Unaudited interim condensed consolidated financial statements

Ag Growth International Inc.

September 30, 2020

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of financial position

[in thousands of Canadian dollars]

As at

	September 30, 2020 $	December 31, 2019 $
Assets		
Current assets		
Cash and cash equivalents	74,825	48,421
Cash held in trust and restricted cash	9,525	5,416
Accounts receivable *[note 6]*	237,155	162,543
Inventory	168,345	174,356
Prepaid expenses and other assets	35,386	34,333
Current portion of note receivable	109	97
Derivative instruments *[note 25[b], [c], and [d]]*	—	5,865
Income taxes recoverable	8,685	7,425
	534,030	438,456
Non-current assets		
Property, plant and equipment, net *[note 7]*	362,550	363,678
Right-of-use assets, net *[note 8]*	15,309	9,353
Goodwill *[note 9]*	357,502	351,573
Intangible assets, net *[note 10]*	254,629	264,858
Investment in associate *[note 11]*	14,456	17,312
Non-current accounts receivable *[note 6]*	17,379	16,182
Note receivable	470	525
	1,022,295	1,023,481
Assets held for sale *[note 12]*	503	1,043
Total assets	1,556,828	1,462,980
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities *[note 26]*	161,981	105,378
Customer deposits	39,854	39,583
Dividends payable	2,807	3,732
Derivative instruments *[note 25[b], [c], and [d]]*	8,251	—
Income taxes payable	2,578	2,010
Current portion of due to vendor	6,223	4,541
Current portion of contingent consideration	—	5,270
Current portion of lease liability *[note 14]*	3,185	2,562
Current portion of long-term debt *[note 15]*	502	693
Current portion of convertible unsecured subordinated debentures *[note 16]*	—	74,298
Current portion of optionally convertible redeemable preferred shares *[note 5[c]]*	18,268	—
Provisions *[note 13]*	54,279	17,539
	297,928	255,606
Non-current liabilities		
Other financial liabilities *[note 21]*	1,501	484
Due to vendor	2,475	3,829
Derivative instruments *[note 25[b] and [c]]*	880	—
Optionally convertible redeemable preferred shares *[note 5[c]]*	11,219	26,320
Lease liability *[note 14]*	14,726	6,787
Long-term debt *[note 15]*	454,349	392,435
Convertible unsecured subordinated debentures *[note 16]*	166,608	164,535
Senior unsecured subordinated debentures *[note 17]*	248,656	165,474
Deferred tax liability	60,563	74,115
	960,977	833,979
Total liabilities	1,258,905	1,089,585
Shareholders' equity *[note 18]*		
Common shares	1,327	455,857
Accumulated other comprehensive income	7,874	22,375
Equity component of convertible debentures	4,427	6,707
Contributed surplus	486,724	27,113
Deficit	(202,429)	(138,657)
Total shareholders' equity	297,923	373,395
Total liabilities and shareholders' equity	1,556,828	1,462,980

See accompanying notes

On behalf of the Board of Directors:

(signed) Bill Lambert
Director

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

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of income (loss)

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

	Three-month period ended		Nine-month period ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	$	$	$	$
Sales *[note 27]*	**281,408**	260,198	**768,453**	767,171
Cost of goods sold *[note 20[a]]*	**234,553**	194,688	**593,087**	555,271
Gross profit	**46,855**	65,510	**175,366**	211,900
Expenses				
Selling, general and administrative *[note 20[b]]*	**55,288**	50,760	**170,126**	155,844
Other operating expense (income) *[note 20[c]]*	**(1,117)**	6,870	**13,859**	611
Impairment charge	**5,111**	46	**5,111**	46
Finance costs *[note 20[d]]*	**11,740**	11,626	**34,754**	33,464
Finance expense (income) *[note 20[e]]*	**(6,510)**	3,025	**6,065**	(5,744)
Share of associate's net loss *[note 11[b]]*	**1,060**	788	**3,367**	788
	65,572	73,115	**233,282**	185,009
Profit (loss) before income taxes	**(18,717)**	(7,605)	**(57,916)**	26,891
Income tax expense (recovery) *[note 22]*				
Current	**1,521**	3,225	**3,496**	8,089
Deferred	**(7,977)**	(8,011)	**(14,779)**	(4,117)
	(6,456)	(4,786)	**(11,283)**	3,972
Profit (loss) for the period	**(12,261)**	(2,819)	**(46,633)**	22,919
Profit (loss) per share *[note 23]*				
Basic	**(0.66)**	(0.15)	**(2.49)**	1.23
Diluted	**(0.66)**	(0.15)	**(2.49)**	1.21

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of comprehensive income (loss)

[in thousands of Canadian dollars]

	Three-month period ended		Nine-month period ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	$	$	$	$
Profit (loss) for the period	(12,261)	(2,819)	(46,633)	22,919
Other comprehensive income (loss)				
Item that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	(11,030)	(5,265)	(13,965)	(29,477)
	(11,030)	(5,265)	(13,965)	(29,477)
Items that will not be reclassified to profit or loss				
Change in the fair value of equity investment	—	—	—	(900)
Actuarial gain (loss) on defined benefit plans	91	149	(734)	(437)
Income tax effect on defined plans	(25)	(40)	198	118
	66	109	(536)	(1,219)
Other comprehensive loss for the period	(10,964)	(5,156)	(14,501)	(30,696)
Total comprehensive loss for the period	(23,225)	(7,975)	(61,134)	(7,777)

See accompanying notes

Unaudited interim condensed consolidated statement of changes in shareholders' equity

[in thousands of Canadian dollars]

Nine-month period ended September 30, 2020

	Common shares $	Equity component of convertible debentures $	Contributed surplus $	Deficit $	Foreign currency reserve $	Equity investment $	Defined benefit plan reserve $	Total shareholders' equity $
As at January 1, 2020	455,857	6,707	27,113	(138,657)	23,337	(900)	(62)	373,395
Loss for the period	—	—	—	(46,633)	—	—	—	(46,633)
Other comprehensive loss	—	—	—	—	(13,965)	—	(536)	(14,501)
Share-based payment transactions *[note 18]*	5,239	—	(2,462)	—	—	—	—	2,777
Dividends paid to shareholders *[note 18[c]]*	—	—	—	(16,827)	—	—	—	(16,827)
Dividends on share-based compensation awards *[note 18[c]]*	—	—	—	(312)	—	—	—	(312)
Redemption of convertible unsecured subordinated debentures *[note 16]*	—	(2,280)	2,304	—	—	—	—	24
Reduction in stated capital *[note 18[a]]*	(459,769)	—	459,769	—	—	—	—	—
As at September 30, 2020	1,327	4,427	486,724	(202,429)	9,372	(900)	(598)	297,923

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statement of changes in shareholders' equity

[in thousands of Canadian dollars]

Nine-month period ended September 30, 2019

	Common shares $	Equity component of convertible debentures $	Contributed surplus $	Deficit $	Foreign currency reserve $	Equity investment $	Defined benefit plan reserve $	Total shareholders' equity $
As at January 1, 2019	450,645	8,203	26,045	(108,018)	57,417	—	(93)	434,199
Profit for the period	—	—	—	22,919	—	—	—	22,919
Other comprehensive loss	—	—	—	—	(29,477)	(900)	(319)	(30,696)
Share-based payment transactions *[notes 18[a] and 18[b]]*	4,958	—	(1,039)	—	—	—	—	3,919
Dividends paid to shareholders *[note 18[c]]*	—	—	—	(33,510)	—	—	—	(33,510)
Dividends on share-based compensation awards *[note 18[c]]*	—	—	—	(627)	—	—	—	(627)
Conversion of convertible unsecured subordinated debentures *[note 18[a]]*	25	—	—	—	—	—	—	25
Redemption of convertible unsecured subordinated debentures *[notes 16 and 18[b]]*	—	(1,496)	1,150	—	—	—	—	(346)
As at September 30, 2019	455,628	6,707	26,156	(119,236)	27,940	(900)	(412)	395,883

See accompanying notes

Ag Growth International Inc.

