growth or any affiliates of the Company or consultants or other service providers to the Company and its affiliates ["Service Providers"]. Share Awards may not be granted to non-management Directors.

Under the terms of the SAIP, any Service Provider may be granted Share Awards. Each Share Award will entitle the holder to be issued the number of common shares designated in the Share Award, upon payment of an exercise price of $0.10 per common share and the common shares will vest and may be issued as to one-third on each of January 1, 2010, January 1, 2011 and January 1, 2012 or such earlier or later dates as may be determined by the Directors. In lieu of receiving common shares, the holder, with the consent of Ag Growth, may elect to be paid cash for the market value of the common shares in excess of the exercise price of the common shares. The SAIP provides for immediate vesting of the Share Awards in the event of retirement, death, termination without cause or in the event the Service Provider becomes disabled.

The shareholders reserved for issuance 220,000 common shares, subject to adjustment in lieu of dividends, if applicable, and no additional awards may be granted without shareholder approval. The aggregate number of Share Awards granted to any single Service Provider shall not exceed 5% of the issued and outstanding common shares of Ag Growth.

In addition:

[i] The number of common shares issuable to insiders at any time, under all security-based compensation arrangements of the Company, shall not exceed 10% of the issued and outstanding common shares of Ag Growth; and

[ii] The number of common shares issued to insiders, within any one-year period, under all security-based compensation arrangements of the Company, shall not exceed 10% of the issued and outstanding common shares of Ag Growth.

As at March 31, 2011, 220,000 [December 31, 2010 - 220,000] Share Awards have been granted and 40,000 [December 31, 2010 - 80,000] remain outstanding. During the three-month period ended March 31, 2011, 40,000 Share Awards vested and were exercised, at which time the participants received a cash payment of $1,998. On January 1, 2010, 73,333 Share Awards vested and were exercised, at which time common shares of the Company were issued for $2,586. On October 15, 2010, the Company announced the passing of its Chief Executive Officer. Upon his passing, 66,667 Share Awards vested and were exercised, at which time common shares of the Company were issued for $2,863 of which $2,411 had been expensed prior to October 15, 2010 and included in the SAIP liability. For the three-month period ended March 31, 2011, Ag Growth recorded income of $43 [2010 - expense of $573] for the Share Awards.

[c] Directors' Deferred Compensation Plan ["DDCP"]

On May 8, 2008, the shareholders of Ag Growth approved the adoption by the Company of the DDCP, which provides that a minimum of 20% of the remuneration of non-management Directors be payable in common shares of the Company. The principal purpose of the DDCP is to encourage non-management Director ownership of common shares. According to 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 for the respective period and his 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 periods ended March 31, 2011 and 2010, the Directors elected to receive the majority of their remuneration in common shares. For the three-month period ended March 31, 2011, an expense of $69 [2010 - $51] was recorded for the share grants, and a corresponding amount has been recorded to contributed surplus. The share grants were measured with the contractual agreed amount of service fees for the respective period.

The total number of common shares issuable pursuant to the DDCP shall not exceed 35,000, subject to adjustment in lieu of dividends, if applicable. For the three-month period ended March 31, 2011, 1,134 common shares were granted under the DDCP and as at March 31, 2011, a total of 15,117 common shares had been granted under the DDCP and no common shares had been issued.

[d] Stock option plan

On June 3, 2009, the shareholders of Ag Growth approved a stock option plan [the "Option Plan"] under which options may be granted to officers, employees and other eligible service providers in order to provide an opportunity for these individuals to increase their proprietary interest in Ag Growth's long-term success.

The Company's Board of Directors or a Committee thereof shall administer the Option Plan and designate the individuals to whom options may be granted and the number of common shares to be optioned to each. The maximum number of common shares issuable on exercise of outstanding options at any time may not exceed 7.5% of the aggregate number of issued and outstanding common shares, less the number of common shares issuable pursuant to all other security-based compensation agreements. The number of common shares reserved for issuance to any one individual may not exceed 5% of the issued and outstanding common shares.

Options will vest and be exercisable as to one-third of the total number of common shares subject to the options on each of the first, second and third anniversaries of the date of the grant. The exercise price of the options shall be fixed by the Board of Directors or a Committee thereof on the date of the grant and may not be less than the market price of the common shares on the date of the grant. The options must be exercised within five years of the date of the grant.

As at March 31, 2011, a total of 935,325 options [December 31, 2010 - 970,319] are available for grant. No options have been granted as at March 31, 2011.

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

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

For the three-month period ended March 31, 2011, an expense of $714 [2010 - $1,524] was recognized for employee and Director services rendered.

The total carrying amount of the liability for the SAIP as of March 31, 2011 was $1,528 [December 31, 2010 - $3,574]. There have been no cancellations or modifications to any of the plans during the three-month period ended March 31, 2011 or the year ended December 31, 2010.

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

	Three-month period ended March 31, 2011	**Year ended December 31, 2010**
	Shares	**Shares**
	#	#
Outstanding, beginning of period	**80,000**	220,000
Granted	**—**	—
Exercised	**(40,000)**	(140,000)
Forfeited	**—**	—
Outstanding, end of period	**40,000**	80,000

The exercise price on all SAIP awards is $0.10 per common share. All outstanding options under the SAIP as of March 31, 2011 have a remaining contractual life until January 1, 2012.

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

A summary of the status of the shares under the LTIP is presented below:

	Three-month period ended March 31, 2011 #	Year ended December 31, 2010 #
Outstanding, beginning of period	**143,890**	57,941
Vested	**(60,511)**	(81,951)
Granted	**67,996**	167,900
Outstanding, end of period	**151,375**	143,890

The following tables list the inputs to the models used for the SAIP for the periods ended March 31, 2011 and December 31, 2010:

	Three-month period ended March 31, 2011 $	Year ended December 31, 2010 $
Dividend yield [%]	**0**	0
Expected volatility [%]	**25.01**	23.20
Risk-free interest rate [%]	**1**	1
Expected life of share options [years]	**0.75**	1
Weighted average share price [$]	**45.68**	50.07
Model used	**Black-Scholes**	Black-Scholes

The dividend yield was set to 0% for the calculation of the option value as the share award holders already receive during the period between grant date and vesting date of the share award the same dividend as all actual shareholders. The expected life of the share awards is the period between the reporting date and the vesting date, as the share awards can be exercised by the holders only at the vesting date. The expected volatility reflects the assumption that the historical volatility over a period similar to the share awards is indicative of future trends, which may also not necessarily be the actual outcome.

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

[f] Accelerated vesting and death benefits

On October 15, 2010, Ag Growth announced the passing of its Chief Executive Officer. Upon his passing, all previously unvested share-based compensation vested immediately, certain death benefits became payable to his estate and the Company became entitled to proceeds of $3,000 related to an insurance policy which was recorded in prepaid expenses and other assets as at December 31, 2010.

