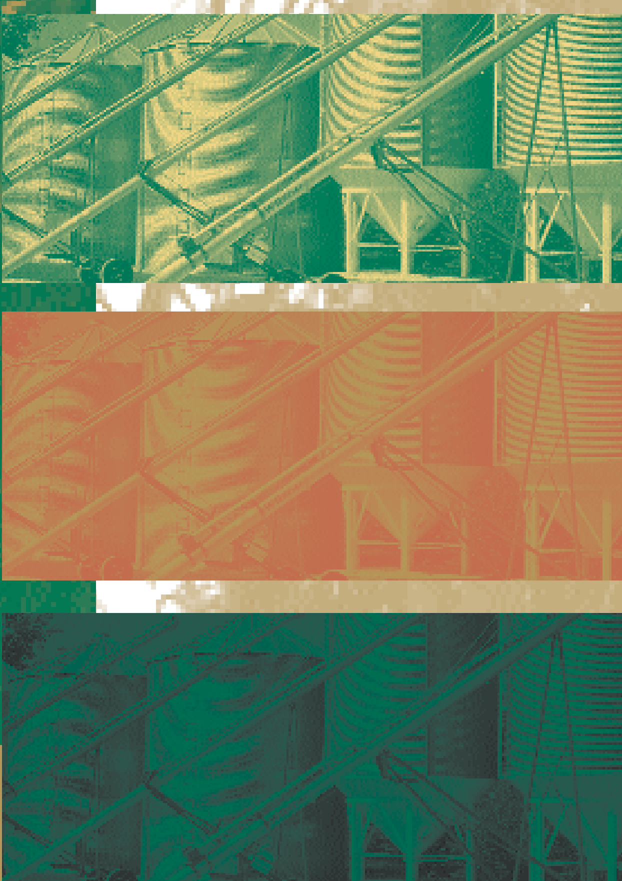

QUARTERLY REPORT

For the three and six month periods ended June 30, 2005

AG GROWTH INCOME FUND

TO OUR UNITHOLDERS:

On behalf of management, our employees and our board of trustees, we welcome you to our 2005 second quarter report. We are pleased that the strong momentum we were experiencing in the first quarter, as a result of last years large US crop, continued into the second quarter. We have maintained aggressive shipping through the second quarter resulting in very strong financial performance. As we enter our third and traditionally strongest quarter, we remain cautiously optimistic. This was the first quarter to incorporate results from our recently completed acquisition of the Edwards Group of Companies in Lethbridge Alberta. Again we were pleased with the strength experienced for their first reporting period.

The end of June marks the end of the 2004-2005 crop year. The strong industry fundamentals of the massive US crop are now behind us and the new crop is in the ground. This new crop will develop over the next few months and the ultimate size of this year’s crop will be a large determining factor of demand for our equipment over the next twelve months.

We do not expect a repeat of last years record setting US crop as it resulted from ideal conditions in most areas. As this report is being penned we are experiencing a more normal year. Alberta and Saskatchewan have had an excellent start for the crops as a result of very strong moisture in the spring. These rains, that have caused isolated flooding, provided the best surface and ground moisture that these regions have seen in years. Manitoba has been less fortunate as the rainfall in areas was excessive and has resulted in poor crop conditions.

The US is experiencing conditions ranging from excellent in some core areas to drought conditions in the eastern corn belt. These conditions can change as the crop matures however it points to the strength of our business model. Geographic diversification greatly reduces our risk, as we are not susceptible to large swings as a result of regional weather problems.

Backlogs range from firm to strong at our respective divisions. In particular, demand at Westfield, our largest division, continues with the demand momentum experienced in the first half of the year. Batco and Wheatheart, which are more heavily dependant on the western Canadian market, should have strong momentum if crop conditions remain positive. Farmers in Saskatchewan and Manitoba remain cautious at this stage after several years of below average crops.

Results at Edwards, our newest division, exceeded our expectations for its first quarter operating within the Ag Growth Income Fund. However, having completed several acquisitions, we realize that the success of an acquisition is not measured in the three months after takeover but several years down the road. We have faith that, through the cooperation of the new members of our team in Alberta and our management group in charge of the integration, the acquisition will prove to be a solid success.

Outside of market fundamentals we are confident that we have experienced marketshare gains in several core geographies and product lines. The continued focus on new product development and product improvement continues to expand and improve the quality and quantity of our product offerings.

The addition of warehousing and support functions in Iowa and Illinois coupled with changes in our distribution channels is expected to continue to enhance our market position in these prominent grain producing areas.

The development of a strong business is accomplished as a result of many small successes over time. We are committed to continue working hard to build on past successes. Over time we will strive to build value for our customers as well as our unitholders. As a new trust in the public markets we thank all of our unitholders for your support and encouragement in our first year. We look forward to a long and profitable relationship with you.

Rod Senft
Chairman of the Board of Trustees
Ag Growth Income Fund
August 8, 2005

Rob Stenson
President and Chief Executive Officer
Ag Growth Income Fund
August 8, 2005

AG GROWTH INCOME FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 8, 2005

This Management's Discussion and Analysis should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes ("Interim Financial Statements") of Ag Growth Income Fund for the three and six-month periods ended June 30, 2005, and the audited consolidated financial statements and accompanying notes of Ag Growth Income Fund as at and for the 283-day period ended December 31, 2004 [including Ag Growth's results of operations for the 228-day period ended December 31, 2004]. Results are reported in Canadian dollars unless otherwise stated and have been prepared in accordance with Canadian generally accepted accounting principles.

OVERVIEW OF THE FUND

Ag Growth Income Fund [the "Fund"] is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario by a Declaration of Trust made as at March 24, 2004. On May 5, 2004, the Fund filed a final prospectus for the sale of 6,904,000 units at $10 per unit. In conjunction with the IPO, the Fund acquired indirectly all of the securities and assets of Ag Growth Industries Inc. ["Ag Growth"], which conducts business in the grain handling, storage, and conditioning market. As consideration for the acquisition, the owners of Ag Growth received, in addition to cash, 800,000 Class B Exchangeable units and 1,926,000 Class C Exchangeable Subordinated units of AGX Holdings Limited Partnership ["AGHLP"], a wholly owned subsidiary of the Fund. The units of the Fund and the Class B and Class C units of AGHLP participate pro rata in the distributions of net earnings. Subsequent to the date of the offering, a total of 630,022 Class B units of AGHLP have been exchanged for 630,022 units of the Fund. Effective April 8, 2005, the Fund acquired substantially all of the assets of The Edwards Group of Companies, a leading manufacturer of agricultural aeration equipment. In conjunction with the acquisition of the Edwards Group, the Fund issued an additional 1,595,000 units via a private placement. Subsequent to this unit issuance, the prior owners of Ag Growth hold a 19% interest in the Fund and hold 2,095,978 Special Voting Units.

As at August 8, 2005, the following units of the Fund were issued and outstanding:

Trust units	9,129,022
Class B Exchangeable units	169,978
Class C Exchangeable Subordinated units	1,926,000
Total units that participate pro rata in distributions	11,225,000
Special Voting Units (1)	2,095,978

(1) The Fund has issued a Special Voting Unit for each Class B and Class C unit outstanding. The Special Voting Units are not entitled to any interest or share in the Fund, or in any distribution from the Fund, but are entitled to vote on matters related to the Fund.

Ag Growth Income Fund units trade on the Toronto Stock Exchange under the symbol AFN.UN.

BASIS OF MANAGEMENT'S DISCUSSION AND ANALYSIS

The Fund was inactive until its acquisition of Ag Growth on May 18, 2004. To provide meaningful information to the reader, comparative results for the three and six-month periods ended June 30, 2004 include Ag Growth's results of operations for the 47-day and the 138-day periods ended May 17, 2004 respectively. Management's Discussion and Analysis will refer to the Combined Operating Results of the Fund for the three and six-month periods ended June 30, 2004, which are comprised of the operations of the Fund for the 44-day period ended June 30, 2004, and Ag Growth's results of operations for the 47-day and the 138-day periods ended May 17, 2004 (the "combined operating results"). Readers are cautioned that the combined operating results presented are not the results of the Fund for the three and six-month periods ended June 30, 2004 and have been presented only to provide the reader with additional information to enhance comparability to operating results of the Fund for the three and six-month periods ended June 30, 2005.

Comparative results – Six-months ended June 30, 2004

The table below reconciles the operating results reported by the Fund to the combined operating results for the six-month period ended June 30, 2004. Other than transactions related to the initial public offering on May 18, 2004, and the gain on sale of Ag Growth's outstanding foreign exchange contracts in January 2004, there are no unusual items in either Ag Growth's or the Fund's results for the six-month period ended June 30, 2004. Certain comparative figures have been reclassified to conform with the current period's presentation.

	Ag Growth (Pre Fund)	**The Fund ***	**Combined operating results**
	January 1 – May 17, 2004	Inception – June 30, 2004	Six-month period June 30, 2004
Sales	$19,746,893	$7,855,620	$27,602,513
Cost of sales	11,017,758	4,027,782	15,045,540
Gross margin	8,729,135	3,827,838	12,556,973
Operating expenses	4,402,052	1,817,356	6,219,408
EBITDA before gain on sale and IPO expenses	4,327,083	2,010,482	6,337,565
Gain on sale (1)	(4,553,611)	0	(4,553,611)
IPO expenses	1,401,750	0	1,401,750
EBITDA **	7,478,944	2,010,482	9,489,426
Amortization	287,486	391,704	679,190
Interest expense	1,082,401	146,773	1,229,174
Earnings before tax	6,109,057	1,472,005	7,581,062
Tax expense	2,562,000	31,000	2,593,000
Net earnings	$ 3,547,057	$ 1,441,005	$ 4,988,062

* The Fund was inactive until its acquisition of Ag Growth on May 18, 2004. Included in the Fund's results of operations are the results of Ag Growth's operations for only the 44-day period from the date of acquisition, May 18, 2004, to June 30, 2004.