Unaudited interim condensed consolidated statements of cash flows

[in thousands of Canadian dollars]

	Three-month period ended		Nine-month period ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	$	$	$	$
Operating activities				
Profit (loss) before income taxes for the period	(18,717)	(7,605)	(57,916)	26,891
Add (deduct) items not affecting cash				
Depreciation of property, plant and equipment	6,443	5,660	19,222	16,408
Depreciation of right-of-use assets	920	748	2,908	2,177
Amortization of intangible assets	6,457	6,913	19,185	17,681
Loss (gain) on sale of property, plant and	(10)	124	119	124
Gain on settlement of lease liability	(3)	—	(5)	—
Loss (gain) on redemption of convertible	—	—	746	(55)
Impairment charge	5,111	46	5,111	46
Share of loss of an associate	1,060	788	3,367	788
Non-cash component of interest expense	1,250	1,320	3,709	4,417
Non-cash movement in derivative instruments	(290)	7,592	15,731	3,350
Non-cash investment tax credits	295	(162)	(110)	(162)
Share-based compensation expense	3,299	1,388	8,115	4,642
Employer contribution to defined benefit plans	—	(10)	—	(27)
Defined benefit plan expense	33	32	99	97
Contingent consideration and due to vendor	3,000	(233)	8,243	4,783
Translation loss (gain) on foreign exchange	(10,622)	1,500	(3,864)	(13,090)
	(1,774)	18,101	24,660	68,070
Net change in non-cash working capital balances related to operations *[note 24[a]]*	32,962	27,147	16,816	(40,405)
Non-current accounts receivable	741	42	(1,197)	(187)
Long-term payables	28	—	189	—
Settlement of EIAP obligation	(917)	(296)	(2,796)	(2,461)
Income taxes paid	(1,526)	(5,114)	(3,278)	(8,084)
Cash provided by operating activities	29,514	39,880	34,394	16,933
Investing activities				
Acquisition of property, plant and equipment	(5,252)	(15,739)	(23,308)	(36,850)
Acquisitions, net of cash acquired *[note 5]*	—	—	(7,301)	(112,619)
Investment in associate	—	(19,720)	—	(19,720)
Transfer from (to) restricted cash	(3,201)	—	(4,150)	827
Proceeds from sale of property, plant and	91	267	239	715
Development and purchase of intangible assets	(1,958)	(2,215)	(7,227)	(8,207)
Transaction costs paid and payable	(2,179)	(10,274)	(11,295)	(21,884)
Cash used in investing activities	(12,499)	(47,681)	(53,042)	(197,738)
Financing activities				
Issuance of long-term debt, net of issuance costs	7,266	34,021	182,329	199,872
Repayment of long-term debt	(121)	(161)	(128,006)	(458)
Repayment of obligation under lease liabilities	(683)	(642)	(2,379)	(1,895)
Change in interest accrued	5,423	(3,144)	4,911	4,744
Issuance of senior unsecured subordinated	—			
debentures, net of issuance costs *[note 17]*	—	—	80,979	82,640
Redemption of convertible unsecured subordinated	—			
debentures	—	—	(75,031)	(51,786)
Dividends paid in cash *[note 18[c]]*	(2,806)	(11,192)	(17,751)	(33,452)
Cash provided by financing activities	9,079	18,882	45,052	199,665
Net increase in cash during the period	26,094	11,081	26,404	18,860
Cash and cash equivalents, beginning of period	48,731	41,389	48,421	33,610
Cash and cash equivalents, end of period	74,825	52,470	74,825	52,470
Supplemental cash flow information				
Interest paid	3,354	13,552	24,131	23,185

See accompanying notes

Notes to unaudited interim condensed consolidated financial statements

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

September 30, 2020

1. Organization

Ag Growth International Inc. ["AGI" or the "Company"] is a provider of solutions for the global food infrastructure, including seed, fertilizer, grain, feed, and food processing systems. AGI is a listed company incorporated and domiciled in Canada, whose shares are publicly traded on the Toronto Stock Exchange. The registered office is located at 198 Commerce Drive, Winnipeg, Manitoba, Canada.

2. Statement of compliance and basis of presentation

[a] Statement of compliance

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

The unaudited interim condensed consolidated financial statements of AGI for the three- and nine-month periods ended September 30, 2020, were authorized for issuance in accordance with a resolution of the directors on November 11, 2020.

[b] Basis of preparation

The unaudited interim condensed consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the parent company, Ag Growth International Inc. All values are rounded to the nearest thousand. They are prepared on the historical cost basis, except for derivative financial instruments, assets held for sale, contingent consideration, and optionally convertible redeemable preferred shares resulting from business combinations, which are measured at fair value.

These unaudited interim condensed consolidated financial statements include only significant events and transactions occurring since the Company's last fiscal year-end and do not include all the information and notes required by IFRS for annual financial statements and therefore should be read in conjunction with the audited annual consolidated financial statements and notes for the Company's fiscal year ended December 31, 2019, which are available on SEDAR at www.sedar.com.

The accounting policies applied by the Company in these unaudited interim condensed consolidated financial statements are the same as those applied by the Company in its audited annual consolidated financial statements as at and for the year ended December 31, 2019, except for the adoption of new standards and interpretations effective as at January 1, 2020. As required by IAS 34, the nature and effect of those changes are disclosed in note 3.

3. Adoption of new accounting standards and policies

Amendments to IFRS 3, *Business Combinations* ["IFRS 3"]

The Company adopted amendments to IFRS 3 with a date of application of January 1, 2020. The IASB issued amendments to the definition of a business in IFRS 3 to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments are applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on January 1, 2020. Consequently, transactions that occurred in prior periods do not need to be reassessed.

The Company's adoption of the amendments to IFRS 3 did not have a significant impact on the Company's unaudited interim condensed consolidated financial statements.

4. Seasonality of business

Interim period sales and earnings historically reflect some seasonality. The second and third quarters are typically the strongest primarily due to the timing of construction projects and higher in-season demand at the farm level. AGI's collections of accounts receivable are weighted towards the third and fourth quarters. This collection pattern, combined with seasonally high sales in the second and third quarters, results in accounts receivable levels increasing throughout the year and normally peaking in the second and third quarter. As a result of these working capital movements, historically, AGI's use of its operating facilities 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.