22. LONG-TERM DEBT AND OBLIGATIONS FROM FINANCE LEASES

	Interest rate %	Maturity	March 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Current portion of interest-bearing loans and borrowings					
Obligations under finance leases	6.5	2011 - 2012	**235**	432	—
Nordea equipment loan [Euro denominated]	2.0	2013	**—**	112	—
GMAC loans	0.0	2011 and 2014	**15**	16	16
Total current portion of interest-bearing loans and borrowings			**250**	560	16
Non current interest-bearing loans and borrowings					
Series A secured notes [U.S. dollar denominated]	6.8	2016	**24,296**	24,865	26,165
Nordea equipment loan [Euro denominated]	2.0	2013	**—**	196	—
GMAC loans	0.0	2011 and 2014	**—**	15	31
Obligations under finance leases	6.5	2011 - 2012	**132**	138	—
Total non-current interest-bearing loans and borrowings			**24,428**	25,214	26,196
			24,678	25,774	26,212
Less deferred financing costs			**486**	558	793
Total interest-bearing loans and borrowings			**24,192**	25,216	25,419

[a] Bank indebtedness

Ag Growth has operating facilities of $10 million and U.S. $2.0 million. The facilities bear interest at a rate of prime plus 0.5% to prime plus 1.5% per annum based on performance calculations. The effective interest rate during the three-month period ended March 31, 2011 on Ag Growth's Canadian dollar term debt was 3.5% [2010 - 2.8%], and on its U.S. dollar term debt was 3.8% [2010 - 3.8%]. As at March 31, 2011 and December 31, 2010, there were no amounts outstanding under these facilities. The facilities mature October 29, 2012.

Collateral for the operating facilities rank 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 rank 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.

Term loans bear interest at rates of prime plus 0.5% to prime plus 1.5% based on performance calculations. There were no term loans outstanding at March 31, 2011 and December 31, 2010. Ag Growth's credit facility provides for term loans of up to $38,000 and U.S. $20,500 and matures October 29, 2012.

The Nordea equipment loan is denominated in Euros, bears interest at 2% and was fully repaid during the three-month period ended March 31, 2011.

GMAC loans bear interest at 0% and mature in 2011 and 2014. The vehicles financed are pledged as collateral.

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

[c] Covenants

Ag Growth 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 Ag Growth to maintain a debt to earnings before interest, taxes, depreciation and amortization ["EBITDA"] ratio of less than 2.0 and to provide debt service coverage of a minimum of 1.0. As at March 31, 2011 and December 31, 2010, Ag Growth was in compliance with all financial covenants.

23. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES

	March 31, 2011 $	December 31, 2010 $
Principal amount	**114,885**	115,000
Equity component	**(7,475)**	(7,475)
Accretion	**1,760**	1,438
Financing fees, net of amortization	**(3,617)**	(3,823)
Convertible unsecured subordinated debentures	**105,553**	105,140

On October 27, 2009, the Company issued convertible unsecured subordinated debentures in the aggregate principal amount of $100 million, and on November 6, 2009 the underwriters exercised in full their over-allotment option and the Company issued an additional $15 million of debentures [the "Debentures"]. The net proceeds of the offering, after payment of the underwriters' fee of $4.6 million and expenses of the offering of $0.5 million, were approximately $109.9 million. The Debentures were issued at a price of $1,000 per Debenture and bear interest at an annual rate of 7.0% payable semi-annually on June 30 and December 31 in each year commencing June 30, 2010. The maturity date of the Debentures is December 31, 2014.

Each 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 Debenture, at a conversion price of $44.98 per common share being a conversion rate of approximately 22.2321 common shares per $1,000 principal amount of Debentures. During the three-month period ended March 31, 2011, holders of 115 Debentures exercised the conversion option and were issued 2,556 common shares. As at March 31, 2011, Ag Growth has reserved 2,554,136 common shares for issuance upon conversion of the Debentures.

The Debentures are not redeemable before December 31, 2012. On and after December 31, 2012 and prior to December 31, 2013, the 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, 2013, the 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 Debentures by issuing and delivering common shares. The Company may also elect to satisfy its obligations to pay interest on the Debentures by delivering common shares. The Company does not expect to exercise the option to satisfy its obligations to pay interest by delivering common shares and as a result the potentially dilutive impact has been excluded from the calculation of fully diluted earnings per share *[note 30]*. 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 Debentures, the Company recorded a liability of $107,525, less related offering costs of $4,735. The liability component has been accreted using the effective interest rate method, and during the three-month period ended March 31, 2011, the Company recorded accretion of $323 [2010 - $321], non-cash interest expense related to financing costs of $205 [2010 - $189] and interest expense on the 7% coupon of $2,013 [2010 - $2,013]. The estimated fair value of the holder's option to convert Debentures to common shares in the amount of $7,475 has been separated from the fair value of the liability and is included in shareholders' equity, net of its pro rata share of financing costs of $329.

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

24. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2011 $	December 31, 2010 $	January 1, 2010 $
Trade payables	**8,640**	7,323	4,074
Other payables	**7,207**	7,207	2,418
Personnel-related accrued liabilities	**5,214**	6,687	4,929
Accrued outstanding service invoices	**328**	587	330
Other	**865**	819	985
	22,254	22,623	12,736

Trade payable 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. INCOME TAXES

The major components of income tax expense (recovery) for the three-month periods ended March 31, 2011 and March 31, 2010 were as follows:

Interim consolidated statement of income

	2011 $	2010 $
Current tax expense		
Current income tax charge	**541**	95
Deferred tax expense		
Origination and reversal of temporary differences	**2,680**	2,644
Income tax expense reported in the interim consolidated statement of income	**3,221**	2,739

Interim consolidated statement of comprehensive income

	2011 $	**2010** $
Deferred tax related to items charged or credited directly to other comprehensive income during the period		
Unrealized gain (loss) on available-for-sale investment	**212**	—
Effective portion of fair value changes of cash flow hedges and net change in fair value of cash flow hedges transferred to income	**28**	446
Exchange differences on translation of foreign operations	**(136)**	—
Income tax charged directly to other comprehensive income	**104**	446

[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 statement of financial position		
	As at March 31, 2011 $	**As at December 31, 2010** $	**As at January 1, 2010** $
Gross temporary differences			
Inventories	**(128)**	(192)	(120)
Property, plant and equipment and other assets	**18,641**	18,871	21,977
Intangible assets	**(12,819)**	(13,044)	(10,154)
Deferred financing costs	**(158)**	21	165
Accruals and long-term provisions	**745**	748	452
Tax loss carryforwards expiring between 2026 to 2029	**21,762**	23,045	30,159
Investment tax credit carryforward expiring between 2025 and 2029	**4,763**	4,763	4,710
Capitalized development expenditures	**(136)**	—	—
Convertible debentures	**(1,538)**	(1,628)	(1,984)
Liability SAIP plan	**423**	977	1,690
Equity impact LTIP plan	**1,429**	1,253	989
Construction contracts and lay away sales	**(615)**	—	—
Foreign exchange gains	—	6	(487)
Other comprehensive income	**(1,461)**	(1,221)	(2,255)
Net deferred tax assets (liabilities)	30,908	33,599	45,142
Reflected in the statement of financial position as follows			
Deferred tax assets	**39,483**	42,063	47,356
Deferred tax liabilities	**(8,575)**	(8,464)	(2,214)
Deferred tax assets, net	**30,908**	33,599	45,142

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences, loss carryforwards and investment tax credits become deductible. Based on the analysis of taxable temporary differences and future taxable income, the 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. Accordingly, the Company has recorded a deferred tax asset for all deductible temporary differences as of the reporting date and as of December 31, 2010.