** See discussion of non-GAAP measures.

(1) In January 2004 Ag Growth realized a gain on the sale of its outstanding forward foreign exchange contracts. Due to the significance of the gain it has been segregated from operating expenses.

Comparative results – Three-months ended June 30, 2004

The table below reconciles the operating results reported by the Fund to the combined operating results for the three-month period ended June 30, 2004. Other than transactions related to the initial public offering on May 18, 2004, there are no unusual items in either Ag Growth's or the Fund's results for the three-month period ended June 30, 2004. Certain comparative figures have been reclassified to conform with the current period's presentation.

	Ag Growth (Pre Fund)	**The Fund ***	**Combined operating results**
	April 1 – May 17, 2004	Inception – June 30, 2004	Three-Month Period June 30, 2004
Sales	$8,048,055	$7,855,620	$15,903,675
Cost of sales	4,608,315	4,027,782	8,636,097
Gross margin	3,439,740	3,827,838	7,267,578
Operating expenses	1,387,060	1,817,356	3,204,416
EBITDA before IPO expenses	2,052,680	2,010,482	4,063,162
IPO expenses	1,401,750	0	1,401,750
EBITDA **	650,930	2,010,482	2,661,412
Amortization	101,671	391,704	493,375
Interest expense	384,654	146,773	531,427
Earnings before tax	164,605	1,472,005	1,636,610
Tax expense (recovery)	(184,557)	31,000	(153,557)
Net earnings	$ 349,162	$ 1,441,005	$ 1,790,167

* The Fund was inactive until its acquisition of Ag Growth on May 18, 2004. Included in the Fund's results of operations are the results of Ag Growth's operations for only the 44-day period from the date of acquisition, May 18, 2004, to June 30, 2004.

** See discussion of non-GAAP measures.

The Edwards Group Acquisition

Effective April 8, 2005, the Fund acquired substantially all of the assets of The Edwards Group of Companies. Results of operations of the Edward's Group are included in the results of the Fund for the period subsequent to the acquisition. Furthermore, Edwards' assets and liabilities have been consolidated with those of the Fund. In conjunction with the acquisition, the Fund completed a private placement of 1,595,000 Trust Units priced at $13.50 per unit for gross proceeds of approximately $21.5 million. The Fund's expenses in connection with the acquisition and offering are approximately $1.4 million. Net assets acquired are as follows:

Accounts receivable	1,348,830
Inventory	3,672,603
Prepaid expenses and other assets	174,246
Property, plant and equipment	6,992,000
Intangible assets	
Brand name	4,363,000
Distribution network	2,839,000
Patent	250,000
Goodwill	3,408,840
Accounts payable and accrued liabilities	(1,360,104)
	$21,688,415

OPERATING RESULTS

	Three Months Ended June 30		Six Months Ended June 30	
	2005	**2004 ***	**2005**	**2004 ***
Sales	$24,363,985	$15,903,675	$40,377,423	$27,602,513
Cost of sales	13,011,411	8,636,097	21,592,574	15,045,540
Gross margin	11,352,574	7,267,578	18,784,849	12,556,973
Operating expenses	3,682,607	3,204,416	6,762,461	6,219,408
EBITDA before gain on sale and IPO expenses	7,669,967	4,063,162	12,022,388	6,337,565
Gain on sale (1)	0	0	0	(4,553,611)
IPO expenses	0	1,401,750	0	1,401,750
EBITDA **	7,669,967	2,661,412	12,022,388	9,489,426
Amortization	1,102,105	493,375	1,721,309	679,190
Interest expense	223,834	531,427	436,866	1,229,174
Earnings before tax	6,344,028	1,636,610	9,864,213	7,581,062
Tax expense (recovery)	89,000	(153,557)	160,000	2,593,000
Net earnings	$ 6,255,028	$1,790,167	$ 9,704,213	$ 4,998,062
Net earnings per unit	$0.56	$0.15 *	$0.94	$0.15 *

* Results for the three and six-month periods ended June 30, 2004 include the results of Ag Growth for the period April 1 to May 17, 2004 and January 1 to May 17, 2004 respectively. See "Basis of Management's Discussion and Analysis". Also, certain figures have been reclassified to conform with the current period's presentation.

** See discussion of non-GAAP measures.

(1) In January 2004 Ag Growth realized a gain on the sale of its outstanding forward foreign exchange contracts. Due to the significance of the gain it has been segregated from operating expenses.

	June 30, 2005	**June 30, 2004**
Total assets	$148,351,641	$126,223,448
Total liabilities	$35,478,912	$34,938,418

For the three and six-month periods ended June 30, 2005, the Fund generated distributable cash of $0.6271 per unit and $1.0368 per unit respectively, and declared distributions of $0.3403 per unit and $0.6661 per unit for the periods then ended. Distributions declared reflect the Fund's distribution increase in June 2005 from $1.30 per annum to $1.44 per annum.

The table below summarizes the distributions declared for trust units of the Fund and for Class B Exchangeable limited partnership units and Class C Subordinated limited partnership units of AGX Holdings Limited Partnership:

	Periods Ended June 30, 2005	
	Three Months	**Six Months**
Trust units	$3,072,828	$5,520,633
Class B Exchangeable units	57,215	112,440
Class C Exchangeable Subordinated units	648,292	1,274,049
	$3,778,335	$6,907,122

Sales

Sales for the three-month period ended June 30, 2005 increased $8.5 million or 53.1% over the same period in 2004. The increased level of sales is positively impacted by The Edwards Group, acquired by the Fund effective April 8, 2005, with recorded sales of $4.6 million in the period since the acquisition to June 30, 2005. Excluding Edwards, sales for the three-month period ended June 30, 2005 increased $3.9 million or 24.1% compared to 2004. For the six-month period ended June 30, 2005, sales increased $12.8 million or 46.3% over the same period in 2004. Excluding Edwards, sales for the six-month period ended June 30, 2005 increased $8.2 million or 29.6% over the same period in 2004.

The significant increase in sales for the three and six-month periods ended June 30, 2005 was the result of a number factors. First, the distribution network began the year with depleted inventory levels following a strong 2004 harvest and accordingly has aggressively been rebuilding their inventory levels. Second, price increases implemented throughout 2004 in response to rising input costs, and a trend towards larger, more expensive units, has resulted in higher per unit revenue in 2005. Finally, demand created by the positive industry sentiment to begin the year was amplified by favourable growing conditions in most areas in the first and second quarters of 2005. It is important to note that the sales increase was achieved even though US Dollar denominated sales for the three and six-months ended June 30, 2005 were both recorded at an effective rate of exchange of $1.22, compared to $1.32 and $1.33 for the same periods in 2004.

Expenses

Gross margin as a percentage of sales for the three and six-month periods ended June 30, 2005 was 46.6% and 46.5% respectively, compared to 45.7% and 45.5% for the same periods in 2004. The increase in gross margin is largely the result of higher sales volumes and the benefit of price increases implemented in 2004,partially offset by an increase in discounts related to preseason bookings. Furthermore, the impact of the higher steel and other input costs experienced primarily in 2004 and early 2005 continued to affect the Fund's financial results. The inclusion of results for the Edwards Group in 2005 did not significantly impact gross margin percentages compared to the prior year. Again, it is important to note that the gain in gross margin was achieved despite recording US Dollar denominated transactions at a lower effective exchange rate in 2005, as the Fund's US Dollar denominated sales greatly exceeds purchases made in that currency.

Operating expenses for the three-months ended June 30, 2005 were $3.7 million, including $0.5 million recorded by the Edwards Group, compared to $3.2 million for the same period in 2004, prior to the accrual in 2004 of $1.4 million of expenses related to the IPO. Increased salary expenses of $0.2 million and higher repair costs of $0.2 million were offset by the elimination of management fees payable to the owners of Ag Growth prior to the IPO that totalled $0.1 million in the period April 1, 2004 to May 17, 2004. A number of smaller miscellaneous items accounted for the remaining change.

For the six-month period ended June 30, 2005, operating expenses were $6.8 million, including $0.5 million recorded by the Edwards Group, compared to $6.2 million in 2004, prior to the gain Ag Growth realized on the sale of its outstanding forward foreign exchange contracts and the accrual of IPO expenses. Increased salary expenses of $0.4 million and higher repair costs of $0.2 million were offset by a foreign exchange translation gain of $0.3 million and the elimination of management fees payable to the owners of Ag Growth prior to the IPO that totalled $0.3 million in the period January 1, 2004 to May 17, 2004. A number of smaller miscellaneous items accounted for the remaining change.

Prior to the initial public offering, Ag Growth realized a net gain of $4.6 million on the sale of its forward foreign exchange contracts. Ag Growth subsequently entered into a number of new forward foreign exchange contracts that continue to form part of the Fund's hedging strategy. The $4.6 million gain on sale significantly affected Ag Growth's financial results for the six-month period ended June 30, 2004.

Included in the results of the Ag Growth period April 1, 2004 to May 17, 2004 is the accrual of $1.4 million of IPO related costs. No unusual costs were recorded in the three and six-month periods ended June 30, 2005.

Net earnings and EBITDA (see discussion of non-GAAP measures)

EBITDA for the three months ended June 30, 2005 was $7.7 million, compared to $4.1 million in the same period in 2004, prior to the accrual in 2004 of $1.4 million of expenses related to the IPO. The significant increase in EBITDA is primarily the result of the acquisition of the Edwards Group on April 8, 2005 and increased sales at all other divisions. These gains were partially offset by an increase in operating expenses. After recognition of the IPO expenses, EBITDA for the three months ended June 30, 2004 was $2.7 million.