The emergence of COVID-19 has had an adverse impact on the Company, including the disruption of production, its supply chain and product delivery. The Company has assessed its accounting estimates and other matters that require the use of forecasted financial information for the impact of the COVID-19 pandemic. Accounting estimates and other matters assessed include the allowance for expected credit losses of receivables from customers, inventory valuation, goodwill and other long-lived assets, financial assets, tax assets, and revenue recognition. Based on the current assessment, there was not a material impact to these unaudited interim condensed financial statements. As additional information becomes available, the future assessment of these estimates, including the impact of expectations about the severity, duration and scope of the pandemic on estimates and assumptions made by management, could differ materially in future reporting periods.

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

5. Business combinations

[a] Improtech Ltd.

Effective January 18, 2019, the Company acquired 100% of the outstanding shares of Improtech Ltd. ["Improtech"]. Improtech is a professional engineering services firm specializing in providing engineering design, project management and integration of new machinery and processes within the food and beverage industry. The acquisition further evolves AGI's ability to provide complete solutions to a broad customer base.

	$
Purchase price	3,000
Cash acquired	438
Working capital adjustment	479
Pre-paid tax instalments	124
Total purchase price	4,041
Post-combination expense	(2,000)
Purchase consideration	2,041

The $2 million of post-combination expense is expected to be expensed over a three-year period, contingent on certain conditions. During the three- and nine-month periods ended September 30, 2020, $139 and $417 [2019 – $305 and $917] related to certain terms of the purchase agreement were expensed and $667 was paid.

The purchase has been accounted for by the acquisition method, with the results of Improtech included in the Company's net earnings from the date of acquisition.

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

The following table summarizes the fair values of the identifiable assets and liabilities as at the date of acquisition:

	$
Cash	438
Accounts receivable	1,422
Prepaid expenses and other assets	149
Property, plant and equipment	17
Right-of-use assets	131
Intangible assets	
Customer relationships	748
Goodwill	316
Accounts payable and accrued liabilities	(600)
Customer deposits	(249)
Lease liability	(131)
Deferred tax liability	(200)
Purchase consideration	2,041

The goodwill of $316 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of the accounts receivable acquired is $1,422. This consists of the gross contractual value of $1,447 less the estimated amount not expected to be collected of $25.

The components of the purchase consideration are as follows:

	$
Cash paid	1,000
Due to vendor	1,041
Purchase consideration	2,041

In 2019, the amount due to vendor was paid in full and the allocation of the purchase price to acquired assets and liabilities was finalized.

Transaction costs (recovery) related to the Improtech acquisition in the three- and nine-month periods ended September 30, 2020, were nil and $(10) [2019 – $(4) and $107] and are included in selling, general and administrative expenses.

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

[b] IntelliFarms LLC

Effective March 5, 2019, the Company acquired 100% of the LLC interests of IntelliFarms LLC ["IntelliFarms"]. IntelliFarms is a provider of hardware and software solutions that benefit grain growers, processors, and other participants in the agriculture market. IntelliFarms was founded in 2001 and is headquartered in Archie, Missouri.

	$
Purchase price	19,350
Cash acquired	53
Working capital adjustment	87
Contingent consideration	5,105
Customer deposits	(1,566)
Total purchase price	23,029
Post-combination expense	(7,340)
Purchase consideration	15,689

The $7.3 million of post-combination expense is contingent on certain conditions which may not be fully met. During the three- and nine-month periods ended September 30, 2020, nil and $1,202 [2019 – $907 and $2,133] related to certain terms of the purchase agreement were expensed. In addition, the earn-out target was met and as a result, the contingent consideration of $5.1 million is payable to the vendor and was reclassified to due to vendor. During the three-month period ended June 30, 2020, the amount due to vendor for the earn-out target was paid.

The purchase has been accounted for by the acquisition method, with the results of IntelliFarms included in the Company's net earnings from the date of acquisition.

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

The following table summarizes the fair values of the identifiable assets and liabilities as at the date of acquisition:

	$
Cash	53
Accounts receivable	225
Inventory	1,235
Prepaid expenses and other assets	61
Property, plant and equipment	803
Right-of-use assets	289
Intangible assets	
Trade name	1,768
Customer relationships	1,603
Customer backlog	380
Software	3,336
Goodwill	13,358
Accounts payable and accrued liabilities	(4,153)
Customer deposits	(2,740)
Lease liability	(65)
Long-term debt	(464)
Purchase consideration	15,689

The goodwill of $13,358 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of the accounts receivable acquired is $225. This consists of the gross contractual value of $359 less the estimated amount not expected to be collected of $134.

The components of the purchase consideration are as follows:

	$
Cash paid	12,010
Due from vendor	(1,426)
Contingent consideration	5,105
Purchase consideration	15,689

In 2019, the allocation of the purchase price to acquired assets and liabilities was finalized.

Transaction costs (recovery) related to the IntelliFarms acquisition in the three- and nine-month periods ended September 30, 2020, were $28 and $87 [2019 – $3 and $162] and are included in selling, general and administrative expenses.

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

[c] Milltec Machinery Limited

Effective March 28, 2019, the Company acquired 100% of the outstanding shares of Milltec Machinery Limited [“Milltec”]. Based in India, Milltec is a market-leading manufacturer of rice milling and processing equipment. The acquisition further evolves AGI’s ability to provide complete solutions to a broad customer base.

	$
Purchase price	113,079
Cash acquired	6,746
Working capital adjustment	32
Due to vendor	4,917
Optionally convertible redeemable preferred shares [“OCRPS”]	26,494
Purchase consideration	151,268

The due to vendor and OCRPS redemption value of $31.4 million is payable based on earnings targets from 2020 through 2024.

The purchase has been accounted for by the acquisition method, with the results of Milltec included in the Company’s net earnings from the date of acquisition.

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

The following table summarizes the fair values of the identifiable assets and liabilities as at the date of acquisition:

	$
Cash	6,746
Restricted cash	1,425
Accounts receivable	11,796
Inventory	8,809
Prepaid expenses and other assets	4,489
Income taxes recoverable	87
Property, plant and equipment	20,456
Right-of-use assets	24
Intangible assets	
Trade name	12,764
Customer relationships	23,599
Customer backlog	3,835
Goodwill	92,297
Accounts payable and accrued liabilities	(16,347)
Other liabilities	(172)
Customer deposits	(2,533)
Lease liability	(24)
Deferred tax liability	(15,693)
Long-term payables	(290)
Purchase consideration	151,268

The goodwill of $92,297 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of the accounts receivable acquired is $11,796. This consists of the gross contractual value of $12,281 less the estimated amount not expected to be collected of $485.

The components of the purchase consideration are as follows:

	$
Cash paid	106,845
Due to vendor	17,929
Optionally convertible redeemable preferred shares	26,494
Purchase consideration	151,268

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

As part of the acquisition, a subsidiary of the Company issued 1,050 Series A1 and 700 Series A2 non-voting OCRPS at a price per share of INR 1,000. The Series A1 and A2 OCRPS have a cumulative preferential dividend rate of 0.00001% and must be redeemed by the nineteenth anniversary of their issuance. The OCRPS represent contingent consideration included within the acquisition agreement, and the future value of the OCRPS, to a maximum of INR 1,750 million [$34.4 million CAD], will be based on the achievement of certain earning targets over the period of April 1, 2020 to March 31, 2024, as set forth in the terms and conditions of the OCRPS agreement. The OCRPS can be redeemed by the Company for cash, or the Company has the option to convert the OCRPS for shares and direct an affiliate of the Company to purchase the shares for cash. As such, the preferred shares are recorded as a financial liability at fair value through profit and loss.