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to offset current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

At March 31, 2011, there was no recognized deferred tax liability [December 31, 2010 - nil; January 1, 2010 - 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 liability has not been recognized, aggregate to $622 [December 31, 2010 - $622; January 1, 2010 - nil].

Income tax provisions, including current and future 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 Ag Growth's specific situation. The amount and timing of reversals of temporary differences will also depend on Ag Growth's future operating results, acquisitions and dispositions of assets and liabilities. The business and operations of Ag Growth are complex and Ag Growth has executed a number of significant financings, acquisitions, reorganizations and business combinations over the course of its history including the conversion to a corporate entity. The computation of income taxes payable as a result of these transactions involves many complex factors as well as Ag Growth's interpretation of and compliance with relevant tax legislation and regulations. While Ag Growth believes that its existing and proposed tax filing positions are more likely than not to be sustained, there are a number of existing and proposed tax filing positions including in respect of the conversion to a corporate entity that may be the subject of review by taxation authorities. Therefore, it is possible that additional taxes could be payable by Ag Growth and the ultimate value of Ag Growth'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 attached to the payment of dividends in either 2011 or 2010 by the Company to its shareholders.

26. POST-RETIREMENT BENEFIT PLANS

Ag Growth contributes to group retirement savings plans subject to maximum limits per employee. Ag Growth accounts for such defined contributions as an expense in the period in which the contributions are required to be made. The expense recorded during the three-month period ended March 31, 2011 was $485 [2010 - $291]. Ag Growth expects to contribute $2,000 for the full year 2011.

Ag Growth 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. Ag Growth is not able to obtain sufficient information to account for the plan as a defined benefit plan.

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

[a] Management of risks arising from financial instruments

Ag Growth'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 Ag Growth is exposed are discussed below. Financial instruments affected by market risk include trade accounts receivable and payable, available-for-sale investment and derivative financial instruments.

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

The sensitivity analyses in the following sections relate to the position as at March 31, 2011, December 31, 2010 and January 1, 2010.

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 interim consolidated statement of financial position sensitivity relates to derivatives.
- The sensitivity of the relevant interim consolidated statement 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 March 31, 2011 and December 31, 2010, including the effect of hedge accounting.
- The sensitivity of equity is calculated by considering the effect of any associated cash flow hedges at March 31, 2011 for the effects of the assumed underlying changes.

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

A significant part of the Company's sales are transacted in U.S. dollars and as a result fluctuations in the rate of exchange between the U.S. and Canadian dollar can have a significant effect on the Company's cash flows and reported results. To mitigate exposure to the fluctuating rate of exchange, Ag Growth enters into foreign exchange forward contracts and denominates a portion of its debt in U.S. dollars. As at March 31, 2011, Ag Growth's U.S. dollar denominated debt totalled U.S. $25.0 million [2010 - $25.0 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:

Settlement dates	Face value U.S. $	Average rate Cdn. $
April - November 2011	37,000	$1.09

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

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 12-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 losses and gains on transactions being hedged. The Company's exposure to foreign currency changes for all other currencies is not material.

Ag Growth's sales denominated in U.S. dollars for the three-month period ended March 31, 2011 were U.S. $49.2 million, and the total of its cost of goods sold and its selling, general and administrative expenses denominated in that currency were U.S. $28.8 million. Accordingly, a 10% increase or decrease in the value of the U.S. dollar relative to its Canadian counterpart would result in a $4.9 million increase or decrease in sales and a total increase or decrease of $2.9 million in its cost of goods sold and its selling, general and administrative expenses. In relation to Ag Growth'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 an increase or decrease in the foreign exchange loss of $0.8 million and an increase or decrease to other comprehensive income of $3.6 million.

The counterparty to the contracts is a multinational commercial bank and therefore credit risk of counterparty non-performance is remote. Realized gains or losses are included in net earnings and for the three-month period ended March 31, 2011 the Company realized a gain on its foreign exchange contracts of $798 [2010 - $965 gain].

The open foreign exchange forward contracts as at March 31, 2011 are as follows:

	Notional Canadian dollar equivalent		
Notional amount of currency sold	**Contract amount**	**Fair value**	**Unrealized gain**
U.S. $	$	$	$
37,000	**1.09**	**41,299**	**4,298**

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

The open foreign exchange forward contracts as at December 31, 2010 are as follows:

	Notional Canadian dollar equivalent		
Notional amount of currency sold	**Contract amount**	**Fair value**	**Unrealized gain**
U.S. $	$	$	$
45,000	1.10	49,266	4,266

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 interim consolidated statement of income.

The cash flow hedges of the expected future sales were assessed to be highly effective and a net unrealized gain of $4,298, with a deferred tax liability of $1,221 relating to the hedging instruments, is included in 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 Ag Growth 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. Ag Growth's Series A secured notes and convertible unsecured subordinated debentures outstanding at March 31, 2011, December 31, 2010 and January 1, 2010 are at a fixed rate of interest. As such, the Company is not currently exposed to interest rate risk.

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 Ag Growth's accounts receivable are with customers in the agriculture industry and are subject to normal industry credit risks. This 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. Ag Growth establishes a reasonable allowance for non-collectible amounts with this allowance netted against the accounts receivable on the interim consolidated statement of financial position.

Accounts receivable and long-term receivables are 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. 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 is received before goods are shipped.

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

At March 31, 2011, the Company had three customers [December 31, 2010 - two customers, January 1, 2010 - four customers] that accounted for approximately 24% [December 31, 2010 - 30%, January 1, 2010 - 32%] of all receivables owing. The requirement for an impairment 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 calculation is based on actual incurred historical data. The Company does not hold collateral as security.

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

Liquidity risk

Liquidity risk is the risk Ag Growth will encounter difficulties in meeting its financial liability obligations. Ag Growth manages its liquidity risk through cash and debt management. In managing liquidity risk, Ag Growth 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. Ag Growth believes it has sufficient funding through the use of these facilities to meet foreseeable borrowing requirements.

The table below summarizes the undiscounted contractual payments of the Company's financial liabilities as at March 31, 2011 and December 31, 2010:

March 31, 2011	**Total** $	**0 to 6 months** $	**6 - 12 months** $	**12 - 24 months** $	**2 - 4 years** $	**After 4 years** $
Bank debt [includes interest]	**33,544**	**834**	**834**	**1,662**	**3,304**	**26,910**
Trade and other payables	**22,254**	**22,254**	—	—	—	—
Finance lease obligations	**367**	**118**	**249**	—	—	—
Dividend payable	**2,509**	**2,509**	—	—	—	—
Convertible unsecured subordinated debentures [includes interest]	**145,042**	**4,021**	**4,021**	**8,042**	**128,958**	—
Acquisition price, transaction and financing costs payable	**1,914**	**592**	**1,322**	—	—	—
Total financial liability payments	**205,630**	**30,328**	**6,426**	**9,704**	**132,262**	**26,910**

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

December 31, 2010	**Total** $	**0 to 6 months** $	**6 - 12 months** $	**12 - 24 months** $	**2 - 4 years** $	**After 4 years** $
Bank debt [includes interest]	35,225	912	912	1,824	3,613	27,964
Trade and other payables	24,565	24,565	—	—	—	—
Finance lease obligations	570	226	226	118	—	—
Dividend payable	2,509	2,509	—	—	—	—
Convertible unsecured subordinated debentures [includes interest]	147,200	4,025	4,025	8,050	131,100	—
Acquisition price, transaction and financing costs payable	11,994	11,994	—	—	—	—
Total financial liability payments	222,063	44,231	5,163	9,992	134,713	27,964