EBITDA for the six months ended June 30, 2005 was $12.0 million, compared to $6.3 million in 2004 prior to the gain Ag Growth realized on the sale of its outstanding forward foreign exchange contracts and the accrual of IPO expenses. The significant increase is primarily the result of the acquisition of the Edwards Group on April 8, 2005 and an increase in sales at other divisions, partially offset by an increase in operating expenses. After recognition of the gain on sale and the accrual of IPO expenses, EBITDA for the six months ended June 30, 2004 was $9.5 million.

Upon completion of the IPO on May 18, 2004, the Fund retired the existing debt obligations of Ag Growth and entered into a new credit facility with a single lender. The credit facility includes term debt of $20 million and an operating facility of $15 million, increasing to $18 million for the period May 31 to September 30 each year. Both facilities bear interest at rates based on performance calculations. For the three and six-month periods ended June 30, 2005, the Fund's effective interest rate on its term debt was 4.5%, and after consideration of the effect of the Funds interest rate swap (see "Financial Instruments") was 4.32%. Subsequent to June 30, 2005, the Fund renegotiated certain terms of its credit facility arrangement including an extension of the term loan and a reduction in interest rates (see "Capital Resources").

Amortization for the three and six-month periods ended June 30, 2005 was $1.1 million and $1.7 million respectively. Amortization for the three-months ended June 30, 2005 includes the amortization of intangible assets of $0.4 million, the amortization of deferred financing costs of $0.1 million, and the amortization of property, plant and equipment of $0.6 million. Amortization for the six-months ended June 30, 2005 includes the amortization of intangible assets of $0.8 million, the amortization of deferred financing costs of $0.2 million, and the amortization of property, plant and equipment of $0.7 million. For the three and six month periods ended June 30, 2005, the increase in amortization of both property, plant and equipment and intangibles is largely the result of the acquisition of the Edwards Group.

The Fund is a mutual fund trust for income tax purposes and therefore is not subject to tax on income distributed to unitholders. The manufacturing business operations of the Fund are carried out within a limited partnership. Income from the limited partnership is not subject to tax but flows through to the holders of the partnership units, which include the Fund. The Fund's distributions are taxable in the hands of the unitholders. As a result of the Fund's structure, tax expense is recorded only for the Fund's subsidiary corporations. The recorded tax expense of $89,000 and $160,000 for the three and six-month periods ended June 30, 2005 represents income taxes and large corporation tax payable on the net income and taxable capital primarily allocated to Ag Growth through its ownership in AGLP after deductions for interest expense, financing fees and capital taxes.

Net earnings for the three and six-month periods ended June 30, 2005 were $6.3 million and $9.7 million, and earnings per basic and diluted unit were $0.56 and $0.94 for the periods then ended.

Quarterly Financial Information

	2005 Q2	**2005 Q1**	**2004 Q4**	**2004 Q3**	**2004 Q2***
Total sales	$24,363,985	$16,013,438	$13,911,771	$21,780,593	$7,855,620
Gain (loss) on foreign exchange	$115,822	$220,020	$3,552	$(626,254)	$(520,696)
Net earnings	$6,255,028	$3,449,185	$ 1,798,911	$5,483,492	$1,441,006
Basic and diluted net earnings per unit	$0.56	$0.36	$0.19	$0.57	$0.15

* Includes the results of Ag Growth's operations only for the 44-day period May 18 to June 30, 2004. See "Basis of Management's Discussion and Analysis".

** Certain comparative figures have been reclassified to conform to the current period's presentation.

Interim period revenues and earnings historically reflect some seasonality. The third quarter is typically the strongest primarily due to high in-season demand at the farm level. Distributable cash generated per unit will also typically be highest in the third quarter. In the second quarter of 2005, for the reasons set out under "Operating Results", the Fund's revenues and earnings exceeded the second quarter results recorded in prior years.

The Fund'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 peaking in the third quarter. In order to ensure the Fund has adequate supply throughout its distribution network in advance of the in-season demand experienced primarily in the third quarter, inventory levels must be gradually increased throughout the year. Accordingly, inventory levels typically increase in the first and second quarters and then begin to decline in the third and fourth quarters as sales levels exceed production.

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. As at June 30, 2005, largely because of the significant amount of customer deposits received in the fourth quarter of 2004, the Fund's bank indebtedness was lower than in prior years. The revolver balance would normally begin declining in the third quarter as collections of accounts receivable increase and inventory levels begin to decrease. Ag Growth has generally fully repaid its revolver balance by early in the fourth quarter.

CASHFLOW AND LIQUIDITY

The table below reconciles net income to cash flow from operations for the three and six-month periods ended June 30, 2005 and June 30, 2004. Consistent with the discussion above, the three and six-month periods ended June 30, 2005 and 2004 reflect an increase in accounts receivable and inventory. Also, strong preseason demand resulted in higher than usual customer deposits in the fourth quarter of 2004. The Fund invested significantly in working capital in the first six months of 2004 and 2005, however the Fund benefited from less cash flow used in operations in 2005 as compared to 2004.

	Six-Months Ended June 30		**Three-Months Ended June 30**	
	2005	**2004 ***	**2005**	**2004 ***
Net income	$9,704,213	5,302,896	$6,255,028	1,960,467
Add charges (deduct credits) to operations not requiring a current cash payment:				
Amortization	1,721,309	679,190	1,102,105	493,375
Future income taxes	130,000	11,000	74,000	(43,000)
Deferred foreign exchange loss	(116,748)	(207,323)	(73,722)	(170,724)
Loss (gain) on sale of assets	(10,082)	490	(10,082)	490
	11,428,692	5,786,253	7,347,329	2,240,608
Net change in non-cash working capital balances related to operations:				
Accounts receivable	(10,644,559)	(8,474,755)	(6,642,512)	(5,187,265)
Inventory	(1,843,285)	(3,574,680)	(209,216)	(942,777)
Prepaid expenses and other	380,663	(324,295)	186,847	(329,090)
Accounts payable	611,685	486,795	(122,400)	165,252
LTIP accrual	26,192	0	26,192	0
Customer deposits	(2,977,834)	(58,941)	(1,182,685)	(229,160)
Income tax payable	380,420	491,922	(19,609)	(727,594)
Cash flow used in operations	(2,638,026)	(5,667,701)	(616,054)	(5,010,026)
Add (deduct) unusual items: **				
IPO expenses	0	1,401,750	0	1,401,750
Gain on sale ***	0	(4,553,611)	0	0
Cash flow used in operations after unusual items	$(2,638,026)	$(8,819,562)	$(616,054)	$(3,608,276)

* Results for the three and six-month periods ended June 30, 2004 include the results of Ag Growth for the period April 1 to May 17, 2004 and January 1 to May 17, 2004 respectively. See "Basis of Management's Discussion and Analysis".

** Due to the significance of the IPO expenses and the gain on sale of outstanding foreign exchange contracts, and their impact on the comparability of results, cash flow used in operations for the three and six-month periods ended June 30, 2004 have also been presented net of these items.

*** In January 2004 Ag Growth realized a gain on the sale of its outstanding forward foreign exchange contracts. Due to the significance of the gain it has been segregated from operating expenses.

The Fund had capital expenditures of $0.5 million in the three-months ended June 30, 2005 and $0.8 million in the six-month period then ended. The capital expenditures in the three and six-month periods ended June 30, 2005 were primarily related to the budgeted purchases of manufacturing equipment, forklifts, and semi trailer units. During the three and six-month periods ended June 30, 2005, the Fund's cash balance decreased $0.1 million and $6.7 million respectively, which was in line with management expectations for the reasons discussed above. Consistent with prior years, management expects working capital requirements will lessen in the third quarter and the Fund will begin to repay its revolver facility.

CONTRACTUAL OBLIGATIONS

	Total	2005	2006	2007	2008	2009
Long-term debt	20,085,339	16,746	5,033,495	10,027,008	5,008,090	0
Operating leases	822,518	192,747	285,827	215,006	107,656	21,282
Total obligations	20,907,857	209,493	5,319,322	10,242,014	5,115,746	21,282

The term loan matures May 2006 and is extendible annually for an additional one-year term at the lender's option. Subsequent to June 30, 2005, the Fund renegotiated certain terms of its credit facility arrangement including an extension of the term loan and a reduction in interest rates. Under the amended terms of the credit facility agreement, if the bank elects to not extend the operating loan and term loan facilities beyond the current May 31, 2006 maturity date, all amounts outstanding under the facilities become repayable in equal quarterly instalments of principal, commencing on September 30, 2006, with the final instalment to be paid on May 31, 2008. It is management's intention to renegotiate the term loan facilities on a long-term basis. (See "Capital Resources").

The operating leases relate to vehicle, equipment, and warehouse facility leases entered into the normal course of business. In addition, the Fund is committed to entering into a lease for equipment over a five-year period with total lease payments of approximately $590,000. The lease terms will be finalized in 2005.

TRANSACTIONS WITH RELATED PARTIES

Under the terms of the long term incentive plan ("LTIP"), 10% to 20% of cash distributions in excess of an established threshold are contributed to a pool of funds set aside to purchase units of the Fund in the market. The cost is accrued as an expense in the period when cash distributions paid or payable exceed the thresholds established by the LTIP. For the three and six-month periods ended June 30, 2005, $26,192 was accrued to the LTIP, bringing the total accrual to $291,980 as at June 30, 2005.