During the three-month period ended March 31, 2020, the allocation of the purchase price to acquired assets and liabilities was finalized.

Transaction costs (recovery) related to the Milltec acquisition in the three- and nine-month periods ended September 30, 2020, were $(30) and $(200) [2019 – $76 and $2,096] and are included in selling, general and administrative expenses.

[d] Affinity Management Ltd.

Effective January 16, 2020, the Company acquired 100% of the outstanding shares of Affinity Management Ltd. ["Affinity"]. Based in Canada, Affinity is a provider of software solutions to the agriculture industry under the brand name Compass®. The Compass product suite is highly complementary to AGI's current offering and will be a key component of the full AGI SureTrack platform.

	$
Purchase price	12,500
Cash acquired	199
Due to vendor	153
Total purchase price	12,852
Post-combination expense	(5,000)
Purchase consideration	7,852

The $5 million of post-combination expense is expected to be expensed over a five-year period, contingent on certain conditions. During the three- and nine-month periods ended September 30, 2020, $571 and $1,713 [2019 – nil and nil] related to certain terms of the purchase agreement were expensed.

The purchase has been accounted for by the acquisition method, with the results of Affinity included in the Company's net earnings from the date of acquisition. The fair values of the assets acquired and the liabilities assumed have been determined on a provisional basis utilizing information available at the time the unaudited interim condensed consolidated financial statements were prepared. Additional information is being gathered to finalize these provisional measurements, particularly with respect to intangible assets and deferred taxes. Accordingly, the measurement of assets acquired and liabilities assumed may change upon finalization of the

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

Company's valuation and completion of the purchase price allocation, both of which are expected to occur no later than one year from the acquisition date. During the measurement period, a change was identified in Affinity's opening tax position, resulting in a $34 increase in income taxes recoverable and amounts due to vendor, and a $32 decrease in deferred tax liability and goodwill. In addition, during the measurement period, the fair value of right-of use assets and lease liability has been adjusted resulting in an increase of $141 to each.

The following table summarizes the provisional fair values of the identifiable assets and liabilities as at the date of acquisition:

	$
Cash	199
Accounts receivable	18
Prepaid expenses and other assets	15
Income taxes recoverable	153
Property, plant and equipment	63
Right-of-use assets	2,207
Intangible assets	
Software	3,322
Goodwill	5,012
Accounts payable and accrued liabilities	(92)
Customer deposits	(5)
Lease liability	(2,207)
Deferred tax liability	(833)
Purchase consideration	7,852

The goodwill of $5,012 comprises the value of the assembled workforce and other expected synergies arising from the acquisition.

The fair value of the accounts receivable acquired is $18. This consists of the gross contractual value of $20 less the estimated amount not expected to be collected of $2.

From the date of acquisition, Affinity contributed to the results $323 of revenue and $3,570 of net loss. Revenue and net loss that occurred as though the acquisition date for the business had been as of the beginning of the annual reporting period is impracticable to disclose due to Affinity historically reporting under differing reporting standards and differing year-end.

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

The components of the purchase consideration are as follows:

	$
Cash paid	7,500
Due to vendor	352
Purchase consideration	7,852

Transaction costs related to the Affinity acquisition in the three- and nine-month periods ended September 30, 2020 were 28 and $50 [2019 – nil and nil] and are included in selling, general and administrative expenses.

6. Accounts receivable

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

	September 30, 2020	December 31, 2019
	$	$
Total accounts receivable	239,072	164,301
Allowance for doubtful accounts	(1,917)	(1,758)
	237,155	162,543
Non-current accounts receivable	17,379	16,182
Total accounts receivable, net	254,534	178,725
Of which		
Neither impaired nor past due	200,864	132,022
Not impaired and past the due date as follows		
Within 30 days	25,204	18,200
31 to 60 days	6,403	5,877
61 to 90 days	4,745	8,051
Over 90 days	19,235	16,333
Allowance for doubtful accounts	(1,917)	(1,758)
Total accounts receivable, net	254,534	178,725

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

7. Property, plant, and equipment

	September 30, 2020 $	December 31, 2019 $
Balance, beginning of period	**363,678**	332,645
Additions	**23,308**	48,539
Leasehold improvements received	**2,086**	—
Acquisition *[note 5]*	**63**	21,276
Disposals	**(358)**	(1,052)
Transfer from assets held for sale *[note 12]*	**375**	—
Transfer to right-of-use assets	**—**	(280)
Depreciation	**(19,222)**	(22,431)
Impairment *[note 10]*	**(1,957)**	(187)
Exchange differences	**(5,423)**	(14,832)
Balance, end of period	**362,550**	363,678

8. Right-of-use assets

	September 30, 2020 $	December 31, 2019 $
Balance, beginning of period	**9,353**	9,071
Additions	**6,696**	2,968
Acquisition *[note 5]*	**2,207**	444
Disposals	**(59)**	—
Depreciation	**(2,908)**	(3,027)
Exchange differences	**20**	(103)
Balance, end of period	**15,309**	9,353

9. Goodwill

	September 30, 2020 $	December 31, 2019 $
Balance, beginning of period	**351,573**	256,619
Acquisition *[note 5]*	**5,012**	107,308
Exchange differences	**917**	(12,354)
Balance, end of period	**357,502**	351,573

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

10. Intangible assets

	September 30, 2020 $	December 31, 2019 $
Balance, beginning of period	264,858	233,199
Internal development	7,227	13,257
Acquisition *[note 5]*	3,322	48,033
Amortization	(19,185)	(22,730)
Impairment	(3,154)	—
Exchange differences	1,561	(6,901)
Balance, end of period	254,629	264,858

Under IFRS an impairment test is performed at least annually for goodwill and indefinite-life intangible assets, that compares the recoverable amount of the asset to its carrying value. During the three-month period ended September 30, 2020, the Company decided to discontinue the Union Iron brand name (indefinite-life intangible asset) which consequently, triggered an impairment test to be performed for Union Iron, a division of the Company. As result of the value-in-use calculation, as at September 30, 2020, it was determined, using a discount rate of 9.0%, that the recoverable amount of Union Iron was less than its carrying value. The impairment amount calculated was applied on a pro rata basis over the division's identifiable assets and consequently, an impairment charge of $1,957 against property, plant, and equipment *[note 7]* and $3,154 against intangible assets was recognized.

11. Investment in associate

	September 30, 2020 $	December 31, 2019 $
Carrying value, beginning of period	17,312	—
Additions in the period	—	19,720
Share of net loss for the period before adjustments	(2,885)	(1,598)
Amortization of fair value adjustments	(482)	(754)
Share of net loss for the period	(3,367)	(2,352)
Share of other comprehensive loss (income)	511	(56)
Carrying value, end of period	14,456	17,312

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

12. Assets held for sale

Assets held for sale include a building in Brazil. As at September 30, 2020, the carrying amount of the assets held for sale is $503.

13. 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. In addition, the Company's provision includes a provision for the equipment rework and remediation costs.