[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 interim consolidated financial statements:

	March 31, 2011		**December 31, 2010**		**January 1, 2010**	
	Carrying amount $	**Fair value** $	**Carrying amount** $	**Fair value** $	**Carrying amount** $	**Fair value** $
Financial assets						
Held-for-trading						
Cash and cash equivalents	**10,806**	**10,806**	34,981	34,981	109,094	109,094
Cash held in trust	**1,819**	**1,819**	1,817	1,817	—	—
Restricted cash	**845**	**845**	865	865	—	—
Derivative instruments	**4,298**	**4,298**	4,200	4,200	9,500	9,500
Available-for-sale equity investments	**2,800**	**2,800**	2,000	2,000	2,000	2,000
Loans and receivables						
Accounts receivable	**43,944**	**43,944**	38,535	38,535	25,072	25,072
Financial liabilities						
Other financial liabilities						
Interest-bearing loans and borrowings	**24,311**	**27,525**	25,204	28,171	26,212	26,338
Trade and other payables	**24,237**	**24,237**	24,565	24,565	13,930	13,930
Finance lease obligations	**367**	**367**	570	570	—	—
Dividends payable	**2,509**	**2,509**	2,509	2,509	2,224	2,224
Acquisition price, transaction and financing costs payable	**1,914**	**1,914**	11,994	11,994	1,028	1,028
Convertible unsecured subordinated debentures	**105,553**	120,107	105,140	116,231	103,107	106,400

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, accounts receivable, accounts payable and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

- Fair value of quoted notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

- The fair value of the available-for-sale financial assets was estimated using the common share price from recently traded market transactions.

- 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 a 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.

[c] Fair value ["FV"] hierarchy

Ag Growth 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 which require inputs other than quoted prices in Level 1, and for which all inputs which 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 which 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 measured at fair value on the interim consolidated statement of financial position is as follows:

	March 31, 2011			**December 31, 2010**		
	Level 1 $	**Level 2** $	**Level 3** $	**Level 1** $	**Level 2** $	**Level 3** $
Financial assets						
Cash and cash equivalents	**10,806**	—	—	34,981	—	—
Cash held in trust	**1,819**	—	—	1,817	—	—
Derivative instruments	—	**4,298**	—	—	4,200	—
Restricted cash	**845**	—	—	865	—	—
Available-for-sale equity investment	**2,800**	—	—	2,000	—	—

During the reporting periods ended March 31, 2011 and December 31, 2010, there were no transfers between Level 1 and Level 2 fair value measurements.

At March 31, 2011, Ag Growth has $845 of restricted cash which is classified as a current asset. The restricted cash represents advances to Ag Growth as collateral for a receivable from an end user of Ag Growth products. The funds will be repaid when the related receivable is collected.

The Company's investment in Investco *[note 14]* is carried at fair value.

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

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

28. CAPITAL DISCLOSURE AND MANAGEMENT

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

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company's capital management objectives have remained unchanged from the prior year. The Company is not subject to any externally imposed capital requirements other than financial covenants in its credit facilities and as at March 31, 2011 and December 31, 2010, all of these covenants were complied with.

Ag Growth monitors its capital structure using non-IFRS financial metrics including net debt to EBITDA for the immediately preceding 12-month period and net debt to shareholders' equity. Ag Growth defines net debt as long-term debt plus the liability component of Debentures, less cash and cash equivalents.

Ag Growth's optimal capital structure targets to maintain its net debt to EBITDA ratio at levels below 2.5, after taking into consideration the impacts of industry cyclicality and acquisitions. The table below calculates the ratio based on EBITDA achieved in the previous 12 months:

	March 31, 2011 $	**December 31, 2010** $	**January 1, 2010** $
Net debt	**118,556**	94,677	19,416
EBITDA	**67,378**	65,763	60,680
Ratio	**1.76 times**	1.44 times	0.32 times

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

Ag Growth's optimal capital structure targets to maintain its net debt to shareholders' equity ratio at levels below 1.0, after taking into consideration the impacts of industry cyclicality and acquisitions:

	March 31, 2011	**December 31, 2010**	**January 1, 2010**
	$	$	$
Net debt	**118,556**	94,677	19,416
Shareholders' equity	**204,257**	210,294	231,395
Ratio	**0.58 times**	0.45 times	0.08 times

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 International 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 is providing 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 International Inc., these inter-company transactions are 100% eliminated on consolidation.

Other relationships

Burnet, Duckworth & Palmer LLP ["BDP"] provides legal services to the Company and a Director of Ag Growth is a partner of BDP. The total cost of these legal services was nil during the three-month period ended March 31, 2011 [2010 - nil]. Included in accounts payable and accrued liabilities as at March 31, 2011 is nil [December 31, 2010 - $0.1 million] owing to BDP. These transactions are measured at the exchange amount and were incurred during the normal course of business on similar terms and conditions to those entered into with unrelated parties.

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

Compensation of key management personnel of Ag Growth

Ag Growth's key management consists of 24 individuals including its CEO, CFO, its Officers and other senior management, divisional general managers and its Directors.

	For the three-month period ended March 31, 2011	For the twelve-month period ended December31, 2010
	$	$
Short-term employee benefits	**20**	73
Contributions to defined contribution plans	**40**	122
Salaries	**958**	3,553
Accelerated vesting and death benefits	**—**	2,549
Share-based payments	**686**	6,945
Total compensation paid to key management personnel	**1,704**	13,242

Key management interests in an employee incentive plan

Share awards held by key management personnel under the SAIP have the following expiry dates and exercise prices:

			March 31, 2011	December 31, 2010	January 1, 2010
Issue date	**Expiry date**	**Exercise price**	**Number outstanding**	**Number outstanding**	**Number outstanding**
		$	#	#	#
2007	**January 1, 2010, 2011 and 2012**	**0.10**	**40,000**	**80,000**	**220,000**

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

Key management employees have been granted the following LTIP awards for the different vesting dates without any exercise price:

		Shares outstanding		
		March 31, 2011	**December 31, 2010**	**January 1, 2010**
		#	#	#
2007	2009 - 2011	**—**	17,482	46,933
2008	2010 - 2012	**2,675**	5,352	7,339
2009	2011 - 2013	**80,704**	121,056	—
2010	2012 - 2014	**67,996**	—	—
		151,375	143,890	54,272

30. EARNINGS PER SHARE

Net earnings per share is based on the consolidated net earnings for the period divided by the weighted average number of shares outstanding during the period. Diluted earnings per share are computed in accordance with the treasury stock method and based on the weighted average number of shares and dilutive share equivalents.

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

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

	March 31, 2011	December 31, 2010	March 31, 2010
	$	$	$
Net profit attributable to shareholders for basic and diluted earnings per share	**4,706**	30,324	4,351
Basic weighted average number of shares	**12,395,887**	12,675,342	13,100,572
Dilutive effect of DDCP	**13,996**	10,593	8,435
Dilutive effect of LTIP	**88,140**	142,437	34,263
Diluted weighted average number of shares	**12,498,023**	12,828,372	13,143,270
Basic earnings per share	**0.38**	2.39	0.33
Diluted earnings per share	**0.38**	2.36	0.33

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

The convertible unsecured subordinated debentures were excluded from the calculation of the above diluted net earnings per share because their effect is anti-dilutive.

