ANNUAL REPORT 2004

AG GROWTH INCOME FUND

Ag Growth Income Fund

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Auditors: Ernst & Young LLP (Winnipeg)

Transfer Agent: Computershare Trust Company of Canada

Shares Listed: Toronto Stock Exchange
Stock Symbol: AFN.UN

Ag Growth
IPO: May 18, 2004 (Founded: 1996)

Batco Manufacturing
Acquired: 1997 (Founded: 1992)

Wheatheart Manufacturing
Acquired: 1998 (Founded: 1973)

Westfield Industries
Acquired: 2000 (Founded: 1950)

Edwards Group
Acquired: 2005 (Founded: 1991)

To Our Unitholders:

On behalf of the Board of Trustees, management and employees of Ag Growth it is my pleasure to welcome you to the first Annual Report of the Ag Growth Income Fund. With the establishment of the Fund on March 24, 2004 and the subsequent IPO on May 18, 2004, the audited statements encompass a partial year only. However, we have provided you with some additional flavor, particularly in the President's message that will offer you a broader perspective of the Fund and its activities.

Although chairmanship of this Fund is a relatively new responsibility, my involvement and that of my firm, Tricor Pacific Capital, dates back five years. What appealed to us then, still appeals to us today. Simply stated, we like the fundamentals of the business. Ag Growth is a market leader in its niche as a low cost producer with strong brand loyalty and a demonstrated ability to consistently generate high margins and strong free cashflow. In some ways, the most intriguing aspect of the business is its highly motivated entrepreneurial minded senior management team. Rob Stenson and his team show fierce determination in their pursuit of product excellence, customer satisfaction and market leadership.

As we look to the future, we believe Ag Growth is well positioned to capitalize on further growth opportunities. We have demonstrated an ability to grow both organically and through accretive acquisitions. Ag Growth enjoys the support of a dedicated and highly talented Board of Trustees, along with some of the finest financial and legal professionals in the business. We appreciate everyone's interest and support in our inaugural year and look forward to your continued participation in the years to come.

Sincerely,

Rod Senft
Chairman of the Board
Ag Growth Income Fund

President's Message

On behalf of management, our employees and the Board of Trustees of Ag Growth Income Fund, we welcome new unitholders and invite you to read our first annual report. This report encompasses the period from the Fund's IPO on May 18, 2004 through December 31, 2004. I would like to take this opportunity to give you a brief overview of the evolution of the Fund, our strategy and the industry in which we operate.

The roots of the company lie in Swift Current, Saskatchewan, at Batco Manufacturing, which was launched by members of the current management team in the early 1990s. Batco designs and builds belt conveyors targeted at gentle handling applications on the farm. We successfully capitalized on a growing trend in specialty crop production in Western Canada. Having met with success in this market niche, management next set its sights on the much larger US market. As a result, further growth was realized and opportunities for strategic product line expansion arose as dealers demanded a greater breadth and scope of product offerings.

In November 1996, Ag Growth was formed and subsequently completed a reverse takeover of Batco Manufacturing. The company's expanded strategy included a platform to grow organically while also attracting new investment to acquire additional product lines that were synergistic with our current offerings.

In May 1998, Ag Growth bought Wheatheart Manufacturing of Saskatoon, Saskatchewan. This provided an extension into additional grain handling equipment and accessories. Wheatheart has benefited from the geographic diversification of Ag Growth while our relationship with our customers has benefited from a broader catalogue of related products.

In May 2000, Ag Growth bought Westfield Industries of Rosenort, Manitoba. Westfield is the largest manufacturer of portable grain augers in North America. Ag Growth's combination of three market niche leaders has resulted in the most competitive offering of portable grain handling equipment throughout North America and, increasingly, worldwide.

Our strategy has remained consistent throughout our stages of development, from conceptual start-up to becoming a publicly traded trust on the TSX.

Our ultimate goal is to be a single-stop supplier of the highest quality grain handling equipment and related products for both dealers and farmers. We have remained focused on being a market-driven company that listens to our customers. We have positioned our research and development efforts toward new products and innovations that meet the increasingly demanding needs of our customers. This focus has resulted in a business model that is embraced by customers and provides strong returns for investors.

We are very excited as we continue with our strategy as an Income Trust. We believe that the lower cost of capital associated with our current structure will enhance our ability to grow, both organically and through a disciplined acquisition program.

We are very pleased with our initial performance since our transition to a trust. The anticipated rebound in market conditions has come to fruition. The agricultural sector was challenged in 2002 and 2003 by a prolonged downturn in commodity prices and a severe drought pattern throughout North America and Australia, encompassing the majority of our key markets. The result was one of the most depressed agricultural environments in two decades.

We are proud that, through this period, Ag Growth performed exceedingly well. Revenues and EBITDA were very strong despite the harsh market conditions. We attribute this to a number of factors.

First, our grain handling equipment is relatively low priced and an integral part of the day-to-day farming operation. This differentiates us from many farm equipment companies. Farmers need our product for the efficient operation of their farms and must replace the equipment through good times and bad.

Second, although we are in a competitive marketplace, our position as a low-cost producer is an advantage in challenging environments.