DISTRIBUTIONS

Distributions are paid at the end of the month that follows the month when the cash was earned. The Fund declared distributions to public unitholders of $3.1 million and $5.5 million for the three and six-month periods ended June 30, 2005. Furthermore, consistent with the Fund's prospectus dated May 5, 2004, the Fund declared distributions to Ag Growth's previous owners of $0.7 million and $1.4 million for the three and six-month periods ended June 30, 2005.

The Fund's policy is to make monthly distributions to holders of both Trust units and Class B Exchangeable limited partnership units. Furthermore, in accordance with the terms of the Fund's prospectus, holders of Class C Subordinated Exchangeable limited partnership units receive distributions quarterly provided the relevant terms of subordination have been met, which they have since the inception of the Fund.

The Fund's Declaration of Trust requires that it distribute all taxable income earned in its fiscal period ending December 31. It may be necessary for the Fund to estimate a special year-end distribution to achieve this requirement. The initial distribution, if any, will be made in December and paid to unitholders of record on December 31. Upon completion of the annual financial statements, a final determination of any additional distribution will be made, and the additional amount, if any, will be paid to unitholders of record at that time. If the Fund is required to make an additional distribution, the unitholders of record on December 31 will be required to include the amount of the additional distribution in their taxable income. If they are not unitholders at the record date of the additional payment they will be required to include the amount in their taxable income even though they do not receive the distribution. Those unitholders, however, can reduce their capital gain on the sale by the amount of the additional distribution.

The Fund's Board of Trustees reviews financial performance and other factors when assessing the Fund's distribution levels. An adjustment to distribution levels will be made at such time as the Board determines the adjustment is sustainable and in the long-term best interest of the Fund and its unitholders.

Distributable cash generated for the three and six-month periods ended June 30, 2005 is calculated as follows:

	Six-Months Ended June 30, 2005	**Three-Months Ended June 30, 2005**
Net income for the period	$9,704,213	$6,255,028
Add: Amortization	1,721,309	1,102,105
Interest expense	436,866	223,834
Tax expense	160,000	89,000
EBITDA*	12,022,388	7,669,967
Less: Interest expense	436,866	223,834
Net maintenance capital expenditures	803,570	469,095
Current income taxes	30,000	15,000
Distributable cash *	$10,751,952	$6,962,038
Weighted average units outstanding	10,370,221	11,102,308
Distributable cash generated per unit	$1.0368	$0.6271
Distributions declared per unit	$0.6661	$0.3403
Distribution percentage	64.25%	54.27%

* See discussion of non-GAAP measures below.

CAPITAL RESOURCES

The term loan matures May 2006 and is extendible annually at the lender's option. The Fund also has available a $15 million operating facility, increasing to $18 million for the period May 31 to September 30. At June 30, 2005, the Fund's bank indebtedness was $6.0 million. Subsequent to June 30, 2005, the Fund renegotiated certain terms of its credit facility arrangement including an extension of the term loan and a reduction in interest rates. Under the amended terms of the credit facility agreement, if the bank elects to not extend the operating loan and term loan facilities beyond the current May 31, 2006 maturity date, all amounts outstanding under the facilities become repayable in equal quarterly instalments of principal, commencing on September 30, 2006, with the final instalment to be paid on May 31, 2008. In addition, under the amended terms of the facility agreement, the operating and term loan facilities will bear interest at prime plus 0.0%, 0.50%, or 1.00% per annum based on performance calculations. It is management's intention to renegotiate the term loan facilities on a long-term basis. The Fund is party to an interest rate swap agreement to hedge the impact of fluctuating interest rates on its term loan.

OFF-BALANCE SHEET ARRANGEMENTS

The Fund has no off balance sheet arrangements with the exception of the interest rate swap and foreign currency contracts discussed below in Financial Instruments.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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. The Fund believes the accounting policies that are critical to its business relate to the use of estimates regarding the recoverability of accounts receivable and the valuation of inventory, intangibles, and goodwill. Due to the nature of Ag Growth's business and the credit terms it provides to its customers, estimates and judgments are inherent in the on-going assessment of the recoverability of accounts receivable. In addition, assessments and judgments are inherent in the determination of the net realizable value of inventories. Another area requiring judgment includes the allocation of the purchase price related to the IPO and the acquisition of the Edwards Group, specifically the allocation between goodwill and other intangible assets, and the amortization period of the intangible assets. In the normal course of its operations, the Fund may become involved in various legal actions. The Fund maintains, and regularly updates on a case-by-case basis, provisions when the expected loss is both likely and can be reasonably estimated. 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.

FINANCIAL INSTRUMENTS

Risk from foreign exchange arises as a result of variations in exchange rates between the Canadian and the U.S. Dollar. Historically, approximately 60% - 65% of Ag Growth's sales are denominated in US Dollars while a much smaller proportion of its expenses are denominated in this currency. The Fund has entered into foreign exchange contracts with a Canadian chartered bank to hedge its foreign currency exposure on anticipated US dollar sales transactions and the collection of the related accounts receivable. At June 30, 2005, the Fund had outstanding USD $40.2 million of forward foreign exchange contracts, dated from July 2005 to December 2007, with a Canadian Dollar equivalent of $52.7 million. As at June 30, 2005, the Fund has recorded a deferred foreign exchange loss of $164,648 with respect to its hedged accounts receivable. At June 30, 2005, the unrealized gain on forward foreign exchange contracts was $3.7 million.

The Fund is subject to risks associated with fluctuating interest rates on its long-term debt. To manage this risk, the Fund has entered into an interest rate swap transaction with a Canadian chartered bank. The swap transaction expires on May 4, 2006. The swap transaction involves the exchange of the underlying floating interest rate for an effective fixed interest rate of 3.07%, resulting in interest charges to the Fund of 3.07% plus a variable rate based on performance calculations. The notional amount of the swap transaction at June 30, 2005 was $20.0 million. At June 30, 2005, a cash payment of $48,374 would have been required to settle the interest rate swap.

The Fund manages its short-term cash position partially through the use of foreign exchange swap contracts. At June 30, 2005, the Fund had outstanding USD $2.9 million of foreign exchange swap contracts, dated from July 2005 to September 2005, with a Canadian Dollar equivalent of $3.6 million. The recognized fair value of the foreign currency swap arrangements at June 30, 2005 resulted in a liability of $10,578.

CHANGES IN ACCOUNTING POLICIES

In an effort to harmonize Canadian GAAP with US GAAP, the Canadian Accounting Standards Board has issued the following sections:

- 1530, Comprehensive Income;
- 3855, Financial Instruments—Recognition and Measurement; and
- 3865, Hedges.

Under these new standards, all financial assets should be measured at fair value with the exception of loans, receivables and investments that are intended to be held to maturity and certain equity investments, which should be measured at cost. Similarly, all financial liabilities should be measured at fair value when they are held for trading or they are derivatives. Gains and losses on financial instruments measured at fair value will be recognized in the income statement in the periods they arise with the exception of gains and losses arising from:

- Financial assets held for sale, for which unrealized gains and losses are deferred in other comprehensive income until sold or impaired; and
- Certain financial instruments that qualify for hedge accounting.

Sections 3855 and 3865 of the CICA Handbook make use of “other comprehensive income”. Other comprehensive income comprises revenues, expenses, gains and losses that are recognized in comprehensive income, but are excluded from net income. Unrealized gains and losses on qualifying hedging instruments, translation of self-sustaining foreign operations, and unrealized gains or losses on financial instruments held for sale will be included in other comprehensive income and reclassified to net income when realized. Comprehensive income and its components will be a required disclosure under the new standard. These new standards are effective for fiscal years beginning on or after October 1, 2006 and early adoption is permitted. Management has not yet determined the impact of the adoption of these standards on the presentation of the Fund’s results from operations or financial position.

RISKS AND UNCERTAINTIES

The risks and uncertainties described below are not the only risks and uncertainties we face. We believe that the risks mentioned are the principal risks relating to our operations. There are other risks that relate to the structure of the Fund. 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 distribution could suffer.

Industry Cyclicality
The performance of the farm equipment industry is cyclical, with sales depending on the performance of the agricultural sector. To the extent that the agricultural sector declines or experiences a downturn, this is likely to have a negative impact on the farm equipment industry.

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 Fund to make cash distributions to Unitholders, or the quantum of such distributions, if any. No assurance can be given that the Fund's credit facility will be sufficient to offset the seasonal variations in Ag Growth's cash flow.

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 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 manages its exposure to material and component price volatility by planning and negotiating significant purchases on an annual basis, and passing 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.

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. 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 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.

Business Interruption

The operation of the manufacturing facilities of Ag Growth 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 was affected by widespread floods experienced in Manitoba in 1997, 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 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.

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.

Foreign Exchange Risk

Ag Growth generates a majority of its sales in US dollars, but a materially smaller proportion of its expenses are denominated in US dollars. As a result, a significant strengthening of the Canadian dollar against the US dollar will negatively impact the return from US dollar sales revenue. To mitigate the effects of exchange rate fluctuation, management has implemented a hedging strategy of purchasing forward foreign exchange contracts. Ag Growth has entered into a series of hedging arrangements with USD face values totaling $17.1 million for 2005, $18.5 million for 2006, and $4.6 million for 2007, at average exchange rates of $C1.3159, C$1.3227, and $1.2357 respectively, to mitigate the potential effect of fluctuating exchange rates through December 2007. 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 US dollar may have a material adverse effect on Ag Growth's results of operations, business, prospects and financial condition.

Acquisitions and Integration of Additional Businesses

As part of its business strategy, Ag Growth may pursue select strategic acquisitions. While Ag Growth has historically acquired businesses and successfully integrated their operations into its existing corporate structure, there can be no assurance that Ag Growth will find additional attractive acquisition candidates or succeed at effectively managing the integration of any businesses acquired in the future.