31. REPORTABLE BUSINESS SEGMENT

The Company is managed as a single business segment that manufactures and distributes grain handling, storage and conditioning equipment. The Company determines and presents business segments based on the information that internally is provided to the CEO, who is Ag Growth's Chief Operating Decision Maker ["CODM"]. When making resource allocation decisions, the CODM evaluates the operating results of the consolidated entity.

All segment revenue is derived wholly from external customers and as the Company has a single reportable segment, inter-segment revenue is zero.

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

	Revenues		Property, plant and equipment, goodwill and intangible assets	
	Three-month period ended March 31, 2011	Three-month period ended March 31, 2010	As at March 31, 2011	As at December 31, 2010
	$	$	$	$
Canada	**15,926**	14,241	**142,783**	146,108
United States	**39,844**	33,197	**58,913**	57,166
International	**11,295**	4,992	**10,641**	10,448
	67,065	52,430	**212,337**	213,722

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 revenues.

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

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 no commitments to purchase property, plant and equipment.

[b] Letters of credit

As at March 31, 2011, the Company has outstanding letters of credit in the amount of $319 [December 31, 2010 - $642].

[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	716
After one year but not more than five years	1,286
More than five years	210
	2,212

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

During the three-month period ended March 31, 2011, the Company recognized an expense of $255 [2010 - $351] for leasing contracts. This amount relates only to minimum lease payments.

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

[d] Finance leases

The Company has finance leases for various items of manufacturing equipment. These leases have terms of renewal, but no purchase options. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	March 31, 2011		December 31, 2010	
	Minimum lease payments $	**Present value of payments** $	**Minimum lease payments** $	**Present value of payments** $
Within one year	**235**	**253**	432	457
After one year but not more than five years	**132**	**130**	138	136
More than five years	**—**	**—**	—	—
Total minimum lease payments	**367**	**383**	570	593
Less amount representing finance charges	**16**	**16**	23	23
Present value of minimum lease payments	**351**	**367**	547	570

The leased equipment is pledged as collateral. Interest expense related to obligations under capital leases was $10 for the three-month period ended March 31, 2011 [2010 - nil].

[e] 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. EXPLANATION OF TRANSITION TO IFRS

For all periods up to December 31, 2010, the Company prepared its consolidated financial statements in accordance with Canadian GAAP. These interim consolidated financial statements for the three-month period ended March 31, 2011 are the first interim consolidated financial statements that comply with IFRS standards in effect as at March 31, 2011, as further described in the Company's accounting policies *[note 3]*. In preparing these interim consolidated financial statements, the Company's opening consolidated statement of financial position was prepared as at January 1, 2010, the Company's date of transition to IFRS. This note explains the principal adjustments made by the Company in restating its Canadian GAAP consolidated statement of financial position as at January 1, 2010 and its previously published Canadian GAAP consolidated financial statements for the three-month period ended March 31, 2010 and the year ended December 31, 2010.

Elected exemptions from full retrospective application

In preparing these interim consolidated financial statements in accordance with IFRS 1, the Company has applied certain of the optional exemptions from full retrospective application of IFRS. The optional exemptions applied by the Company are described below.

[a] Business combinations

The Company has applied the business combinations exemption in IFRS 1 to not apply IFRS 3 retrospectively to past business combinations. Accordingly, the Company has not restated business combinations that took place prior to the transition date.

[b] Share-based payments

The Company has elected to retrospectively apply the provisions of IFRS 2, *Share-based Payments* ["IFRS 2"] only to [i] equity instruments granted after November 7, 2002 that are unvested at the transition date, and [ii] liability instruments arising from share-based payment transactions that are outstanding at the date of transition.

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

[c] Foreign exchange

Cumulative currency translation differences for all foreign operations are deemed to be zero as at January 1, 2010.

[d] Borrowing costs

The Company has elected only to capitalize borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after the date of transition.

RECONCILIATION OF FINANCIAL POSITION

The following is a reconciliation of the Company's consolidated statement of financial position reported in accordance with Canadian GAAP to its consolidated statement of financial position reported in accordance with IFRS at the transition date January 1, 2010:

	Note	Canadian GAAP $	IFRS Adjustments $	IFRS $
ASSETS				
Current assets				
Cash and cash equivalents		109,094	—	109,094
Accounts receivable		25,072	—	25,072
Inventory	7	39,432	189	39,621
Prepaid expenses and other assets	2	1,858	(86)	1,772
Income taxes recoverable		598	—	598
Derivative instruments		7,652	—	7,652
Future income taxes	*9*	10,103	(10,103)	—
		193,809	(10,000)	183,809
Non-current assets				
Property, plant and equipment, net	*3, 8*	27,779	10,094	37,873
Goodwill	*3*	52,337	(150)	52,187
Intangible assets, net	*3*	69,023	(582)	68,441
Available-for-sale investment		2,000	—	2,000
Derivative instruments		1,848	—	1,848
Deferred tax asset	*3, 6b, 8, 9*	41,054	6,302	47,356
		194,041	15,664	209,705
Total assets		387,850	5,664	393,514

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

March 31, 2011

	Note	Canadian GAAP $	IFRS Adjustments $	IFRS $
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	*9*	13,930	(1,194)	12,736
Customer deposits		8,340	—	8,340
Long-term incentive plan	*1*	2,184	(2,184)	—
Dividends payable		2,224	—	2,224
Acquisition price, transaction and financing costs payable		1,028	—	1,028
Current portion of deferred credit	*6a*	9,305	(9,305)	—
Current portion of long-term debt		16	—	16
Provisions	*9*	—	1,194	1,194
		37,027	(11,489)	25,538
Non-current liabilities				
Long-term debt		25,403	—	25,403
Convertible unsecured subordinated debentures		103,107	—	103,107
Deferred tax liability	*3, 6b ,8*	1,047	1,167	2,214
Deferred credit	*6a*	38,601	(38,601)	—
Share award incentive plan	*1*	5,866	(9)	5,857
		174,024	(37,443)	136,581
Total liabilities		211,051	(48,932)	162,119
Shareholders' equity				
Common shares		157,279	—	157,279
Accumulated other comprehensive income		5,590	—	5,590
Equity component of convertible debentures		—	5,105	5,105
Contributed surplus		8,653	(4,794)	3,859
Retained earnings		5,277	54,285	59,562
Total shareholders' equity		176,799	54,596	231,395
		387,850	5,664	393,514
Commitments and contingencies				

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

The following is a reconciliation of the Company's consolidated statement of financial position reported in accordance with Canadian GAAP to its consolidated statement of financial position reported in accordance with IFRS at March 31, 2010:

	Note	Canadian GAAP $	Adjustments $	IFRS $
ASSETS				
Current assets				
Cash and cash equivalents		88,435	—	88,435
Accounts receivable		34,818	—	34,818
Inventory	*7*	42,415	379	42,794
Prepaid expenses and other assets	*2*	2,413	(374)	2,039
Income taxes recoverable		543	—	543
Derivative instruments		9,266	—	9,266
Future income taxes	*9*	9,919	(9,919)	—
		187,809	(9,914)	177,895
Non-current assets				
Property, plant and equipment, net	*8*	32,413	10,147	42,560
Goodwill		51,758	—	51,758
Intangible assets, net		67,273	—	67,273
Available-for-sale investment		2,000	—	2,000
Derivative instruments		2,378	—	2,378
Deferred tax asset	*6b, 8, 9*	39,305	5,113	44,418
		195,127	15,260	210,387
Total assets		382,936	5,346	388,282