Third, our geographic diversification and the strength of our distribution network help us to stabilize demand for our products, sheltering us from regional drought patterns. This is an advantage not enjoyed by many of our competitors.

Finally, the breadth of our product offering, focused on grain handling equipment, gives us an unsurpassed advantage with our customers, who value the quality, selection, and aftermarket service and support that we can offer.

Ag Growth finished 2004 surpassing the expectations presented in conjunction with our Initial Public Offering. Western Canada faced another challenging year, due to extremely wet conditions and early frosts that affected both the volume and quality of the crop. However, the US Midwest rebounded strongly and delivered yet another record crop. This speaks to the strength of our broad geographic focus.

Entering 2005, we are off to a very strong start. On aggregate, our pre-season order backlogs are the largest we have ever experienced. The inventory pipeline throughout our distribution network is very lean, which drives underlying demand as we replenish these levels. In anticipation of another strong year for the company, we have increased our plant capacity with a focus on labour recruitment and retention. Crop volume is the key driver of our business and, barring a substantial drought as we enter a new crop season, we expect current conditions to propel us to another strong growth year.

Fundamentals for the agriculture sector remain buoyant in the near-term. Most players in the industry have seen a rebound from the lows experienced in 2002/2003. Although the large North American crop experienced during this past cycle has softened commodity prices, world food stocks are at low levels by historic standards as a result of supply exceeding demand over the last few years.

Commodity prices are not the key driver for Ag Growth. Grain handling equipment demand is primarily driven by the volume of grains produced. This driver remains positive as more food is required every year to feed a growing world population. In the near-term, farmers should be compelled to maximize plantings and yields as world food stocks are brought back in balance.

Longer term fundamentals are also strong for the Fund. World food demand is expected to continue to grow as a result of expanding populations and demand for higher protein diets, as areas such as China and India experience increases in their standard of living.

To meet this demand, producers continue to improve farming practices and adopt better seed technologies. This should continue to drive per-acre yield enhancement as it has for the past 50 years. Other countries are just beginning to adopt the more sophisticated farming techniques and economies of scale prevalent among North American producers. The result is increasing adoption of on-farm storage and, ultimately, grain handling. This will continue to open new world markets for grain handling equipment.

Ag Growth Income Fund continues to seek accretive growth opportunities. This is evidenced by the recent signing of an agreement to purchase substantially all of the assets of the Edwards Group of Companies based in Lethbridge, Alberta. Edwards has a leading market position in the manufacture of aeration and grain drying equipment in Western Canada. Edwards product offerings are very complementary with our current catalogue and we expect to benefit from synergies in both marketing and production as we move forward together. We expect the acquisition to further strengthen the ability of our company to grow and add value for both customers and unitholders.

In closing, I would like to take this opportunity to welcome new unitholders as well as the fine people at the Edwards Group of Companies to the Ag Growth family.