	September 30, 2020 $	December 31, 2019 $
Balance, beginning of period	**17,539**	7,685
Warranty expense	**56,078**	20,725
Amounts utilized	**(19,338)**	(13,588)
Acquisitions	**—**	2,717
Balance, end of period	**54,279**	17,539

Equipment rework

As at September 30, 2020, the provision includes $5,080 related to the equipment rework. The provision is management's best estimate of the remaining costs, including final costs of commissioning, legal and consulting fees. For the three-month ended September 30, 2020, no additional provision was added for the equipment rework.

Remediation costs

During the year, AGI entered into an agreement to supply 35 large hoppers on two grain projects. On September 11, 2020, a bin at one of the facilities collapsed during commissioning. The incident did not result in any injuries and AGI immediately issued a demand to suspend use of the product at both sites. A total of 15 similar bins is located at the incident site and 20 bins on the second site which has yet to be commissioned. The cause of the bin collapse is being investigated, however access to the bin collapse site is currently restricted due to ongoing site cleanup and safety measures.

In the event that AGI is determined to be liable, AGI, in consultation with its external advisors, has estimated various probability weighted scenarios, based on the limited information currently available, including clean up and equipment remediation costs, at the two sites, to total $40 million and therefore has recorded a provision in this amount as at September 30, 2020. The provision for remediation required significant estimates and judgments about the scope, nature, timing and cost of work that will be required. It is based on management's assumptions and estimates at the current date and is subject to revision in the future as further information becomes available to the Company, including the determination of the cause for the collapse, whether the Company is liable, the nature, timing, and costs for any remediation that may be necessary and the benefit of insurance recoveries.

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

While AGI has accrued $40 million in the three-months period ending September 30, 2020, the Company believes that this amount will be partially offset by insurance coverage and result in a lower net impact. AGI is working with insurance providers and external advisors to determine the extent of this cost offset.

The cause of, and responsibility for, the incident has not been determined; the investigation of the incident is still being conducted and the provision is subject to revision in the future as further information becomes available to the Company, the impact of which could be material. Insurance recoveries, if any, will be recorded when received. As at November 12, 2020, the Company had not filed any insurance claim or received any insurance recoveries.

14. Lease liability

	Interest rate	Maturity	September 30, 2020	December 31, 2019
	%		$	$
Current	1.7 – 29.3	2020 – 2021	3,185	2,562
Non-current	1.7 – 29.3	2021 – 2030	14,726	6,787
Lease liability			17,911	9,349

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

15. Long-term debt

	Interest rate	Maturity	September 30, 2020	December 31, 2019
	%		$	$
Current portion of long-term debt				
Canadian swing line			—	345
Equipment financing	Nil		502	348
			502	693
Non-current portion of long-term debt				
Equipment financing	Nil	2025	998	773
Series B secured notes	4.4 - 5.2	2025	25,000	25,000
Series C secured notes [U.S. dollar denominated]	3.7 - 4.5	2026	33,348	32,470
Canadian Revolver	3.5 – 6.5	2025	152,778	140,511
Canadian swing line	3.5 – 6.5	2025	33,171	—
U.S. Revolver	1.7 – 4.8	2025	212,357	196,379
			457,652	395,133
Less deferred financing costs			(3,303)	(2,698)
			454,349	392,435
Long-term debt			454,851	393,128

[a] Swing line facilities

AGI has a swing line of $40.0 million and U.S. $10.0 million. The facilities bear interest at prime plus 0.45% to prime plus 1.5% per annum based on performance calculations. As at September 30, 2020, there was $33,171 [December 31, 2019 – $345] outstanding under the swing line.

Collateral for the swing line ranks pari passu with the Series B and C secured notes and includes 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

On April 29, 2020, the Company amended its credit facility agreement to include Farm Credit Canada ["FCC"] to its Canadian lending syndicate, increased the Company's senior revolving facility by $50 million and created a separate one-year revolving facility of $50 million to provide increased short-term flexibility during the COVID-19 crisis.

AGI's revolver facilities of $225 million and U.S. $215 million are inclusive of amounts that may be allocated to the Company's swing line and can be drawn in Canadian or U.S. funds. The facilities bear interest at BA or LIBOR plus

1.45% to BA or LIBOR plus 2.5% and prime plus 0.45% to prime plus 1.5% per annum based on performance calculations. The combined effective interest rate for the three- and nine-month periods ended September 30, 2020 on AGI's revolver facilities was 3.78%. As at September 30, 2020, there was $398 million [December 31, 2019 – $337 million] outstanding under these facilities. Interest on a portion of the revolver line has been fixed at 3.8% through an interest rate swap contract *[note 25[b]]*. Collateral for the revolving line ranks pari passu and includes a general security agreement over all assets, first position collateral mortgages on land and buildings, assignments of rents and leases and security agreements for patents and trademarks.

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

The Series C secured notes were issued on October 29, 2016. The non-amortizing notes bear interest at 3.7% payable quarterly and mature on October 29, 2026. The Series C secured notes are denominated in U.S. dollars. Collateral for the Series C secured notes and term loans ranks pari passu and includes 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.

[c] Covenants

AGI is subject to certain financial covenants in its credit facility agreements that must be maintained to avoid acceleration of the termination of the agreement. The financial covenants require AGI to maintain a debt to earnings before interest, taxes, depreciation and amortization ["EBITDA"] ratio of less than 3.75 for fiscal 2020 and 3.25 thereafter, the calculation of which excludes the convertible unsecured subordinated debentures and the senior unsecured subordinated debentures from debt, and to provide debt service coverage of a minimum of 1.0. In the event of an acquisition in respect of which the aggregate consideration is $75,000 or greater, the debt to EBITDA ratio requirement increases to 3.75 or less for the financial quarter and the three following financial quarters in which the acquisition occurred.

The amendments to the credit facility include a suspension of all financial covenant requirements for the nine-month period ending October 31, 2020 as well as the ability to normalize Q1 2020 and Q2 2020 financial results for certain COVID-19 impacts when calculating trailing EBITDA in future covenant calculations. Following October 31, 2020, AGI's minimum leverage ratio covenant will return to 3.75x up to and including the calculation as at March 31, 2021. The minimum leverage ratio decreases to 3.50x for the quarter ending June 30, 2021 and returns to 3.25x thereafter. During the financial covenant suspension period, AGI is subject to a minimum liquidity covenant. The maturity date of the facility remains March 20, 2025. The amendments do not impact terms of AGI's Series B and C secured notes that total $60 million.

As at September 30, 2020 and December 31, 2019, AGI was in compliance with all financial covenants.

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

16. Convertible unsecured subordinated debentures

	September 30, 2020 $	December 31, 2019 $
Current portion of convertible unsecured subordinated debentures	—	74,298
Non-current portion of convertible unsecured subordinated debentures		
Principal amount	172,475	172,475
Equity component	(6,351)	(6,351)
Accretion	3,768	2,827
Financing fees, net of amortization	(3,284)	(4,416)
	166,608	164,535
Convertible unsecured subordinated debentures	166,608	238,833

On January 2, 2020, the Company redeemed its 5.00% convertible unsecured subordinated debentures due December 31, 2020 ["2015 Debentures"] in accordance with the terms of the supplemental trust indenture dated September 29, 2015. Upon redemption, AGI paid to the holders of the 2015 Debentures the redemption price of $75,031 equal to the outstanding principal amount of the 2015 Debentures redeemed including accrued and unpaid interest up to but excluding the redemption date, less taxes deducted or withheld. A loss of $746 was recorded to loss on financial instruments and the equity component of the 2015 Debentures was reclassified to contributed surplus.