Potential Undisclosed Liabilities Associated with Acquisitions
To the extent that prior owners of businesses acquired by Ag Growth failed to comply with or otherwise violated applicable laws, Ag Growth, as a successor owner, may be financially responsible for these violations. In particular, to the extent that businesses acquired by Ag Growth have failed to make all necessary filings with applicable governmental, regulatory or tax authorities prior to the date of their acquisition by Ag Growth, Ag Growth may be subject to certain penalties and/or liabilities.

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.

Distributions
The Fund's Declaration of Trust requires that it distribute all taxable income earned in its fiscal period ending December 31. It may be necessary for the Fund to estimate a special year-end distribution to achieve this requirement. The initial distribution, if any, will be made in December and paid to unitholders of record on December 31. Upon completion of the annual financial statements, a final determination of any additional distribution will be made, and the additional amount, if any, will be paid to unitholders of record at that time. If the Fund is required to make an additional distribution, the unitholders of record on December 31 will be required to include the amount of the additional distribution in their taxable income. If they are not unitholders at the record date of the additional payment they will be required to include the amount in their taxable income even though they do not receive the distribution.

OUTLOOK

The Fund can look forward to a strong financial performance for the balance of 2005 as results from the Batco, Wheatheart, and Westfield divisions continue to surpass historical levels, and initial results from the operations of the Edwards Group continue to exceed expectations. The Fund continues to face challenges with respect to a strong Canadian dollar, however the impact of exchange rates has been largely addressed through a foreign currency hedging program. Although demand in the second half of 2005 will be influenced by crop conditions, existing momentum and positive market sentiment suggest that in the absence of severe weather conditions the Fund can look forward to positive financial results in the second half of 2005.

NON-GAAP MEASURES

References to “EBITDA” are to earnings before interest, income taxes, depreciation, and amortization. Management believes that, in addition to net income or loss, EBITDA is a useful supplemental measure in evaluating its performance. Specifically, management believes that EBITDA is the appropriate measure from which to make adjustments to determine the Fund’s distributable cash. EBITDA is not a financial measure recognized by Canadian generally accepted accounting principles (“GAAP”) and does not have a standardized meaning prescribed by GAAP. Management cautions investors that EBITDA should not replace net income or loss as an indicator of performance, or cash flows from operating, investing, and financing activities as a measure of the Fund's liquidity and cash flows. The Fund's method of calculating EBITDA may differ from the methods used by other issuers.

Distributable cash is a non-GAAP measure generally used by Canadian income funds as an indicator of financial performance. The Fund defines distributable cash as EBITDA less interest expense, maintenance capital expenditures, and current taxes. The method of calculating the Fund's distributable cash may differ from similar computations as reported by similar entities and, accordingly, may not be comparable to distributable cash as reported by such entities.

FORWARD-LOOKING STATEMENTS

This Management Discussion and Analysis may contain forward-looking statements which reflect our expectations regarding the future growth, results of operations, performance and business prospects, and opportunities of the Fund. Forward-looking statements contain such words as "anticipate", "believe", "continue", "could", "expects", "intend", "plans" or similar expressions suggesting future conditions or events. Such forward-looking statements reflect our current beliefs and are based on information currently available to us. 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 the effects, as well as changes in national and local business conditions, decreased crop yields, industry cyclicality, and competition. 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.

ADDITIONAL INFORMATION

Additional information relating to the Fund, including all public filings, is available on SEDAR (www.sedar.com).

INVESTOR RELATIONS

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Unaudited Interim Consolidated Financial Statements

Ag Growth Income Fund

June 30, 2005

Ag Growth Income Fund

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEETS

	As at June 30, 2005 $	As at December 31, 2004 $
ASSETS *[notes 10 and 11]*		
Current		
Cash and cash equivalents	**—**	6,736,141
Cash held in trust	**406,133**	—
Restricted cash *[note 15]*	**291,980**	265,788
Accounts receivable	**16,508,442**	4,515,053
Inventory *[note 6]*	**20,989,465**	15,473,577
Prepaid expenses and other assets	**752,008**	958,425
Total current assets	**38,948,028**	27,948,984
Property, plant and equipment *[note 7]*	**12,653,149**	5,623,174
Other assets		
Goodwill	**35,972,731**	32,888,891
Intangible assets *[note 8]*	**59,805,768**	53,144,658
Deferred financing costs *[note 9]*	**289,317**	454,559
Future tax assets *[note 13]*	**518,000**	563,000
Deferred foreign exchange loss	**164,648**	47,900
	96,750,464	87,099,008
	148,351,641	120,671,166
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Bank indebtedness *[note 10]*	**6,017,438**	—
Accounts payable and accrued liabilities	**6,016,634**	4,044,845
Customer deposits	**847,337**	3,825,171
Income taxes payable	**456,013**	75,593
Distributions payable	**1,764,171**	2,789,041
Long-term incentive plan *[note 15]*	**291,980**	265,788
Current portion of long-term debt *[note 11]*	**33,495**	33,495
Total current liabilities	**15,427,068**	11,033,933
Long-term debt *[note 11]*	**20,051,844**	20,068,593
Total liabilities	**35,478,912**	31,102,526
Commitments *[notes 16 and 18]*		
Unitholders' equity	**112,872,729**	89,568,640
	148,351,641	120,671,166

See accompanying notes

On behalf of the Board of Trustees:

Rod Senft
Trustee

John R. Brodie, FCA
Trustee

Ag Growth Income Fund

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS

	Three month period ended		Six-month period ended	99-day period ended
	June 30, 2005	June 30, 2004*	June 30, 2005	June 30, 2004* [note 2]
	$	$	$	$
Sales	**24,363,985**	7,855,620	**40,377,423**	7,855,620
Cost of goods sold	**13,011,411**	4,027,782	**21,592,574**	4,027,782
Gross margin	**11,352,574**	3,827,838	**18,784,849**	3,827,838
Expenses				
Selling, general and administration	**3,508,376**	1,160,203	**6,401,006**	1,160,203
Professional fees	**134,707**	57,052	**257,559**	57,052
Long-term incentive plan	**26,192**	—	**26,192**	—
Research and development	**155,137**	34,611	**367,069**	34,611
Capital taxes	**42,963**	40,829	**125,000**	40,829
Loss (gain) on foreign exchange	**(115,822)**	520,696	**(335,842)**	520,696
Other expenses (income)	**(68,946)**	3,965	**(78,523)**	3,965
	3,682,607	1,817,356	**6,762,461**	1,817,356
Earnings before the following	**7,669,967**	2,010,482	**12,022,388**	2,010,482
Interest expense				
Short-term debt	**8,092**	43,656	**12,610**	43,656
Long-term debt	**215,742**	103,117	**424,256**	103,117
	223,834	146,773	**436,866**	146,773
Earnings before amortization and income taxes	**7,446,133**	1,863,709	**11,585,522**	1,863,709
Amortization of property, plant and equipment	**578,599**	103,252	**765,177**	103,252
Amortization of deferred financing costs	**82,616**	119,685	**165,242**	119,685
Amortization of intangible assets	**440,890**	168,767	**790,890**	168,767
	1,102,105	391,704	**1,721,309**	391,704
Earnings before provision for income taxes	**6,344,028**	1,472,005	**9,864,213**	1,472,005
Provision for income taxes *[note 13]*				
Current	**15,000**	5,000	**30,000**	5,000
Future	**74,000**	26,000	**130,000**	26,000
	89,000	31,000	**160,000**	31,000
Net earnings for the period	**6,255,028**	1,441,005	**9,704,213**	1,441,005
Basic and diluted net earnings per unit	**0.56**	0.15	**0.94**	0.15
Basic and diluted weighted average number of units outstanding	**11,102,308**	9,630,000	**10,370,221**	9,630,000

* [includes the results of Ag Growth's operations for the period May 18, 2004 to June 30, 2004].

See accompanying notes

Ag Growth Income Fund

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF UNITHOLDERS' EQUITY

Six-month period ended June 30, 2005

	Unitholders' capital $	**Accumulated earnings** $	**Accumulated distributions** $	**Total** $
	[note 12]			
Balance, beginning of period	**89,954,248**	**8,723,409**	**(9,109,017)**	**89,568,640**
Issuance of units *[note 5]*	**21,532,500**	**—**	**—**	**21,532,500**
Issuance costs *[note 5]*	**(1,025,502)**	**—**	**—**	**(1,025,502)**
Net earnings for the period	**—**	**9,704,213**	**—**	**9,704,213**
Distributions declared	**—**	**—**	**(6,907,122)**	**(6,907,122)**
Balance, end of period	**110,461,246**	**18,427,622**	**(16,016,139)**	**112,872,729**

99-day period ended June 30, 2004

[includes the results of Ag Growth's operations
for the period May 18, 2004 to June 30, 2004] *[note 2]*

	Unitholders' capital $	**Accumulated earnings** $	**Accumulated distributions** $	**Total** $
Issuance of initial subscriber units	30	—	—	30
Redemption of initial subscriber units	(30)	—	—	(30)
Issuance of units on initial public offering	69,040,000	—	—	69,040,000
Issuance costs	(6,345,752)	—	—	(6,345,752)
Issuance of AGHLP units as consideration on acquisition of Ag Growth	27,260,000	—	—	27,260,000
Net earnings for the period	—	1,441,005	—	1,441,005
Distributions declared	—	—	(1,522,503)	(1,522,503)
Balance, end of period	89,954,248	1,441,005	(1,522,503)	89,872,750

See accompanying notes

Ag Growth Income Fund

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS [page 1]