Sincerely,

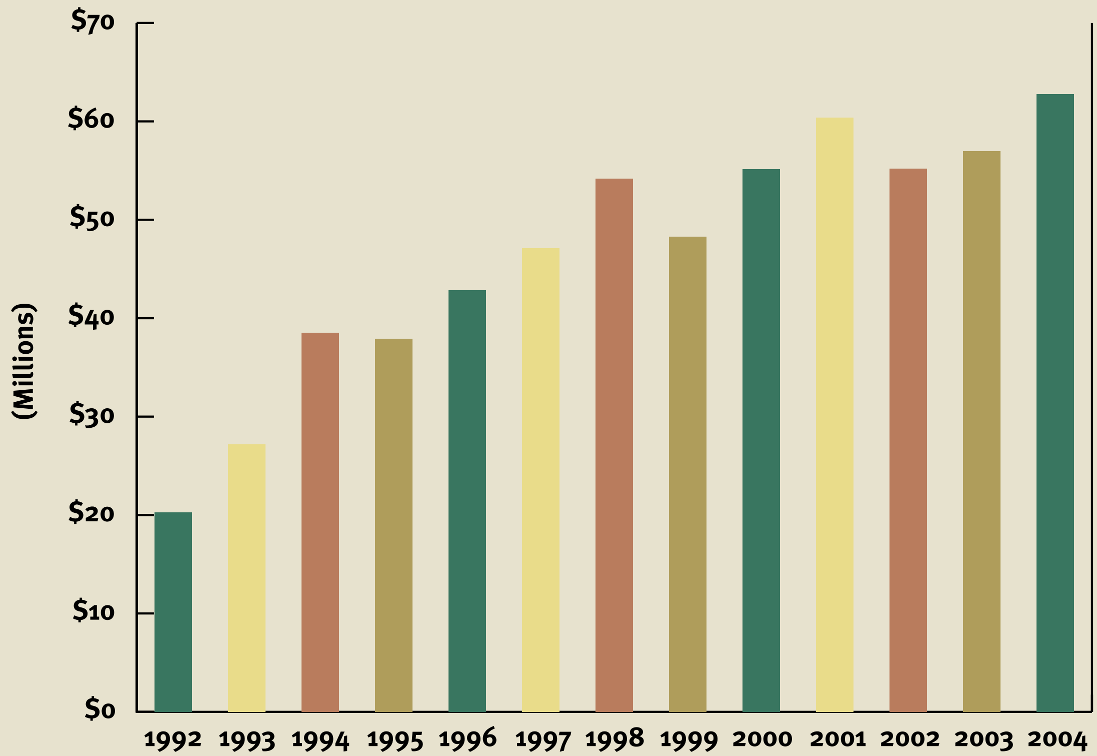
Rob Stenson

Rob Stenson
President and CEO
Ag Growth Income Fund

Operational Highlights

Given the timing of the Fund's creation and subsequent IPO, the financial statements, accompanying notes and MD & A are limited to a partial year only. In order to provide the reader with additional perspective on the business, we have included some highlights and commentary that reflect the operations of Ag Growth for the entire calendar year. 2004 was particularly challenging for the agricultural industry as it faced a dramatic escalation in steel prices, continued devaluation of the US currency, a killer frost in Western Canada and year two of the BSE crisis. Yet it provided Ag Growth the opportunity to further validate the strength of its strategic plan and its ability to respond effectively to new challenges.

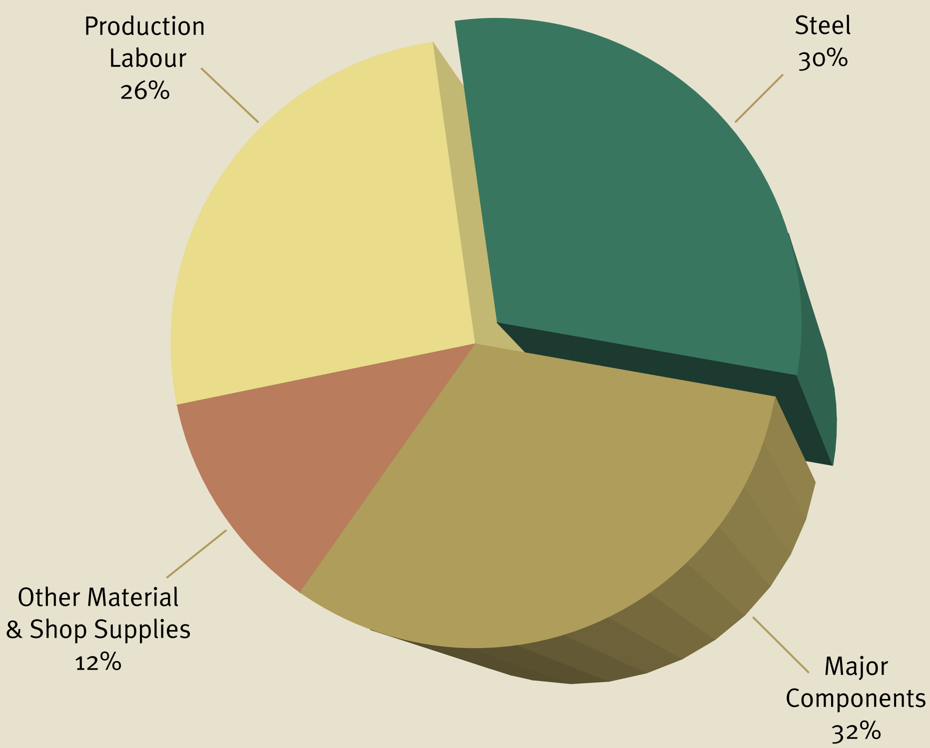
Pro Forma Historical Sales 1992 – 2004



Note: Pro Forma Historical Sales are presented as a compilation of Batco, Wheatheart and Westfield sales since 1992 regardless of actual acquisition dates.

We countered margin pressure with aggressive interim price increases in March and again in September. The lag effect of honouring price commitments on existing orders tempered the full impact of the adjustments in 2004. Market acceptance of our increased prices, and those of our competitors, underscores the significance of our products as farm consumables with relatively low price points, requiring replacement typically every three to seven years. Alternate sourcing of materials and components both offshore and in the USA, provided additional margin relief. As a consequence, margin erosion was limited to three points, from a gross margin of 49.3% in 2003 to 46.3% in 2004. The following chart illustrates the production cost breakdown for 2004:

Cost of Sales Analysis, December 31, 2004

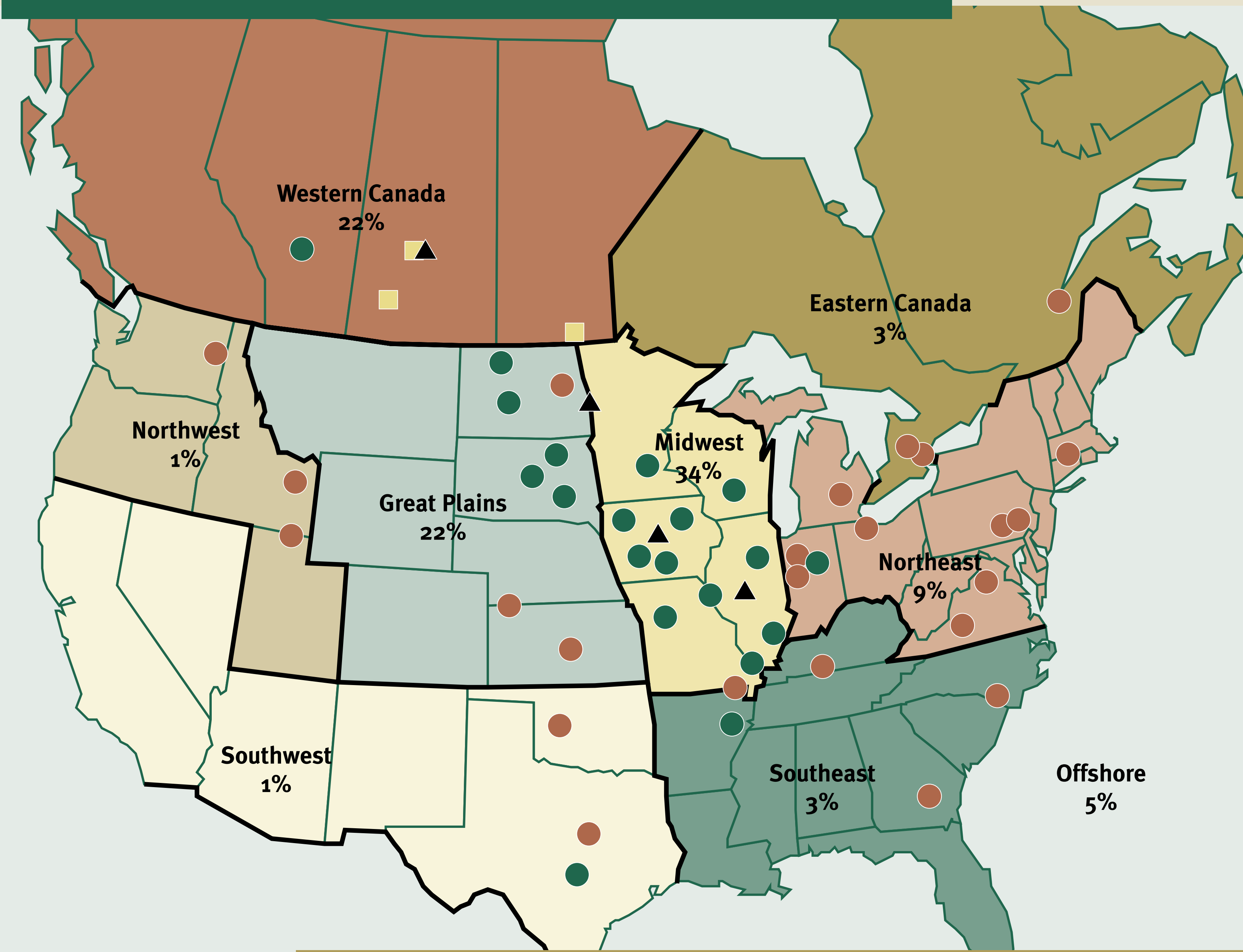


Geographic Diversification

The long-term effects of a devalued US currency required Ag Growth to re-evaluate its channels of distribution and to explore opportunities to reduce costs associated with doing business in the USA. Accordingly, we established a full service factory operated warehouse facility centrally located in Springfield, Illinois. This change enabled us to achieve cost savings as well as more hands-on management of the territory. Based on the success of this model, we will be implementing a similar structure in Iowa in 2005 along with a series of other channel reforms. The map at right provides detail of Ag Growth's extensive distribution network as well as a breakdown of sales by region for 2004. In total, Ag Growth has approximately 1,400 dealers and distributors across North America.

A record corn and soybean harvest in the Midwest USA demonstrated the value of geographic diversification, mitigating the impact of the mid-August frost in Western Canada. In 2004, sales in Western Canada represented 22% of total sales, down from 25% in 2003. Of the 48 states and nine provinces in which Ag Growth sells product, only 10 accounted for more than 5% of total sales. No single state or province accounted for more than 15% of total sales.

Geographic Diversification



- Manufacturing Plants
- Factory Warehouse Locations
- Contract Warehouses
- Distribution Warehouses

Organic Growth

Ag Growth has a proud history of original equipment design. R & D innovations have flourished in an entrepreneurial environment. Typically, we invest approximately $700,000 annually to improve existing products, extend product lines and to develop new products. This enables Ag Growth to maintain market leadership and brand strength. The Westfield launch of the MK 130 Plus auger series was very successful. Developed in late 2003, this line targets high volume producers and small commercial operations. The Westfield 8" bin unload product line showed great traction in 2004, growing 350% over first-year sales. At Wheatheart, we designed a new line of post pounders targeted at the US skid steer market. In total, sales of product in 2004 that was designed in 2003 / 2004 exceeded $4.5 million.

Year 2 of our offshore development initiatives continued at an encouraging growth rate of 14% over 2003 and 56% over 2002. Double branding of augers has proved beneficial to both Westfield and Wheatheart networks in Australia. Western Europe saw further development as it provides a low risk launch point for product destined to former Soviet satellites. Further development of offshore markets will remain a significant focal point for further organic growth over the next few years.