In 2019, the Company expensed the remaining unamortized balance of $723 of deferred fees related to the 2015 Debentures.

17. Senior unsecured subordinated debentures

	September 30, 2020 $	December 31, 2019 $
Principal amount	257,500	172,500
Debenture put options, net of amortization	689	—
Financing fees, net of amortization	(9,533)	(7,026)
Senior unsecured subordinated debentures	248,656	165,474

On March 5, 2020, the Company closed the offering of $85 million aggregate principal amount of senior subordinated unsecured debentures [the "2020 Debentures"] at a price of $1,000 per Debenture [the "Offering"].

The net proceeds of the Offering was used to repay indebtedness and for general corporate purposes.

The Debentures bear interest from the date of issue at 5.25% per annum, payable semi-annually in arrears on June 30 and December 31 each year commencing June 30, 2020. The Debentures have a maturity date of December 31, 2026.

The Debentures will not be redeemable by the Company before December 31, 2022, except upon the occurrence of a change of control of the Company in accordance with the terms of the indenture [the "Indenture"] governing the Debentures. On and after December 31, 2022 and prior to December 31, 2023, the Debentures may be redeemed at the Company's option at a price equal to 103.9375% of their principal amount plus accrued and unpaid interest. On and after December 31, 2023 and prior to December 31, 2024, the Debentures may be redeemed at the Company's option at a price equal to 102.625% of their principal amount plus accrued and unpaid interest. On and after December 31, 2024 and prior to December 31, 2025, the Debentures may be redeemed at the Company's option at a price equal to 101.3125% of their principal amount plus accrued and unpaid interest. On and after December 31, 2025 and prior to maturity, the Debentures will be redeemable at the Company's option at a price equal to their principal amount plus accrued and unpaid interest *[note 25[d]]*.

The Company will have the option to satisfy its obligation to repay the principal amount of the Debentures due at redemption or maturity by issuing and delivering that number of freely tradeable common shares in accordance with the terms of the Indenture.

The Debentures will not be convertible into common shares of the Company at the option of the holders at any time.

The Company's redemption option resulted in recognition of an embedded derivative with a fair value of $754 at time of issuance *[note 25]*. An offsetting and equal amount was recorded to senior unsecured subordinated debentures and will be amortized over the term of the 2020 Debentures.

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

18. Equity

[a] Common shares

	Shares #	Amount $
Balance, January 1, 2019	18,363,780	450,645
Settlement of equity incentive award plan ["EIAP"] obligation	294,400	5,187
Convertible unsecured subordinated debentures	299	25
Balance, December 31, 2019	18,658,479	455,857
Settlement of EIAP obligation	**54,555**	**5,239**
Reduction in stated capital	**—**	**(459,769)**
Balance, September 30, 2020	**18,713,034**	**1,327**

On May 19, 2020, the Company's shareholders voted to reduce the stated capital account maintained in respect of common shares to $1 without payment or distribution to shareholders. A corresponding increase was made to the Company's contributed surplus.

[b] Contributed surplus

	September 30, 2020 $	December 31, 2019 $
Balance, beginning of period	**27,113**	26,045
Equity-settled director compensation *[note 19[b]]*	**473**	497
Dividends on EIAP	**312**	567
Obligation under EIAP *[note 19[a]]*	**4,732**	5,471
Settlement of EIAP obligation	**(7,979)**	(6,617)
Redemption of convertible unsecured subordinated debentures	**2,304**	1,150
Reduction in stated capital	**459,769**	—
Balance, end of period	**486,724**	27,113

[c] Dividends paid and proposed

In the three-month period ended September 30, 2020, the Company declared dividends of $2,807 or $0.15 per common share [2019 – $11,193 or $0.60 per common share] and dividends on share compensation awards of $81 [2019 – $340]. In the nine-month period ended September 30, 2020, the Company declared dividends of $16,827 or $0.90 per common share [2019 – $33,510 or $1.80 per common share] and dividends on share compensation awards of $312 [2019 – $627]. In the three- and nine-month periods ended September 30, 2020, dividends paid to shareholders of $2,806 and $17,751 [2019 – $11,192 and $33,452] were financed from cash on hand.

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

On April 14, 2020, the Company announced a reduction of its dividend to an annual level of $0.60 per common share. At the same time, the dividend will move from monthly to quarterly payments.

19. Share-based compensation plans

[a] EIAP

During the three-month period ended September 30, 2020, 136,626 [2019 – 11,250] Restricted Awards ["RSU"] and 60,178 [2019 – 3,494] Performance Awards were granted. As at September 30, 2020, a total of 825,429 [December 31, 2019 – 600,852] Restricted Awards and 723,585 [December 31, 2019 – 663,408] Performance Awards had been granted under the plan. The fair values of the Restricted Awards and the Performance Awards were based on the share price as at the grant date and the assumption that there will be no forfeitures.

During the three- and nine-month periods ended September 30, 2020, AGI expensed $3,147 and $7,642 for the EIAP [2019 – $1,259 and $4,277].

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

	EIAP	
	Restricted Awards #	Performance Awards #
Balance, January 1, 2019	138,980	156,777
Granted	194,846	222,736
Vested	(80,918)	(249,762)
Forfeited	(8,500)	(20,254)
Balance, December 31, 2019	244,408	109,497
Granted	224,578	60,178
Vested	(62,915)	(7,108)
Forfeited	(6,724)	(892)
Modified	(82,952)	—
Cancelled	—	(58,502)
Balance, September 30, 2020	**316,395**	**103,173**

There is no exercise price on the EIAP awards.

During the three-month period ended September 30, 2020, AGI's short-term incentive plan for the year was changed from an equity-settled to a cash-settled shared-based plan. As a result of the modification, 82,952 RSUs were removed from the EIAP and $2,910 was recorded in accounts payable and accrued liabilities.

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

For the three- and nine-month periods ended September 30, 2020, an expense of $152 and $473 [2019 – $129 and $365] 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 120,000, subject to adjustment in lieu of dividends, if applicable. For the three- and nine-month periods ended September 30, 2020, 5,394 and 19,896 [2019 – 2,923 and 6,983] common shares were granted under the DDCP and as at September 30, 2020, a total of 107,841 [December 31, 2019 – 87,946] common shares had been granted under the DDCP and 18,436 [December 31, 2019 – 18,436] common shares had been issued.