	Three-month period ended		Six-month period ended	99-day period ended
	June 30, 2005	June 30, 2004*	June 30, 2005	June 30, 2004* *[note 2]*
	$	$	$	$
OPERATING ACTIVITIES				
Net earnings for the period	**6,255,028**	1,441,005	**9,704,213**	1,441,005
Add charges to operations not requiring a current cash payment				
Amortization	**1,102,105**	391,704	**1,721,309**	391,704
Future income taxes	**74,000**	26,000	**130,000**	26,000
Deferred foreign exchange loss	**(73,722)**	(207,323)	**(116,748)**	(207,323)
Loss (gain) on sale of property, plant and equipment	**(10,082)**	490	**(10,082)**	490
	7,347,329	1,651,876	**11,428,692**	1,651,876
Net change in non-cash working capital balances related to operations				
Accounts receivable	**(6,642,512)**	(2,097,965)	**(10,644,559)**	(2,097,965)
Inventory	**(209,216)**	(659,917)	**(1,843,285)**	(659,917)
Prepaid expenses and other assets	**186,847**	(108,314)	**380,663**	(108,314)
Accounts payable and accrued liabilities	**(122,400)**	(1,524,211)	**611,685**	(1,524,211)
Long-term incentive plan	**26,192**	—	**26,192**	—
Income taxes payable	**(19,609)**	(190)	**380,420**	(190)
Customer deposits	**(1,182,685)**	—	**(2,977,834)**	—
	(7,963,383)	(4,390,597)	**(14,066,718)**	(4,390,597)
Cash used in operating activities	**(616,054)**	(2,738,721)	**(2,638,026)**	(2,738,721)
INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	**(469,095)**	(269,350)	**(803,570)**	(269,350)
Acquisition of assets of the Edwards Group of Companies	**(21,241,746)**	—	**(21,688,415)**	—
Cash held in trust related to acquisition of the Edwards Group of Companies	**(406,133)**	—	**(406,133)**	—
Transfer to restricted cash for long-term incentive plan	**(26,192)**	—	**(26,192)**	—
Proceeds from sale of property, plant and equipment	**10,500**	24,767	**10,500**	24,767
Acquisition of Ag Growth Industries Inc.	—	(32,221,385)	—	(32,221,385)
Cash held in trust related to acquisition of Ag Growth Industries Inc.	—	(41,817)	—	(41,817)
Pre-existing Fund structure tax credits received	**240,000**	—	**240,000**	—
Cash used in investing activities	**(21,892,666)**	(32,507,785)	**(22,673,810)**	(32,507,785)

Ag Growth Income Fund

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS [page 2]

	Three-month period ended		Six-month period ended	99-day period ended
	June 30, 2005	June 30, 2004*	June 30, 2005	June 30, 2004* *[note 2]*
	$	$	$	$
FINANCING ACTIVITIES				
Increase in bank indebtedness	**6,017,438**	2,233,708	**6,017,438**	2,233,708
Repayment of long-term debt	**(8,374)**	(32,882,057)	**(16,749)**	(32,882,057)
Distributions paid	**(4,129,105)**	—	**(7,931,992)**	—
Issuance of units, net of expenses	**20,506,998**	—	**20,506,998**	—
Issuance of long-term debt	—	20,082,470	—	20,082,470
Increase in deferred financing costs on long-term debt	—	(1,985,677)	—	(1,985,677)
Initial public offering of fund units, net of expenses	—	64,106,528	—	64,106,528
Redemption of Class D preferred shares of Ag Growth	—	(16,000,000)	—	(16,000,000)
Payment of dividend on Class D preferred shares of Ag Growth	—	(308,466)	—	(308,466)
Cash provided by financing activities	**22,386,957**	35,246,506	**18,575,695**	35,246,506
Net increase (decrease) in cash and cash equivalents during the period	**(121,763)**	—	**(6,736,141)**	—
Cash and cash equivalents, beginning of period	**121,763**	—	**6,736,141**	—
Cash and cash equivalents, end of period	—	—	—	—
Supplemental cash flow information				
Interest paid	**228,307**	117,431	**447,694**	117,431
Income taxes paid (recovered)	**(205,393)**	5,190	**(339,970)**	5,190

* [includes the results of Ag Growth's operations for the period May 18, 2004 to June 30, 2004].

See accompanying notes

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2005

1. ORGANIZATION AND NATURE OF BUSINESS

Ag Growth Income Fund [the "Fund"] is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario by a Declaration of Trust made as at March 24, 2004. The Fund and its wholly-owned subsidiaries conduct business in the grain handling, storage, and conditioning market. Each unitholder participates pro rata in distributions of net earnings and, in the event of termination, participates pro rata in the net assets remaining after satisfaction of all liabilities. Income tax obligations related to the distribution of net earnings by the Fund are the obligations of the unitholders.

2. BASIS OF PRESENTATION

The Fund prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles. The unaudited interim consolidated financial statements should be read in conjunction with the Fund's annual consolidated financial statements as at and for the 283-day period ended December 31, 2004.

Accounting measurements at interim dates inherently involve greater reliance on estimates than at year end. In the opinion of management, the unaudited interim consolidated financial statements include all adjustments of a normal recurring nature to present fairly the consolidated financial position of the Fund as at June 30, 2005.

These unaudited interim consolidated financial statements reflect the results of operations of the Fund for the three-month and six-month periods ended June 30, 2005. Although a Declaration of Trust for the Fund was made on March 24, 2004, the Fund was inactive until its acquisition of Ag Growth Industries Inc. ["Ag Growth"] on May 18, 2004. As a result, comparative financial information, for the three-month and 99-day periods ended June 30, 2004, provided on the statements of earnings, unitholders' equity and cash flows only include the results of Ag Growth's operations for the period May 18, 2004 to June 30, 2004.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are summarized below:

Principles of consolidation

The consolidated financial statements include the accounts of the Fund and its wholly-owned subsidiaries Ag Growth Operating Trust, AGX Holdings Inc., AGX Holdings Limited Partnership ["AGHLP"], Ag Growth Industries Limited Partnership, Ag Growth, Westfield Distributing Ltd. and Westfield Distributing (North Dakota) Inc. All material intercompany balances and transactions have been eliminated.

Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid money market funds with maturities of less than three months.

Inventory

Inventory is comprised of raw materials and finished goods. Raw materials are recorded at the lower of cost and replacement cost. Finished goods are recorded at the lower of cost, which includes direct costs and an allocation of direct manufacturing overhead, and net realizable value. Cost is determined on a first-in, first-out basis.

Property, plant and equipment

Property, plant and equipment are recorded at cost, net of amortization. Amortization is provided over the estimated useful lives of the assets using the following rates and methods:

Buildings	4% - 5%	declining balance
Leasehold improvements	20%	straight line
Furniture and fixtures	20%	declining balance
Automotive equipment	20% - 30%	declining balance
Computer equipment	30%	declining balance
Manufacturing equipment	20% - 30%	declining balance

Goodwill

Goodwill represents the amounts paid to acquire Ag Growth and the Edwards Group in excess of the estimated fair value of the net identifiable assets acquired. Goodwill is not subject to amortization. Goodwill is tested for impairment at least annually by comparing the estimated fair value of its reporting unit to its carrying value. The carrying value of goodwill is written down to estimated fair value if the carrying value of the reporting unit's goodwill exceeds its estimated fair value.

Intangible assets

Intangible assets are comprised of Ag Growth and the Edwards Group's brand names, which are considered to have an indefinite life, Ag Growth and the Edwards Group's distribution networks, which are being amortized over 25 years on a straight-line basis, and a patent acquired from the Edwards Group which is being amortized over a one year period. Indefinite life intangible assets are tested for impairment at least annually by comparing their estimated fair values to their carrying values. The carrying value of an indefinite life intangible asset is written down to its estimated fair value if its carrying value exceeds its estimated fair value.

Impairment of property, plant and equipment and finite life intangible assets

Impairment of property, plant and equipment and finite life intangible assets is recognized when an event or change in circumstances causes the asset's carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated by deducting the estimated fair value of the asset from its carrying value.

Deferred financing costs

Deferred financing costs are amortized on a straight-line basis over the two-year term of the related debt financing.

Income taxes

The Fund is a mutual fund trust for income tax purposes and therefore is not subject to tax on income distributed to unitholders. Taxes payable on income of the Fund distributed to unitholders are the responsibility of individual unitholders.

The Fund's corporate subsidiaries use the liability method of accounting for income taxes. Under this method, assets or liabilities are recognized for the future income tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Future income taxes are measured using the substantively enacted tax rates expected to be in effect in the years in which those temporary differences are expected to reverse. Future income tax benefits are recognized when realization is considered more likely than not.

Foreign currency translation

The Fund follows the temporal method of accounting for the translation of its integrated foreign subsidiary and foreign currency transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the exchange rates in effect at the consolidated balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at their historical exchange rates. Revenue and expenses denominated in foreign currencies are translated to Canadian dollars at the monthly rate of exchange. Gains and losses on translation are reflected in net earnings for the period.

Revenue recognition

The Fund recognizes revenue when the risks and rewards of ownership in the products have transferred to its customer and collection is reasonably assured. Subject to the terms of the contract, these criteria are generally met when the products are shipped, freight on board shipping point. For products on consignment, revenue is recognized upon the sale of the product by the consignee. Provision is made at the time revenue is recognized for estimated product returns and warranties.

Research and development

Research expenses are charged to earnings in the period they are incurred. Development expenses are charged to earnings unless the Fund believes the costs meet generally accepted criteria for deferral and amortization.

Leases

Leases are classified as either capital or operating. Leases which transfer substantially all the benefits and risks of ownership of the property to the Fund are accounted for as capital leases. Capital lease obligations reflect the present value of future lease payments, discounted at the appropriate interest rate. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred.