March 21, 2005

This Management's Discussion and Analysis should be read in conjunction with the audited consolidated financial statements and accompanying notes ("Financial Statements") of Ag Growth Income Fund for the initial 283-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. The owners of Ag Growth currently retain a 22% interest in the Fund as well as holding 2,095,978 Special Voting Units (1).

As at March 21, 2005, the following units of the Fund were issued and outstanding:

Fund units	**7,534,022**
Class B Exchangeable units	**169,978**
Class C Exchangeable Subordinated units	**1,926,000**
Total units that participate pro rata in distributions	**9,630,000**
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. Included in the Fund's results of operations are the results of Ag Growth's operations for the 228-day period from the date of acquisition to December 31, 2004. Comparative results provided, for purposes of Management's Discussion and Analysis, are Ag Growth's results of operations for the nine-month period ended December 31, 2003. Comparative results for a 228-day period ended December 31, 2003 are not available for Ag Growth. Therefore, to provide meaningful information to the reader, the following Management Discussion and Analysis will refer to the Combined Operating Results of the Fund for the nine-month period ended December 31, 2004 which are comprised of the operations of the Fund for the 283 day period ended December 31, 2004 (which includes only 228 days of active operations from May 18 to December 31, 2004), and Ag Growth's results of operations from April 1 to May 17, 2004 (the "combined operating results"). The combined operating results will be compared to Ag Growth's results of operations for the nine-month period ended December 31, 2003. Readers are cautioned that the combined operating results presented are not the results of the Fund for the 283-day period ended December 31, 2004 and have been presented only to provide the reader with additional information to enhance the comparability of operating results to Ag Growth's nine-month period ended December 31, 2003.

The table at right reconciles the operating results reported by the Fund to the combined operating results for the nine-month period ended December 31, 2004 that includes the operations of Ag Growth for the period April 1 – May 17, 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 nine-month period ended December 31, 2004.

SUMMARY FINANCIAL INFORMATION

	The Fund	Ag Growth (Pre Fund)	Combined operating results	Ag Growth (Pre Fund)
	283 Day period December 31, 2004*	April 1 – May 17, 2004	Nine-month period December 31, 2004	Nine-month period December 31, 2003
	$	$	$	$
Sales	**42,404,586**	**8,654,417**	**51,059,003**	**43,871,318**
Cost of sales	**22,683,058**	**4,608,315**	**27,291,373**	**22,433,809**
Gross margin	**19,721,528**	**4,046,102**	**23,767,630**	**21,437,509**
Operating expenses	**8,579,124**	**1,993,422**	**10,572,546**	**9,040,759**
EBITDA before IPO expenses	**11,142,404**	**2,052,680**	**13,195,084**	**12,396,750**
IPO expenses	**0**	**1,401,750**	**1,401,750**	**0**
EBITDA **	**11,142,404**	**650,930**	**11,793,334**	**12,396,750**
Amortization	**1,566,528**	**101,671**	**1,668,199**	**1,142,157**
Interest expense	**688,467**	**384,654**	**1,073,121**	**3,274,298**
Write-off deferred finance fees	**0**	**0**	**0**	**1,749,156**
Earnings before tax	**8,887,409**	**164,605**	**9,052,014**	**6,231,139**
Tax expense (recovery)	**164,000**	**(184,557)**	**(20,557)**	**3,544,501**
Net earnings	**8,723,409**	**349,162**	**9,072,571**	**2,686,638**
Net earnings per unit	**0.91**	**N/A**	**N/A**	**N/A**

* 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 228-day period from the date of acquisition, May 18, 2004, to December 31, 2004.

** See discussion of non-GAAP measures.

	December 31, 2004 $	December 31, 2003 $
Total assets	**120,671,166**	**102,561,321**
Total long-term liabilities	**20,068,593**	**45,486,755**

For the period May 18 to December 31, 2004, the Fund generated distributable cash of $1.0058 per unit and declared regular distributions, in accordance with the Fund's targeted monthly distributions, of $0.8079 per unit. In addition, the Fund declared two special distributions totalling $0.1380 per unit. With respect to the 283-day period ended December 31, 2004, the table below summarizes the distributions declared for trust units of Ag Growth and for Class B Exchangeable limited partnership units and Class C Subordinated limited partnership units of AGX Holdings Limited Partnership:

	$
Trust units	**7,033,487**
Class B Exchangeable units	**253,727**
Class C Exchangeable Subordinated units	**1,821,803**
	9,109,017

OPERATING RESULTS

Impact of Foreign Exchange

The average exchange rate used by the Fund to record its US Dollar denominated sales decreased significantly in 2004 compared to 2003. As a result, sales for the three and nine months ended December 31, 2004 were negatively impacted by foreign exchange, compared to the same periods in 2003.

Historically, Ag Growth has entered foreign exchange contracts to mitigate foreign exchange risk. In fiscal 2004, foreign exchange contracts totalled USD $14.0 million with an average rate of $1.3279. In 2003, foreign exchange contracts totalled USD $12.8 million with an average rate of $1.5957. Largely as a result of the differing hedge rates, the company's effective exchange rate on sales for the nine months ended December 31, 2004 is significantly lower than for the comparable period in 2003.