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

20. Other expenses (income)

	Three-month period ended		Nine-month period ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	$	$	$	$
[a] Cost of goods sold				
Depreciation of property, plant and equipment	5,747	5,106	17,159	14,838
Depreciation of right-of-use assets	334	306	1,093	869
Amortization of intangible assets	1,100	2,440	3,035	5,432
Warranty expense	42,316	9,939	56,078	14,709
Cost of inventory recognized as an expense	185,056	176,897	515,722	519,423
	234,553	194,688	593,087	555,271
[b] Selling, general and administrative expenses				
Depreciation of property, plant and equipment	696	554	2,063	1,570
Depreciation of right-of-use assets	586	442	1,815	1,308
Amortization of intangible assets	5,357	4,473	16,150	12,249
Minimum lease payments recognized as lease expense	42	82	143	399
Transaction costs	4,002	283	12,423	9,473
Selling, general and administrative	44,605	44,926	137,532	130,845
	55,288	50,760	170,126	155,844
[c] Other operating expense (income)				
Net loss (gain) on disposal of property, plant and equipment	(10)	124	119	124
Net gain on settlement of lease liability	(3)	—	(5)	—
Loss (gain) on financial instruments	(290)	7,592	16,477	3,060
Other	(814)	(846)	(2,732)	(2,573)
	(1,117)	6,870	13,859	611
[d] Finance costs				
Interest on overdrafts and other finance costs	1,175	500	1,828	1,032
Interest on lease liabilities	327	89	619	249
Interest, including non-cash interest, on debts and borrowings	3,732	5,795	13,569	15,544
Interest, including non-cash interest, on senior and convertible unsecured subordinated debentures *[notes 16 and 17]*	6,506	5,242	18,738	16,639
	11,740	11,626	34,754	33,464
[e] Finance expense (income)				
Interest income from banks	(135)	(45)	(306)	(158)
Loss (gain) on foreign exchange	(6,375)	3,070	6,371	(5,586)
	(6,510)	3,025	6,065	(5,744)
[f] Employee benefits expense				
Wages and salaries	69,874	64,976	200,945	188,170
Share-based compensation expense *[note 19]*	3,299	1,388	8,115	4,642
Pension costs	642	1,713	5,260	4,946
	73,815	68,077	214,320	197,758
Included in cost of goods sold	44,034	43,608	129,203	126,303
Included in selling, general and administrative expense	29,781	24,469	85,117	71,455
	73,815	68,077	214,320	197,758

In response to COVID-19, the Government of Canada implemented the Canadian Emergency Wage Subsidy ["CEWS"] program. The CEWS program offers qualifying organizations government assistance in the form of a payroll subsidy to offset the cost of employees. There are no unfulfilled conditions attached to this government assistance. As of September 30, 2020, $1.3 million has been recorded as an offset to cost of goods sold and selling, general, and administrative expenses. Subsequent to the quarter ended September 30, 2020, all amounts claimed were received in full.

21. Retirement benefit plans

During the three- and nine-month periods ended September 30, 2020, the expense associated with the Company's defined pension benefit was $33 and $99, respectively [2019 – $32 and $97]. At September 30, 2020, the accrued pension benefit liability was $979 [December 31, 2019 – $146], which is included in other financial liabilities on the unaudited interim condensed consolidated statements of financial position.

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

22. Income taxes

The reconciliation between tax expense and the product of accounting profit multiplied by the Company's domestic tax rate for the three- and nine-month periods ended September 30, 2020 and 2019 is as follows:

	Three-month period ended		Nine-month period ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	$	$	$	$
Profit (loss) before income taxes	**(18,717)**	(7,605)	**(57,916)**	26,891
At the Company's statutory income tax rate of 27% [2019 – 27%]	**(5,054)**	(2,053)	**(15,637)**	7,261
Tax rate changes	**—**	(3,357)	**(151)**	(3,236)
Additional deductions allowed in a foreign jurisdiction	**(5)**	(269)	**—**	(269)
Tax losses not recognized as a deferred tax asset	**(98)**	177	**1,551**	1,394
Foreign rate differential	**(58)**	(153)	**9**	(1,697)
Non-deductible EIAP expense	**(24)**	48	**46**	122
State income taxes, net of federal tax benefit	**20**	139	**46**	560
Unrealized foreign exchange loss (gain)	**(1,529)**	742	**1,356**	(1,290)
Permanent differences and others	**292**	(60)	**1,497**	1,127
Tax expense (recovery) at the effective rate of 19.5% [2019 – 14.8%]	**(6,456)**	(4,786)	**(11,283)**	3,972

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

23. Profit (loss) per share

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

	Three-month period ended		Nine-month period ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	$	$	$	$
Profit (loss) attributable to shareholders for basic and diluted profit (loss) per share	**(12,261)**	(2,819)	**(46,633)**	22,919
Basic weighted average number of shares	**18,711,013**	18,653,281	**18,700,449**	18,598,530
Dilutive effect of DDCP	**—**	—	**—**	61,753
Dilutive effect of RSU	**—**	—	**—**	225,562
Diluted weighted average number of shares	**18,711,013**	18,653,281	**18,700,449**	18,885,845
Profit (loss) per share				
Basic	**(0.66)**	(0.15)	**(2.49)**	1.23
Diluted	**(0.66)**	(0.15)	**(2.49)**	1.21

The DDCP, RSU, and 2017 and 2018 Debentures were excluded from the calculation of diluted profit (loss) per share in the three-and nine-month periods ended September 30, 2020 because their effect is anti-dilutive. The DDCP, RSU, and 2017 and 2018 Debentures were excluded from the calculation of diluted profit (loss) per share in the three-month period ended September 30, 2019 because their effect is anti-dilutive.

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

24. Statement of cash flows

[a] Net change in non-cash working capital

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

	Three-month period ended		Nine-month period ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	$	$	$	$
Accounts receivable	(17,947)	8,037	(74,444)	(44,724)
Inventory	11,373	9,566	1,377	12,315
Prepaid expenses and other assets	8	1,529	4,072	(1,944)
Accounts payable and accrued liabilities	5,489	(465)	49,281	1,435
Customer deposits	(266)	1,995	266	(15,248)
Provisions	34,305	6,485	36,264	7,761
	32,962	27,147	16,816	(40,405)

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

[b] Reconciliation of liabilities arising from financing activities

	December 31, 2019	Cash flows	Non-cash changes						September 30, 2020
			Acquisition	Foreign exchange	Accretion	Amortization	Fair value	Other	
	$	$	$	$	$	$	$	$	$
Long-term debt	393,128	54,323	—	6,966	—	434	—	—	454,851
Convertible unsecured subordinated debentures	238,833	(75,031)	—	—	952	1,132	—	722	166,608
Senior unsecured subordinated debentures	165,474	80,979	—	—	—	1,172	754	277	248,656
Lease liability	9,349	(2,442)	2,207	15	—	—	—	8,782	17,911
Total liabilities from financing activities	806,784	57,829	2,207	6,981	952	2,738	754	9,781	888,026

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

	December 31, 2018	Cash flows	Non-cash changes							September 30, 2019
			Acquisitions	Conversion	Foreign exchange	Accretion	Amortization	Fair value	Other	
	$	$	$	$	$	$	$	$	$	$
Long-term debt	271,421	167,892	464	—	(5,586)	—	401	534	—	435,126
Convertible unsecured subordinated debentures	284,848	(51,786)	—	(25)	—	1,509	2,150	—	398	237,094
Senior unsecured subordinated debentures	—	82,640	—	—	—	—	357	—	(337)	82,660
Lease liability	8,791	(1,895)	196	—	(157)	—	—	—	2,817	9,752
Total liabilities from financing activities	565,060	196,851	660	(25)	(5,743)	1,509	2,908	534	2,878	764,632

25. Financial instruments and financial risk management

[a] Foreign exchange contracts

To mitigate exposure to the fluctuating rate of exchange, AGI may enter into foreign exchange forward contracts and denominate a portion of its debt in U.S. dollars. As at September 30, 2020, AGI's U.S. dollar denominated debt totaled $205 million.