Ag Growth International Inc.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

March 31, 2011

	Note	Canadian GAAP $	Adjustments $	IFRS $
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	*9*	15,361	(1,335)	14,026
Customer deposits		7,164	—	7,164
Long-term incentive plan	*1*	806	(806)	—
Dividends payable		2,236	—	2,236
Acquisition price, transaction and financing costs payable		275	—	275
Current portion of deferred credit	*6a*	9,332	(9,332)	—
Current portion of long-term debt		16	—	16
Provisions	*9*	—	1,335	1,335
		35,190	(10,138)	25,052
Non-current liabilities				
Long-term debt		24,676	—	24,676
Convertible unsecured subordinated debentures		103,617	—	103,617
Deferred tax liability	*6b*	1,087	1,127	2,214
Deferred credit	*6a*	37,796	(37,796)	—
Share award incentive plan	*1*	3,854	(10)	3,844
		171,030	(36,679)	134,351
Total liabilities		206,220	(46,817)	159,403
Shareholders' equity				
Common shares		157,075	—	157,075
Accumulated other comprehensive income		4,545	990	5,535
Equity component of convertible debentures		—	5,105	5,105
Contributed surplus		10,095	(6,143)	3,952
Retained earnings		5,001	52,211	57,212
Total shareholders' equity		176,716	52,163	228,879
		382,936	5,346	388,282
Commitments and contingencies				

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

The following is a reconciliation of the Company's consolidated statement of financial position reported in accordance with Canadian GAAP to its consolidated statement of financial position reported in accordance with IFRS at December 31, 2010:

	Note	Canadian GAAP $	Adjustments $	IFRS $
ASSETS				
Current assets				
Cash and cash equivalents		34,981	—	34,981
Cash held in trust		1,817	—	1,817
Restricted cash		865	—	865
Accounts receivable	*5*	36,910	1,625	38,535
Inventory	*5, 7*	53,631	(1,057)	52,574
Prepaid expenses and other assets	*2*	7,840	(212)	7,628
Derivative instruments		4,200	—	4,200
Future income taxes	9	10,817	(10,817)	—
		151,061	(10,461)	140,600
Non-current assets				
Property, plant and equipment, net	*8*	67,206	11,816	79,022
Goodwill	*2, 5*	64,055	(1,700)	62,355
Intangible assets, net	*5*	72,388	(43)	72,345
Available-for-sale investment		2,000	—	2,000
Deferred tax asset	*6b, 8, 9*	34,853	7,210	42,063
		240,502	17,283	257,785
Total assets		391,563	6,822	398,385

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

March 31, 2011

	Note	Canadian GAAP $	Adjustments $	IFRS $
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	*9*	24,565	(1,942)	22,623
Customer deposits		6,573	—	6,573
Long-term incentive plan	*1*	1,870	(1,870)	—
Dividends payable		2,509	—	2,509
Acquisition price, transaction and financing costs payable		11,994	—	11,994
Income taxes payable		56	—	56
Current portion of deferred credit	*6a*	8,302	(8,302)	—
Current portion of long-term debt		128	—	128
Current portion of obligations under finance leases		432	—	432
Current portion of share award incentive plan		2,003	—	2,003
Future income taxes	*9*	426	(426)	—
Provisions	*9*	—	1,942	1,942
		58,858	(10,598)	48,260
Non-current liabilities				
Long-term debt		24,518	—	24,518
Obligations under finance leases		138	—	138
Convertible unsecured subordinated debentures		105,140	—	105,140
Deferred tax liability	*6b, 8*	6,602	1,862	8,464
Deferred credit	*6a*	34,018	(34,018)	—
Share award incentive plan	*1*	1,573	(2)	1,571
		171,989	(32,158)	139,831
Total liabilities		230,847	(42,756)	188,091
Shareholders' equity				
Common shares		151,376	—	151,376
Accumulated other comprehensive income (loss)		(1,026)	1,020	(6)
Equity component of convertible debentures		—	5,105	5,105
Contributed surplus		11,121	(5,000)	6,121
Retained earnings (accumulated deficit)		(755)	48,453	47,698
Total shareholders' equity		160,716	49,578	210,294
		391,563	6,822	398,385

Commitments and contingencies

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

Reconciliation of equity as reported under Canadian GAAP and IFRS

The following is a reconciliation of the Company's equity reported in accordance with Canadian GAAP to its equity in accordance with IFRS at the transition date:

	Notes	Common shares $	Equity component of debenture $	Contributed surplus $	Retained earnings $	Accumulated other comprehensive income $	Total $
As reported under Canadian GAAP - December 31, 2009		157,279	—	8,653	5,277	5,590	176,799
Reclassifications							
Long-term incentive plan liability	*1*	—	—	2,184	—	—	2,184
Equity component of debenture	*9*	—	7,146	(7,146)	—	—	—
Differences increasing (decreasing) reported amounts:							
DDCP	*1*	—	—	168	(168)	—	—
SAIP	*1*	—	—	—	9	—	9
Deferred income taxes	*6b*	—	(2,041)	—	57	—	(1,984)
Transaction costs	*2*	—	—	—	(86)	—	(86)
Translation of foreign operations	*3*	—	—	—	(427)	—	(427)
Deferred income taxes deferred credit	*6a,8*	—	—	—	44,794	—	44,794
Inventory	*7*	—	—	—	189	—	189
Property, plant and equipment	*8*	—	—	—	9,917	—	9,917
As reported under IFRS – January 1, 2010		157,279	5,105	3,859	59,562	5,590	231,395

Ag Growth International Inc.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

March 31, 2011

The following is a reconciliation of the Company's equity reported in accordance with Canadian GAAP to its equity in accordance with IFRS at March 31, 2010:

	Notes	Common shares $	Equity component of debenture $	Contributed surplus $	Retained earnings $	Accumulated other comprehensive income $	Total $
As reported under Canadian GAAP - March 31, 2010		157,075	—	10,095	5,001	4,545	176,716
Reclassifications							
Long-term incentive plan liability	*1*	—	—	806	—	—	806
Equity component of debenture		—	7,146	(7,146)	—	—	—
Differences increasing (decreasing) reported amounts:							
DDCP	*1*	—	—	197	(197)	—	—
SAIP	*1*	—	—	—	10	—	10
Deferred income taxes – convertible debentures	*6b*	—	(2,041)	—	141	—	(1,900)
Transaction costs	*2*	—	—	—	(374)	—	(374)
Translation of foreign operations	*3*	—	—	—	(427)	427	—
Deferred income taxes - deferred credit	*6a*	—	—	—	47,128	—	47,128
Deferred income taxes - temporary differences	*8*	—	—	—	(4,102)	69	(4,033)
Hedge accounting	*4*	—	—	—	(368)	368	—
Property, plant and equipment	*8*	—	—	—	10,021	126	10,147
Inventory	*7*	—	—	—	379	—	379
As reported under IFRS - March 31, 2010		157,075	5,105	3,952	57,212	5,535	228,879