The effect of foreign exchange on the three-month periods ended December 31, 2004 and 2003 is slightly less significant than for the nine-month periods then ended. Ag Growth did not apply hedge accounting in fiscal 2003 and consequently 2003 sales at the favourable hedge rate had all been recorded by the end of the third quarter. As a result, sales in the fourth quarter of 2003 were recorded at an average rate of approximately $1.36. This compares to an average exchange rate on sales of approximately $1.24 for the three months ended December 31, 2004.

Sales

Combined sales for the nine-month period ended December 31, 2004 increased 16.4% over the same period in 2003. The significant increase was largely the result of the Fund's ability to capitalize on the record US corn crop using its sizable market share and its widespread distribution network. The Fund also benefited from an increase in new product revenue, primarily due to the continued success of its new auger and bin load-out lines. Finally, 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. The increase also reflects a recovery from the poor market conditions experienced in the first half of 2003. It is important to note that the increase was achieved even though US Dollar denominated sales were recorded at considerably lower exchange rates in 2004, and despite poor crop conditions in Western Canada.

Expenses

Gross margin as a percentage of sales for the nine-month periods ended December 31, 2004 and 2003 were 46.5% and 48.9% respectively. As a percentage of sales, the decline in gross margin was expected and is largely due to the impact of recording US Dollar denominated sales at a lower exchange rate. Gross margin in 2004 has also been negatively impacted by rising steel costs, as there is a delay between the time the higher input costs are incurred and the time the price increases implemented to offset the higher input costs appear in the Fund's results.

Combined operating expenses for the nine-months ended December 31, 2004 increased $1.5 million over the same period in 2003. The increase was the result of higher salary expenses of $0.7 million that related largely to higher earnings based bonus accruals, a $0.6 million increase in professional fees that related primarily to the successful defence of a patent infringement lawsuit, a $0.3 million increase in warehousing costs that related largely to the addition of a new warehouse in Illinois, and an accrual to the Fund's long term incentive plan of $0.3 million. These increases were offset by lower capital taxes of $0.3 million and the elimination of management fees payable prior to the IPO that totalled $0.5 million in the nine-months ended December 31, 2003. A number of smaller miscellaneous items accounted for the remaining change.

Included in the results of the Ag Growth period April 1 to May 17, 2004 is the accrual of $1.4 million of IPO related costs. No unusual expenses were recorded in the 283-day period ended December 31, 2004.

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

For the nine-months ended December 31, 2004, EBITDA before IPO costs as a percentage of sales was 25.8%, compared to 28.3% for the nine-month period ended December 31, 2003. The decrease in EBITDA percentage compared to 2003 was expected and is primarily the result of recording US Dollar denominated transactions at a lower exchange rate. Also, EBITDA in 2004 has been negatively impacted by rising steel costs, as there is a delay between the time the higher input costs are incurred and the time the price increases implemented to offset the higher input costs appear in the Fund's results. As a percentage of sales, EBITDA after IPO costs decreased from 28.3% to 23.1% for the nine months ended December 31, 2003 and 2004 respectively.

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 228-day period ended December 31, 2004, the Fund's effective interest rate on both its term debt and operating facility was 4.5%, which is in line with management expectations.

Amortization for the 228-day period ended December 31, 2004 of $1.6 million includes the amortization of intangible assets of $0.9 million, the amortization of deferred financing costs of $0.2 million, and the amortization of property, plant and equipment of $0.5 million.

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 corporation, Ag Growth. The recorded tax expense of $164,000 for the nine months ended December 31, 2004 represents taxes payable on the net income allocated to Ag Growth through its ownership in AGLP after deductions for interest expense and capital taxes.

Net earnings for the nine-month period ended December 31, 2004 were $8.7 million, or $0.91 per basic and diluted unit.

Quarterly Financial Information

	2004 Fourth Quarter $	2004 Third Quarter $	2004 Second Quarter * $
Total sales	**13,915,323**	**21,154,339**	**7,334,924**
Net earnings	**1,798,911**	**5,483,492**	**1,441,006**
Net earnings per unit	**0.19**	**0.57**	**0.15**

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

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. Historically, revenues and earnings in the first, second, and fourth quarters are relatively similar. Distributable cash generated per unit will also typically be highest in the third quarter.

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 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 higher 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. Ag Growth has generally fully repaid its revolver balance by early in the fourth quarter.

FOURTH QUARTER

Sales for the three-months ended December 31, 2004 were $13.9 million, an increase of 15.2% over the same period in 2003. The significant increase was largely the result of high preseason demand, as the Fund's US distribution network began the process of rebuilding their inventory levels for 2005 after a very strong 2004 harvest season. Sales in the fourth quarter also benefited from the continued success of the Fund's new auger and bin load-out lines, and from an extended harvest in certain areas of the US. The strong fourth quarter sales in 2004 were slightly offset by a decrease in Canadian sales compared to 2003.