Net earnings per unit

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

Long-term incentive plan

Under the terms of the long-term incentive plan [“LTIP”], 10% to 20% of cash distributions in excess of an established threshold are contributed to a pool of funds set aside to purchase units of the Fund in the market. The cost is accrued as an expense in the period when cash distributions exceed the thresholds established by the LTIP.

Derivative financial instruments

Derivative financial instruments are utilized by the Fund in the management of its foreign currency and interest rate exposures. The Fund's policy is not to utilize derivative financial instruments for trading or speculative purposes.

The Fund formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking forward foreign exchange contracts and interest rate swaps to specific anticipated sales transactions and long-term debt, respectively, on the consolidated balance sheet. The Fund also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The Fund purchases forward foreign exchange contracts to hedge anticipated sales to customers in the United States and the collection of the related accounts receivable. Foreign exchange translation gains and losses on foreign currency denominated derivative financial instruments used to hedge anticipated U.S. dollar denominated sales are recognized as an adjustment of the revenues when the sale is recorded. For forward foreign exchange contracts used to hedge anticipated U.S. dollar denominated sales and the collection of the related accounts receivable, the portion of the forward premium or discount on the contract relating to the period prior to consummation of the sale is also recognized as an adjustment of the revenues when the sale is recorded; and the portion of the premium or discount that relates to the resulting account receivable is amortized over the expected period to collection of the accounts receivable.

The Fund also enters into interest rate swaps in order to reduce the impact of fluctuating interest rates on its long-term debt. These swap agreements require the periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. The Fund designates its interest rate hedge agreements as hedges of the underlying debt. Interest expense on the debt is adjusted to include the payments made or received under the interest rate swaps.

Realized and unrealized gains or losses associated with derivative instruments, which have been terminated or cease to be effective prior to maturity, are deferred under other current, or non-current, assets or liabilities on the consolidated balance sheet and recognized in earnings in the period in which the underlying hedged transaction is recognized. In the event a designated hedged item is sold, extinguished or matures prior to the termination of the related derivative instrument, any realized or unrealized gain or loss on such derivative instrument is recognized in earnings.

The Fund also uses foreign currency swap agreements to manage its cash positions. The Fund's foreign currency swap agreements do not qualify for hedge accounting. These swaps are measured at their fair value and included in accounts payable and accrued liabilities on the consolidated balance sheet. Changes in the fair value of the swaps are recognized in earnings and are included in other income in the corresponding period.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the consolidated balance sheet date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

4. SEASONALITY OF BUSINESS

Interim period revenues and earnings historically reflect some seasonality. The third quarter is typically the strongest primarily due to high in-season demand at the farm level.

The Fund'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.

In order to ensure the Fund has adequate supply throughout its distribution network in advance of the in-season demand experienced primarily in the third quarter, inventory levels must be increased throughout the year. Accordingly, inventory levels increase in the first and second quarters and then begin to decline in the third and fourth quarters as sales levels exceed production.

As a result of these working capital movements, historically, the Fund's use of its bank revolver is typically highest in the first and second quarters. The revolver balance begins to decline in the third quarter as collections of accounts receivable increase and inventory levels begin to decrease. The Fund would expect to repay its revolver in the fourth quarter of each year.

5. ISSUANCE OF FUND UNITS AND ACQUISITION

Effective April 8, 2005, the Fund acquired substantially all of the assets of The Edwards Group of Companies ["the Edwards Group"], a leading manufacturer of agricultural aeration equipment, for cash consideration in the amount of $21,688,415. In conjunction with the acquisition, the Fund completed a private placement of 1,595,000 Trust Units priced at $13.50 per unit for gross proceeds of $21,532,500. The Fund has recorded expenses in connection with the acquisition and offering, including commissions payable to the underwriters, of $1,025,502.

The acquisition has been accounted for by the purchase method with the results of the Edwards Group's operations included in the Fund's earnings from the date of acquisition [the unaudited interim consolidated statement of earnings includes the results of the Edward Group's operations for the 84-day period from April 8, 2005 to June 30, 2005]. These unaudited interim consolidated financial statements reflect the assets and liabilities of the Edwards Group at assigned estimated fair values as follows:

	$
Net assets acquired	
Accounts receivable	**1,348,830**
Inventory	**3,672,603**
Prepaid expenses and other assets	**174,246**
Property, plant and equipment	**6,992,000**
Intangible assets	
Brand name	**4,363,000**
Distribution network	**2,839,000**
Patent	**250,000**
Goodwill	**3,408,840**
Accounts payable and accrued liabilities	**(1,360,104)**
	21,688,415

6. INVENTORY

	June 30, 2005 $	December 31, 2004 $
Raw materials	**6,288,661**	4,080,743
Finished goods	**14,700,804**	11,392,834
	20,989,465	15,473,577

7. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2005			December 31, 2004		
	Cost	Accumulated amortization	Net book value	Cost $	Accumulated amortization $	Net book value $
Land	**861,315**	**—**	**861,315**	611,315	—	611,315
Buildings	**5,126,890**	**210,243**	**4,916,647**	2,940,739	80,893	2,859,846
Leasehold improvements	**7,000**	**4,942**	**2,058**	10,486	2,942	7,544
Furniture and fixtures	**104,200**	**14,931**	**89,269**	83,543	10,831	72,712
Automotive equipment	**1,496,759**	**359,849**	**1,136,910**	1,197,541	183,447	1,014,094
Computer equipment	**392,724**	**98,159**	**294,565**	285,842	60,667	225,175
Manufacturing equipment	**5,978,685**	**626,300**	**5,352,385**	998,442	165,954	832,488
	13,967,573	**1,314,424**	**12,653,149**	6,127,908	504,734	5,623,174

8. INTANGIBLE ASSETS

	June 30, 2005			December 31, 2004		
	Cost	**Accumulated amortization**	**Net book value**	**Cost**	**Accumulated amortization**	**Net book value**
	$	$	$	$	$	$
Distribution network	**37,839,000**	**1,583,732**	**36,255,268**	35,000,000	855,342	34,144,658
Brand name	**23,363,000**	**—**	**23,363,000**	19,000,000	—	19,000,000
Patent	**250,000**	**62,500**	**187,500**	—	—	—
	61,452,000	**1,646,232**	**59,805,768**	54,000,000	855,342	53,144,658

9. DEFERRED FINANCING COSTS

	June 30, 2005			December 31, 2004		
	Cost	**Accumulated amortization**	**Net book value**	**Cost**	**Accumulated amortization**	**Net book value**
	$	$	$	$	$	$
	661,011	**371,694**	**289,317**	661,011	206,452	454,559

10. BANK INDEBTEDNESS

The Fund has an operating facility of $15 million, increasing to $18 million for the period May 31 to September 30. The facility bears interest at rates of prime plus 0.25%, 0.75% or 1.25% per annum based on performance calculations. The effective interest rate during the three-month and six-month periods ended June 30, 2005 was 4.50% [three-month and 99-day periods ended June 30, 2004 – 4.0%]. At June 30, 2005, $6 million [December 31, 2004 - $Nil] was outstanding under this facility. Collateral for the operating facility includes a general security agreement over all assets and first position collateral mortgages on land and buildings.

Subsequent to June 30, 2005, certain terms of the operating facility were amended *[note 11]*.

11. LONG-TERM DEBT

	June 30, 2005 $	December 31, 2004 $
Term loan interest payable monthly at prime plus 0.25%, 0.75% or 1.25% per annum based on performance calculations. As described in note 16, the Fund has entered into a swap contract that effectively fixes the Fund's interest rate at 3.07% plus 1.25%, 1.75% or 2.25% per annum based on performance calculations. The effective interest rate during the three month and six month periods ended June 30, 2005 would have been 4.5% [three-month and 99-day periods ended June 20, 2004 – 4.5%] and after consideration of the effect of the interest rate swap was 4.32% [three-month and 99-day periods ended June 30, 2004 – 4.32%]	**20,000,000**	20,000,000
GMAC loans, 0% maturing in 2007 and 2008, with monthly payments of $2,791. Vehicles financed are pledged as collateral	**85,339**	102,088
	20,085,339	20,102,088
Less current portion	**33,495**	33,495
	20,051,844	20,068,593

Under the agreement for the term loan, the Fund is required to maintain certain financial covenants. As at June 30, 2005 and December 31, 2004, the Fund was in compliance with the applicable financial covenant terms. Collateral for the term loan and operating facility *[note 10]* includes a general security agreement over all assets and first position collateral mortgages on land and buildings.

The term loan matures May 2006 and is extendible annually for an additional one-year term at the lender's option. Subsequent to June 30, 2005, the Fund renegotiated certain terms of its credit facility arrangement including an extension of the term loan and a reduction in interest rates. Under the amended terms of the credit facility agreement, if the bank elects to not extend the operating loan and term loan facilities beyond the current May 31, 2006 maturity date, all amounts outstanding under the facilities become repayable in equal quarterly instalments of principal, commencing on September 30, 2006, with the final instalment to be paid on May 31, 2008. In addition, under the amended terms of the facility agreement, the operating and term loan facilities will bear interest at prime plus 0.0%, 0.50%, or 1.00% per annum based on performance calculations. It is management's intention to renegotiate the term loan facilities on a long-term basis.

Principal repayments due within the next four fiscal years, if the term loan is not renewed and is repayable commencing September 30, 2006, are as follows:

	$
2005 [July 1 – December 31]	16,746
2006	5,033,495
2007	10,027,008
2008	5,008,090
	20,085,339

Collateral for the term loan and operating facility *[note 10]* includes a general security agreement over all assets and first position collateral mortgages on land and buildings.