The Company had no outstanding foreign exchange forward contracts at September 30, 2020.

[b] Interest rate swap contracts

The Company enters into interest rate swap contracts to manage its exposure to fluctuations in interest rates on its core borrowings. The interest rate swap contracts are derivative financial instruments and changes in the fair value were recognized as a gain (loss) on financial instruments in other operating income. Through these contracts, the Company agreed to receive interest based on the variable rates from the counterparty and pay interest based on fixed rates between 3.6% and 4.1%. The notional amounts are $90,688 in aggregate, resetting the last business day of each month. The contracts expire between November 2020 and May 2022.

During the three- and nine-month periods ended September 30, 2020, an unrealized gain (loss) of $266 and $(1,206) [2019 – $(25) and $(1,637)] was recorded in gain (loss) on financial instruments in other operating expense (income). As at September 30, 2020, the fair value of the interest rate swap was $(982) [December 31, 2019 – $224].

[c] Equity swap

On March 18, 2016, the Company entered into an equity swap agreement with a financial institution [the "Counterparty"] to manage the cash flow exposure due to fluctuations in its share price related to the EIAP. Pursuant to this agreement, the Counterparty has agreed to pay the Company the total return of the defined underlying common shares, which includes both the dividend income they may generate and any capital appreciation. In return, the Company has agreed to pay the Counterparty a funding cost calculated daily based on floating rate option [CAD-BA-COOR] plus a spread of 2.0% and any administrative fees or expenses that are incurred by the Counterparty directly.

As at September 30, 2020, the equity swap agreement covered 722,000 common shares of the Company at a price of $38.76, and the agreement matures on April 6, 2021.

During the three- and nine-month periods ended September 30, 2020, an unrealized loss $159 and $13,964 [2019 – loss of $7,567 and $1,713] was recorded in loss on financial instruments in other operating expense (income). As at September 30, 2020, the fair value of the equity swap was $(8,342) [December 31, 2019 – $5,641].

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

[d] Debenture put options

On March 5, 2020, the Company issued the 2020 Debentures. Beginning on and after December 31, 2022, the Company has the option of early redemption. At time of issuance, the Company's redemption option resulted in an embedded derivative with a fair value of $754. During the three- and nine-month periods ended September 30, 2020, a gain (loss) of $183 and $(561) [2019 – nil and nil] was recorded in loss on financial instruments in other operating expense (income). As at September 30, 2020, the fair value of the embedded derivative was $193 [December 31, 2019 – nil].

[e] Fair value

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

		September 30, 2020		December 31, 2019	
	Level	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Financial assets					
Amortized cost:					
Cash and cash equivalents	1	74,825	74,825	48,421	48,421
Cash held in trust and restricted cash	1	9,525	9,525	5,416	5,416
Accounts receivable	2	237,155	237,155	162,543	162,543
Note receivable	2	579	579	622	622
Fair value through profit or loss:					
Derivative instruments	2	—	—	5,865	5,865
Financial liabilities					
Amortized cost:					
Interest-bearing loans and borrowings	2	472,762	474,523	402,477	402,931
Accounts payable and accrued liabilities	2	161,981	161,981	105,378	105,378
Dividends payable	2	2,807	2,807	3,732	3,732
Due to vendor	2	8,698	8,698	8,370	8,370
Contingent consideration	3	—	—	5,270	5,270
Convertible unsecured subordinated debentures	2	166,608	165,687	238,833	246,128
Senior unsecured subordinated debentures	2	248,656	243,341	165,474	166,456
Fair value through profit or loss:					
Derivative instruments	2	9,131	9,131	—	—
Optionally convertible redeemable preferred shares	3	29,487	29,487	26,320	26,320

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

During the three-month period ended September 30, 2020 and year ended December 31, 2019, there were no transfers between Level 1 and Level 2 fair value measurements.

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

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

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

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

- The Company enters into derivative financial instruments with financial institutions with investment-grade credit ratings. Derivatives include interest rate swaps and equity swaps that are marked-to-market at each reporting period. The fair values of derivatives are determined using a discounted cash flow technique, which incorporates various inputs including the related interest rate swap curves and/or the Company's stock price for the equity swaps.

- The fair value of the embedded derivatives related to the senior unsecured subordinated debentures is determined using valuations models, which incorporates various inputs including the contractual contract terms, market interest rates and volatility.

- The fair value of contingent consideration and the OCRPS arising from business combinations is estimated by discounting future cash flows based on the probability of meeting set performance targets.

Reconciliation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy:

	September 30, 2020 $	December 31, 2019 $
Contingent consideration and OCRPS:		
Balance, beginning of period	**31,590**	6,386
Acquisitions	**—**	31,599
Fair value change	**3,257**	173
Reclassification to due to vendor	**(5,270)**	(4,000)
Exchange differences	**(90)**	(2,568)
Balance, end of period	**29,487**	31,590

Set out below are the significant unobservable inputs to valuation as at September 30, 2020:

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

September 30, 2020

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of the input to fair value
Contingent consideration and OCRPS	Discounted cash flow method	• Probability of achieving earnings target	0%–100% achievement	Increase (decrease) in the probability would increase (decrease) the fair value
		• Weighted average cost of capital ["WACC"]	5.0%–9.2%	Increase (decrease) in the WACC would result in decrease (increase) in fair value

26. Related party disclosures

Burnet, Duckworth & Palmer LLP provides legal services to the Company, and a Director of AGI is a partner of Burnet, Duckworth & Palmer LLP. During the three- and nine-month periods ended September 30, 2020, the total cost of these legal services related to general matters was $150 and $839 [2019 – nil and $244], and $275 is included in accounts payable and accrued liabilities as at September 30, 2020.

These transactions are measured at the exchange amount and were incurred during the normal course of business.

27. Reportable business segment

The Company is a provider of solutions for the global food infrastructure, including seed, fertilizer, grain, feed, and food processing systems. As at September 30, 2020, aggregation of operating segments was applied to determine that the Company had only one reportable segment. The primary factors considered in the application of the aggregation criteria included the similar long-term average gross margins and growth rates across the segments, the nature of the products manufactured by the segments all being related to the handling, storage and conditioning of agricultural commodities, and the similarity in the production processes of the segments.

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

The Company operates primarily within three geographical areas: Canada, United States and International. The following details the sales by geographical area, reconciled to the Company's unaudited interim condensed consolidated financial statements:

	Three-month period ended		Nine-month period ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
	$	$	$	$
Canada	**79,750**	78,796	**223,184**	264,630
United States	**131,272**	117,548	**340,391**	325,811
International	**70,386**	63,854	**204,878**	176,730
	281,408	260,198	**768,453**	767,171

The sales 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 sales.

28. Commitments and contingencies

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

As of the reporting date, the Company has commitments to purchase property, plant and equipment of $5,524 [December 31, 2019 – $8,488].

[b] Letters of credit

As at September 30, 2020, the Company has outstanding letters of credit in the amount of $23,323 [December 31, 2019 – $16,885].

[c] Legal actions

The Company is involved in various legal matters arising in the ordinary course of business. Except as otherwise disclosed in these financial statements, 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.

29. Comparative figures

Certain prior period amounts have been reclassified to conform to the current period presentation.