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

The following is a reconciliation of the Company's equity reported in accordance with Canadian GAAP to its equity in accordance with IFRS at December 31, 2010:

	Notes	Common shares $	Equity component of debenture $	Contributed surplus $	Retained earnings $	Accumulated other comprehensive income $	Total $
As reported under Canadian GAAP - December 31, 2010		151,376	—	11,121	(755)	(1,026)	160,716
Reclassifications							
Long-term incentive plan liability	*1*	—	—	1,870	—	—	1,870
Equity component of debenture	*9*	—	7,146	(7,146)	—	—	—
Differences increasing (decreasing) reported amounts							
DDCP	*1*	—	—	276	(276)	—	—
SAIP	*1*	—	—	—	2	—	2
Income taxes – convertible debentures	*6b*	—	(2,041)	—	413	—	(1,628)
Transaction costs	*2*	—	—	—	(1,789)	—	(1,789)
Translation of foreign operations	*3*	—	—	—	(427)	427	—
Deferred income taxes - deferred credit	*6a*	—	—	—	42,320	—	42,320
Deferred income taxes - temporary differences	*8*	—	—	—	(3,632)	224	(3,408)
Hedge accounting	*4*	—	—	—	(437)	437	—
Property, plant and equipment	*8*	—	—	—	11,884	(68)	11,816
Inventory	*7*	—	—	—	395	—	395
As reported under IFRS - December 31, 2010		151,376	5,105	6,121	47,698	(6)	210,294

Notes to the reconciliations:

1. Share-Based Payments

The Company elected to retrospectively apply the provisions of IFRS 2 only to equity-settled awards that were unvested at the transition date and liability awards outstanding at the transition date.

The differences impacting the statement of financial position at the transition date include:

- LTIP was classified under Canadian GAAP as a liability plan, whereas under IFRS 2 due to the final settlement of the plan with treasury shares acquired by the administrator for the benefit of the management members, the plan qualifies as an equity-settled plan. Therefore, this change resulted in a reclassification of the balances from liability into shareholders' equity. At the transition date, the impact of this adjustment was to decrease the long-term incentive plan liability and increase contributed surplus by $2,184 [March 31, 2010 - $806, December 31, 2010 - $1,870].
- Awards with graded vesting provisions are treated as a single award for both measurement and recognition purposes under Canadian GAAP. IFRS 2 requires such awards to be treated as a series of individual awards, with compensation measured and recognized separately for each tranche of options within a grant that has a different vesting date. This impacts the LTIP and the SAIP of the Company. At the transition date, the impact of this adjustment was to decrease the share award incentive plan liability and increase retained earnings by $9 [March 31, 2010 - $10; December 31, 2010 - $2].
- For the directors deferred compensation plan ["DDCP"] the share-based remuneration vests under IFRS 2 directly in the respective service period, whereas under Canadian GAAP the expense was allocated over the deferred compensation period of three years. At the transition date, the impact of this adjustment was to decrease retained earnings and increase contributed surplus by $168 [March 31, 2010 - $197; December 31, 2010 - $276].

2. Transaction Costs

In accordance with IFRS 3 (revised 2008) transaction costs incurred in the process of acquiring a business cannot be capitalized, but have to be immediately expensed. Under Canadian GAAP these transaction costs were capitalized by Ag Growth. As at the transition date, the impact of this adjustment was to decrease prepaid expenses and other assets and decrease retained earnings by $86. Transaction costs incurred in 2010 related to the business combinations for Mepu, Franklin and Tramco *[note 7]* resulted in an aggregate decrease to the goodwill balance in the amount of $1,577 and an additional decrease of $126 to prepaid expenses at December 31, 2010. There is no impact in the first quarter of 2010 on the goodwill balance, as all business combinations in 2010 were completed subsequent to March 31, 2010. Transaction costs, however, related to business combinations in the amount of $288 were recorded in the first quarter under Canadian GAAP in prepaid expenses, in addition to the $86 as at January 1, 2010, and therefore resulted in an IFRS adjustment of $374 at March 31, 2010.

3. Translation of Foreign Operations

Under Canadian GAAP, until December 31, 2009 the Company had classified all business units as integrated operations and therefore used the Canadian dollar as the functional currency for all foreign entities. As at January 1, 2010, the Company determined that its foreign operations Hi Roller, Union Iron and Applegate had more characteristics of self-sustaining operations than integrated foreign operations. Accordingly, the Company adopted the current rate method of foreign currency translation for these foreign operations, resulting in using the local currency of these foreign operations as their functional currency under Canadian GAAP, applied on a prospective basis. In accordance with IAS 21, for IFRS purposes every entity of the Company has to be individually reviewed for the determination of its functional currency and this has to be performed retrospectively as of the IFRS transition date. Therefore, for IFRS purposes, Hi Roller, Union Iron and Applegate were classified as U.S. dollar functional currency entities as of the transition date of January 1, 2010, whereas under Canadian GAAP they were still Canadian dollar functional currency entities. This change in the functional currency had the following impacts on the Company's assets, liabilities and retained earnings:

[1] Goodwill decrease of balance by $150
[2] Property, plant and equipment increase of balance by $177
[3] Intangible assets decrease of balance by $582
[4] Deferred tax liability: decrease of balance by $128
[5] Retained earnings: decrease of balance by $427

For the elective exemptions from the retrospective application of IFRS 1 the Company elected to recognize the cumulative translation adjustment existing at the transition date directly into retained earnings. Therefore all the above listed impacts were directly recorded in the Company's retained earnings and have no impact on the other comprehensive income of the Company.

4. Hedge Accounting

Upon the adoption of IFRS, the Company redesignated its foreign currency hedge contracts. The adjustment had no impact as at the transition date. The adjustment resulted in an increase to accumulated other comprehensive income and a decrease to retained earnings on March 31, 2010 of $368 [December 31, 2010 - $437].

5. Revenue Recognition

Under Canadian GAAP all product deliveries were recorded when the risk of ownership was transferred. Similarly, for IFRS purposes, the majority of the revenues of Ag Growth are realized at the time of transfer of the risk of ownership. However, as described in note 3, the Company has classified certain of its customer contracts as construction contracts resulting in the earlier recognition of revenues and gross margin with the application of the percentage of completion method of accounting. As at December 31, 2010, as a result of the adjustment, the Company increased accounts receivable by $1,625, decreased inventory $1,452, decreased goodwill $123, and decreased intangible assets $43 [as the sale adjustment impacted the purchase accounting].

6. Income Taxes

As noted above, the deferred tax balances as of the transition date and as of March 31, 2010 and December 31, 2010 are impacted by the IFRS and Canadian GAAP adjustments.

Additionally, the accounting for income taxes under IAS 12 resulted in the following differences for the Company:

a. In 2009, the Company converted from an income fund into a corporate entity under a plan of arrangement with a previously unrelated company. As a result of this transaction, the Company received tax attributes for which deferred tax assets in the amount of $69,800 were recorded. The difference between this deferred tax asset and the purchase price of $13,500 for shares of the previously unrelated company was recorded under Canadian GAAP as a deferred credit. This deferred credit had a carrying amount under Canadian GAAP of $47,906 [January 1, 2010], $47,128 [March 31, 2010] and $42,320 [December 31, 2010], respectively. For IFRS purposes, the difference between the tax benefits and the purchase price cannot be deferred, but the benefit from the higher fair value of the tax benefits has to be retrospectively recorded as of the transition date. The adjustment results in an increase to retained earnings as of the different reporting dates during the comparison period 2010 and the elimination of the deferred credit as reported under Canadian GAAP.

b. IFRS requires the bifurcation of convertible debt instruments into a liability and an equity component. IFRS further requires the recognition of a temporary difference based on the difference between the carrying amount of the liability at issuance and its underlying tax basis. All changes in the initial temporary difference for the liability component of the convertible debt are recognized in the statement of income.