Gross margin as a percentage of sales increased to 45.2% for the three months ended December 31, 2004, from 38.6% for the same period in 2003. Gross margin in the fourth quarter of 2004 benefited from the impact of price increases implemented earlier in the year to offset rising input costs, as well as from the efficiencies gained from higher volumes. These margin gains were offset by the impact of a lower effective US exchange rate.

Operating expenses for the three-month period ended December 31, 2004 were $3.8 million, up from $2.8 million for the same period in 2003. The increase in 2004 was largely the result of a $0.4 million increase in professional fees related primarily to the successful defence of a patent infringement lawsuit. Salary expense increased $0.4 million due to higher earnings based bonus accruals, and the Fund accrued $0.3 million in the fourth quarter related to its long-term incentive plan. These increases were partially offset by a $0.2 million decrease in capital taxes.

EBITDA as a percentage of sales for the three-months ended December 31, 2004 was 17.8%, compared to 15.5% for the three-month period ended December 31, 2003. The increase in EBITDA percentage compared to 2003 is primarily the result of a stronger gross margin offset by an increase in operating expenses as described above.

In the three months ended December 31, 2004, the Fund generated $14.4 million from operating activities. As the Fund's collections of accounts receivable are weighted towards the fourth quarter, cash generated from the reduction of accounts receivable in the quarter totalled $12.0 million. The Fund also received $3.1 million in customer deposits related to orders to be shipped in 2005. During the three months ended December 31, 2004, the Fund had capital expenditures of $0.3 million that related primarily to purchases of manufacturing equipment and a semi tractor unit. During the period the Fund paid off its bank revolver of $4.2 million and ended the period with a cash balance of $6.8 million.

CASHFLOW AND LIQUIDITY

On May 5, 2004, the Fund filed a final prospectus for the sale of 6,904,000 units at $10 per unit for aggregate proceeds of $69,040,000. The costs of issuance were $6,345,752 resulting in net proceeds of $62,694,248. On May 18, 2004, in conjunction with the initial public offering, the Fund acquired indirectly, all of the securities and assets of Ag Growth, which conducts business in the grain handling, storage and conditioning equipment market. The owners of Ag Growth received cash and Class B Exchangeable units and Class C Exchangeable Subordinated units of AGHLP as consideration for the acquisition of Ag Growth, and retained a 28% interest in the Fund as well as holding 2,760,000 Special Voting Units. 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. In the period May 18, 2004 to December 31, 2004, 618,913 Class B Exchangeable units were exchanged into 618,913 trust units of the Fund. Subsequent to December 31, 2004, 11,109 Class B Exchangeable Units were exchanged into 11,109 units of the Fund. Currently, the previous owners of Ag Growth hold a 22 % interest in the Fund as well as holding 2,095,978 Special Voting Units.

During the period May 18, 2004 to December 31, 2004, the successful completion of the Fund's business cycle was reflected in the $18.5 million generated from operating activities. During the period the Fund had capital expenditures of $0.7 million that related primarily to the purchases of two semi-tractor units, a forklift, a trailer, and manufacturing equipment. In the period from May 18 to December 31, 2004, the Fund paid off its bank revolver of $5.3 million and ended the period with a cash balance of $6.8 million.

CONTRACTUAL OBLIGATIONS

	Total	2005	2006	2007	2008	2009
	$	$	$	$	$	$
Long-term debt	20,102,088	33,495	20,033,495	27,008	8,090	0
Operating leases	637,583	274,852	171,274	109,985	67,321	14,151
Total obligations	20,739,671	308,347	20,204,769	136,993	75,411	14,151

On May 18, 2004 the Fund entered a two-year, non-amortizing, $20 million term loan facility that upon maturity is extendible annually for twelve months at the lenders option. The operating leases relate to vehicle, equipment, and warehouse facility leases entered in the normal course of business. In addition, the Fund is committed to a lease for equipment over a five-year period with total lease payments of approximately $587,000. 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. As at December 31, 2004, a total of $265,788 has been accrued for the LTIP.

DISTRIBUTIONS

Distributions are paid at the end of the month that follows the month when the cash was earned. Consistent with the distribution amount anticipated in the IPO, the Fund declared distributions to public unitholders of $6.0 million for the 283-day period ended December 31, 2004, including $2.4 million in the three-month period ended December 31, 2004. Furthermore, consistent with the Fund's prospectus dated May 5, 2004, the Fund declared distributions to Ag Growth's previous owners of $1.8 million for the 283 day period ended December 31, 2004, including $0.7 million in the fourth quarter.

The Fund may make additional distributions in excess of monthly distributions. Distributions in respect of the month ended December 31 of each year will include such amounts as are necessary to ensure that the Fund will not be liable for income taxes under Part I of the Tax Act. Accordingly, on December 17, 2004 the Fund announced a special distribution of $0.07 per unit, representing the Fund's estimate of the distribution required to ensure the Fund was not liable for income taxes under Part I of the Tax Act. Upon completion of the fiscal year it became apparent that an additional special distribution was required, and as a result the Fund announced a second special distribution of $0.068 per unit to unitholders of record on March 31, 2005.