12. UNITHOLDERS' CAPITAL

Unitholders' capital is comprised of the following:

	Fund Trust units $	**Class B Exchangeable units of AGHLP** $	**Class C Exchangeable units of AGHLP** $	**Total Unitholders' capital** $
Balance, December 31, 2004	68,883,378	1,810,870	19,260,000	89,954,248
Issuance of units, net of costs *[note 5]*	20,506,998	—	—	20,506,998
Exchange of units	111,090	(111,090)	—	—
Balance, June 30, 2005	**89,501,466**	**1,699,780**	**19,260,000**	**110,461,246**

	Fund Trust units #	Class B Exchangeable units of AGHLP #	Class C Exchangeable units of AGHLP #
Balance, December 31, 2004	7,522,913	181,087	1,926,000
Issuance of units *[note 5]*	1,595,000	—	—
Exchange of units	11,109	(11,109)	—
Balance, June 30, 2005	**9,129,022**	**169,978**	**1,926,000**

The Fund Declaration of Trust provides that an unlimited number of trust units may be issued. Each trust unit represents an equal undivided beneficial interest in the Fund and any distributions from the Fund. Each trust unit is transferable, entitles the holder thereof to participate equally in distributions of the Fund, is not subject to future calls or assessments, entitles the holder to rights of redemption and entitles the holder to one vote at all meetings of unitholders.

The Fund Declaration of Trust also provides for the issuance of an unlimited number of Special Voting Units. The Special Voting Units are only issuable for the purpose of providing voting rights to the holders of Exchangeable LP Units or Subordinated LP Units. Each unit is entitled to one vote on matters related to the Fund. The Special Voting Units are not entitled to any interest or share in the Fund or in any distribution from the Fund. There is no value attached to these units. At June 30, 2005, there were 2,095,978 Special Voting Units outstanding [December 31, 2004 – 2,107,087 units], which were attached to the outstanding Class B Exchangeable LP Units of AGHLP and the Class C Exchangeable Subordinated LP Units of AGHLP.

The Class B Exchangeable LP Units of AGHLP are exchangeable for trust units of the Fund at the option of the holder on a one-for-one basis at any time. During the six-month period ended June 30, 2005, 11,109 Class B Exchangeable LP Units of AGHLP, with a value of $111,090, were exchanged into 11,109 Units of the Fund.

The Class C Subordinated Exchangeable LP Units of AGHLP are exchangeable for Class B Exchangeable LP Units of AGHLP on a one-for-one basis at the option of the holder after December 31, 2009 and by AGHLP on the subordination end date which can be no earlier than June 30, 2006, and is determined based on certain earnings and cash distribution thresholds of the Fund.

13. INCOME TAXES

Income tax obligations relating to distributions from the Fund are the obligations of the unitholders and accordingly, no provision for income taxes on the income of the Fund has been made. A provision for income taxes is recognized for the corporate subsidiaries of the Fund, which are subject to tax, including large corporation tax.

The provision for income taxes varies from the amount that would be expected if computed by applying the Canadian federal and provincial statutory income tax rates to the earnings before income taxes as shown in the following table:

	Three-month period ended June 30, 2005		**Three-month period ended June 30, 2004**		**Six-month period ended June 30, 2005**		**99-day period ended June 30, 2004**	
	$	%	$	%	$	%	$	%
Earnings before income taxes	**6,344,028**		1,472,005		**9,864,213**		1,472,005	
Temporary differences and non-tax deductible expenses	**(104,003)**		173,040		**(29,191)**		173,040	
Earnings subject to tax in the hands of unitholders/limited partners	**(6,050,787)**		(1,575,043)		**(9,498,172)**		(1,575,043)	
Net income of subsidiary companies	**189,238**		70,002		**336,850**		70,002	
Provision for income taxes	**74,000**	**39**	26,000	37	**130,000**	**39**	26,000	37
Large corporation tax	**15,000**	**8**	5,000	7	**30,000**	**9**	5,000	7
Income tax provision	**89,000**	**47**	31,000	44	**160,000**	**48**	31,000	44

During the three-month period ended June 30, 2005, the Fund recorded $240,000 of tax credits and $85,000 of benefits related to non-capital loss carryforwards which pre-existed the Fund structure and have been credited to goodwill.

Significant components of the Fund's future tax assets are shown below:

	June 30, 2005	**December 31, 2004**
	$	$
Future tax assets		
Financing costs	**247,000**	377,000
Non-capital losses	**271,000**	186,000
	518,000	563,000

The non-capital losses expire as follows:

	$
2014	186,000
2015	85,000

14. DISTRIBUTIONS TO UNITHOLDERS

Distributions of $0.3403 and $0.6661 per unit of the Fund and per Class B and Class C Exchangeable units of AGHLP, were declared for the three-month and six-month periods ended June 30, 2005 respectively. This amounted to $3,778,335 and $6,907,122 respectively [three-month and 99-day periods ended June 30, 2004 amounted to $1,522,503 or $0.1581 per unit].

15. LONG TERM INCENTIVE PLAN

Key senior management of the Fund are eligible to participate in the Fund's LTIP. The purpose of the LTIP is to provide eligible participants with compensation opportunities that encourage ownership of units of the Fund, enhance the Fund's ability to attract, retain and motivate key personnel and reward key senior management for significant performance and associated growth in distributions. Pursuant to the LTIP, the Fund sets aside a pool of funds based upon the amount by which the Fund's distributions exceed cash distribution thresholds [as defined in the LTIP plan documents]. A trustee then purchases units of the Fund in the market with such pool of funds and holds these units until such time as ownership vests to each participant. The LTIP is administered by the Corporate Governance and Compensation Committee.

The Board of Trustees of the Fund or the Corporate Governance and Compensation Committee has the power to, among other things, determine those individuals who participate in the LTIP and determine the level of participation of each participant.

The Fund has a recorded liability at June 30, 2005 of $291,980 [December 31, 2004 - $265,788] with respect to purchases of units to be made in the market. An equal amount of cash has been restricted for this purpose.

16. FINANCIAL INSTRUMENTS

The Fund has the following financial instruments: cash and cash equivalents, restricted cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, customer deposits, distributions payable, long-term incentive plan, long-term debt, an interest rate swap arrangement, forward foreign exchange contracts and foreign currency swap agreements. It is management's opinion that the Fund is not exposed to significant credit risks arising from these financial instruments.

Currency exposures

Risk from foreign exchange arises as a result of variations in exchange rates between the Canadian and the U.S. dollar. The Fund has entered into forward foreign exchange contracts to hedge its foreign currency exposure on anticipated U.S. dollar sales transactions and the collection of the related accounts receivable. At June 30, 2005, the Fund had outstanding forward foreign exchange contracts as follows:

Settlement dates	**Face value** $U.S.	**Average rate** $Cdn
July 2005 to December 2005	17,100,000	1.3159
March 2006 to December 2006	18,500,000	1.3227
March 2007 to December 2007	4,625,000	1.2357

At June 30, 2005, the Fund also had outstanding foreign currency swap agreements as follows:

Settlement dates	**Face value** $U.S.	**Average rate** $Cdn
July 2005	800,000	1.2280
August 2005	1,500,000	1.2275
September 2005	600,000	1.2299

Interest rate exposures

The Fund is subject to risks associated with fluctuating interest rates on its long-term debt. To manage this risk, the Fund has entered into, for hedging purposes, an interest rate swap transaction with a Canadian chartered bank. The swap transaction expires on May 4, 2006. The swap transaction involves the exchange of the underlying floating interest rate of prime plus 0.25% to 1.25% per annum for an effective fixed interest rate of 3.07% plus 1.25% to 2.25% per annum based on performance calculations. The notional amount of the swap transaction at June 30, 2005 and December 31, 2004 was $20,000,000.

Subsequent to June 30, 2005, concurrent with the amendment of the terms of the long-term debt *[note 11],* the swap transaction will have an effective fixed interest rate of 3.07% plus 1.00% to 2.00% per annum.

Fair value

At June 30, 2005, the carrying value of the Fund's financial instruments approximates their fair value with the exception of derivative financial instruments. At June 30, 2005, a cash payment of $48,374 would have been due to settle the interest rate swap agreement. The unrealized gain on forward foreign exchange contracts was $3,743,138 at June 30, 2005. Upon maturity of the forward foreign exchange contracts, any gain/loss would be recognized in sales and/or realized foreign exchange gain/loss in the consolidated statement of earnings.

17. SEGMENTED DISCLOSURE

The Fund operates in one business segment related to the manufacturing and distributing of portable grain handling and aeration equipment. Geographic information about the Fund's revenues is based on the product shipment destination. Assets are based on their physical location as at the period end:

	Revenues				Property, plant and equipment, goodwill and intangible assets at	
	Three-month period ended June 30, 2005	Three-month period ended June 30, 2004	Six-month period ended June 30, 2005	99-day period ended June 30, 2004	June 30, 2005	December31, 2004
	$	$	$	$	$	$
Canada	**8,035,598**	2,170,148	**12,468,208**	2,170,148	**108,199,210**	91,420,726
United States	**15,487,232**	5,168,102	**26,395,602**	5,168,102	**232,438**	235,997
International	**841,155**	517,370	**1,513,613**	517,370	**—**	—
	24,363,985	7,855,620	**40,377,423**	7,855,620	**108,431,648**	91,656,723

18. COMMITMENTS

The Fund has entered into various operating leases for office equipment, warehouse facilities and vehicles. Minimum annual lease payments required in aggregate and over the next five fiscal years are as follows:

	$
2005 [July 1 to December 31]	192,747
2006	285,827
2007	215,006
2008	107,656
2009	21,282
	822,518

In addition, the Fund is committed to entering into an operating lease for equipment over a 5 year period with total lease payments of approximately $590,000. The lease terms will be finalized in 2005.

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.

AG GROWTH INCOME FUND
CORPORATE DATA

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