   Under Canadian GAAP the tax basis of the liability component of the convertible debenture is considered to be the same as its carrying amount, and therefore the recognition of a temporary difference is not required. This difference between IFRS and Canadian GAAP results in an additional temporary difference for the Company's $115,000 Debenture. An additional deferred tax liability of $1,984 has to be recorded as of the transition date [March 31, 2010 - $1,900; December 31, 2010 - $1,628]. The impact of $1,984 as of the transition date results in a corresponding debit entry to the equity component of the convertible debenture of $2,041 and increase to retained earnings of $57. Subsequent movements in the deferred tax liability of $141 at March 31, 2010 and $413 at December 31, 2010 resulted in a decrease to future income tax expense.

7. Inventories

Due to the remeasurement of property, plant and equipment and changes to the depreciation expense, Ag Growth was required to adjust the overhead allocation on the valuation of its inventory by $189 at transition [$379 - March 31, 2010; $395 - December 31, 2010].

8. Property, Plant and Equipment

For all items of property, plant and equipment, the provisions of IAS 16 were retrospectively applied. The assessment and annual review criteria of useful lives and depreciation methods are more explicit in IFRS, which required Ag Growth to adjust certain carrying amounts of its assets. Furthermore, the componentization requirements are more explicit in IFRS. Differences relating to the level of componentization, depreciation methods and useful lives resulted in the carrying value of these assets at the transition date to increase from the recorded amount under Canadian GAAP by $9,917 [March 31, 2010 - $10,147, December 31, 2010 - $11,816]. The related tax impact of the change in temporary differences resulted in additional deferred tax liability of $3,112 at the transition date [March 31, 2010 - $4,102; December 31, 2010 - $3,408].

9. Reclassifications

Certain balances have been reclassified between accounts to conform with IFRS.

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

Reconciliation of profit and loss for the three-month period ended March 31, 2010 and for the twelve-month period ended December 31, 2010.

	Note	Three-month period ended March 31, 2010 $	Year ended December 31, 2010 $
Net income reported under Canadian GAAP		**6,425**	36,156
Differences increasing (decreasing) net income			
Depreciation expense	*1*	**294**	2,113
Cost of sales	*1*	**(53)**	(44)
Deferred income tax			
Deferred credit	*2a*	**(778)**	(5,586)
Convertible debentures	*2b*	**83**	339
Temporary differences	*2c*	**(932)**	(375)
Cost of sales	*3*	**1**	8
General and administrative	*4*	**(288)**	(1,703)
General and administrative	*5*	**(28)**	(115)
Gain on foreign exchange	*6*	**(368)**	(437)
Translation gain	*7*	**(5)**	(32)
Net profit recorded under IFRS		**4,351**	30,324

1. The componentization of property, plant, equipment and change in useful lives and depreciation methods resulted in a decrease to depreciation expense of $294 and $2,113, and a reduction to the gain on sale of property, plant and equipment of $53 and $44, respectively.
2. a. The Company converted from an income fund into a corporate entity in 2009 under a plan of arrangement that resulted in the Company receiving tax attributes and recording a deferred tax asset of $69,800 and a related deferred credit of $56,300. Under IFRS, deferred credits are generally not recognized, which ultimately results in an increase in the Company's non-cash future tax expense of $778 at March 31, 2010 and $5,586 at December 31, 2010.
   b. Under IFRS, a temporary difference is recorded related to the convertible debenture resulting in the recognition of a deferred tax liability on transition. Subsequent movements in the deferred tax liability of $83 at March 31, 2010 and $339 at December 31, 2010 resulted in a decrease to deferred income tax expense.
   c. The temporary differences arising from changes in carrying values of inventories and property, plant and equipment on transition to IFRS result in an increase to future income tax expense at March 31, 2010 of $932 [December 31, 2010 - $375].
3. The change in the Company's depreciation method impacted the Company's inventory overhead rate which resulted in a change in inventory values and change in inventories expensed through cost of goods sold.
4. Under IFRS, transaction costs incurred in the process of acquiring a business cannot be capitalized, but instead have to be immediately expensed resulting in an increase to selling, general and administrative expense of $288 at March 31, 2011 and $1,703 at December 31, 2010.
5. Under IFRS, the calculation of the expense related to equity-settled compensation plans differs to reflect changes in the measurement and recognition of equity-settled awards that were outstanding and unvested at the transition date and those that were granted during the period. The impact of this adjustment was to increase (decrease) the SAIP expense by $(1) [December 31, 2010 - $7] and the DDCP by $29 [December 31, 2010 - $108].
6. Upon the adoption of IFRS, the Company redesignated its foreign currency hedge contracts which resulted in a loss on foreign exchange of $368 at March 31, 2010 [December 31, 2010 - $437].
7. Under IFRS, the Company has identified a limited number of contracts as construction contracts and has recognized revenue based on the percentage of completion methodology which typically results in earlier recognition of revenues and costs. As a result, certain revenues and costs denominated in foreign currencies were recognized in different periods compared to Canadian GAAP and were translated to Canadian dollars at different rates of foreign exchange.

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

[e] Reconciliation of comprehensive income as reported under Canadian GAAP and IFRS

The following is a reconciliation of the Company's comprehensive income reported in accordance with Canadian GAAP to its comprehensive income in accordance with IFRS for the year ended December 31, 2010 and the three months ended March 31, 2010.

	Notes	**Year ended December 31, 2010** $	**Three-month period ended March 31, 2010** $
Comprehensive income as reported under Canadian GAAP		29,540	5,380
Differences (decreasing) increasing reported amounts			
Differences in net income	*[i]*	(5,832)	(2,074)
Change in other comprehensive income			
Foreign currency translation	*[ii]*	1,020	990
		(4,812)	(1,084)
Comprehensive income as reported under IFRS		24,728	4,296

[i] Differences in net income
Reflects the differences in net income between Canadian GAAP and IFRS as described in note 33.

[ii] Foreign currency translation
Assets and liabilities of foreign operations having a functional currency other than the Canadian dollar are translated at the rate of exchange prevailing at the reporting date and revenue and expenses at average rates during the period. The increase in property, plant and equipment related to measurement at their revalued amounts creates increased foreign currency translation adjustments recorded in OCI.

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Dan Donner, Vice President Sales and Marketing
Paul Franzmann, CA, Vice President Corporate Development, Southern Business Group
Doug Weinbender, Vice President Operations, Western Business Group
Ron Braun, Vice President and General Manager, Westfield Industries
Eric Lister, Q.C., Counsel

Directors

Gary Anderson
John R. Brodie, FCA, Audit Committee Chairman
Bill Lambert, Board of Directors Chairman
Bill Maslechko, Governance Committee Chairman
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Additional information relating to the Company, including all public filings, is available on SEDAR (www.sedar.com).

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