The Fund's policy is to make stable monthly distributions to unitholders based on estimated distributable cash for the year. Due to the seasonal nature of its business, it is anticipated that distributable cash generated in the third quarter will be higher than in other quarters. Distributable cash for the periods is calculated as follows:

	283 Day Period Ended December 31, 2004* $	Three-months Ended December 31, 2004 $
Net income for the period	8,723,409	1,798,911
Amortization	1,566,528	361,405
Interest expense	688,467	250,767
Tax expense	164,000	71,500
EBITDA**	11,142,404	2,482,583
Less: Interest expense	688,467	250,767
Net maintenance capital expenditures	730,790	296,542
Current income taxes	37,000	21,500
Distributable cash **	9,686,147	1,913,774
Distributable cash generated per unit	1.0058	0.1987
Regular distributions declared per unit	0.8079	0.3249
Special distributions declared per unit	0.1380	0.1380
Total distributions declared per unit	0.9459	0.4629
Distribution % before special distribution	80.32%	163.51%
Distribution % including special distribution	94.04%	232.96%

* 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 228-day period from the date of acquisition, May 18, 2004 to December 31, 2004.

** See discussion of non-GAAP measures below.

The table below reconciles net income to cash flow from operations:

	$
Net income	**8,723,409**
Add charges (deduct credits) to operations not requiring a current cash payment:	
Amortization	**1,566,528**
Deferred foreign exchange loss	**(47,900)**
Future income taxes	**127,000**
Gain on sale of property, plant and equipment	**(16,419)**
Long term incentive plan	**265,788**
Add charges (deduct credits) for net change in non-cash working capital balances related to operations	**7,846,534**
Cash provided by operating activities	**18,464,940**

CAPITAL RESOURCES

The Fund has a two-year, non-amortizing, $20 million term loan with a single lender. The loan expires in May 2006 and is extendible annually for additional one-year terms at the lenders option. The Fund also has available a $15 million operating facility, increasing to $18 million for the period May 31 to September 30. At December 31, 2004, the operating facility was not being utilized. Interest rates on both facilities are based on performance calculations. 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. We believe the accounting policies that are critical to our business relate to our 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 at the time of the IPO, 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 US Dollar. Historically, approximately 60% 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 December 31, 2004, the Fund had outstanding USD $37.0 million of forward foreign exchange contracts, dated from March 2005 to December 2006, with a Canadian Dollar equivalent of $48.7 million. As at December 31, 2004, the Fund has recorded a deferred foreign exchange loss of $47,900 with respect to its foreign exchange contracts. At December 31, 2004, the unrealized gain on forward foreign exchange contracts was $3,588,689.

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% plus 1.25% to 2.25% based on performance calculations. The notional amount of the swap transaction at December 31, 2004 was $20.0 million. At December 31, 2004, a cash payment of $63,418 would have been required to settle the interest rate swap.

CHANGES IN ACCOUNTING POLICIES

On January 19, 2005 the Canadian Institute of Chartered Accountants issued Emerging Issues Committee Abstract 151 ("EIC 151"), "Exchangeable Securities Issued by Subsidiaries of Income Trusts". The abstract sets out the conditions that must be met in order to present exchangeable securities representing the retained interest in a subsidiary of an income trust as part of unitholders' equity. Management has determined that the characteristics of the Class B and C Exchangeable units of AGHLP, a subsidiary of the Fund, satisfy the conditions of EIC 151 and are therefore appropriately presented as part of unitholders' equity rather than as a non-controlling interest. As permitted, the Fund has chosen to adopt the provisions of this abstract for the nine-month period ended December 31, 2004. The implementation of this abstract results in an increase in net earnings for the period ended December 31, 2004 of $1,908,721, an increase in unitholders' equity of $21,070,870 and a decrease in non-controlling interest on the balance sheet of $22,979,591.

In an effort to harmonize Canadian GAAP with US GAAP, the Canadian Accounting Standards Board has issued 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 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. In particular, steel purchases represented 30% of 2004 production costs, and other major components such as drivelines, gear boxes, hydraulic motors, valves, winches, gasoline engines and belting represented 32% of 2004 production costs. 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 (approximately 65% in 2004) 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 at average exchange rates of C$1.3121 in 2005 and C$1.3227 in 2006 to mitigate the potential effect of fluctuating exchange rates through December 2006. 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

Current conditions point to a strong fiscal 2005 for the Fund. Market demand is high, particularly in key US markets, as the Fund's distribution network replenishes its inventory after a very strong 2004 harvest. The Fund's product order backlog is significant, and in anticipation of strong demand throughout 2005 the Fund has continued to take steps to increase production capacity through automation, labour efficiencies, and inter-divisional production opportunities. The Fund continues to face challenges with respect to the high cost of steel and a stronger Canadian dollar, however the impact of these developments has been largely addressed through price increases and a foreign currency hedging program. Although demand in the second half of 2005 will be influenced by crop conditions, existing indicators suggest that in the absence of severe weather patterns the Fund can look forward to sound financial results in fiscal 2005.

PROPOSED TRANSACTION

The Fund has entered into an agreement to acquire substantially all of the assets of The Edwards Group of Companies ("Edwards") for $20 million. Edwards is a manufacturer of agricultural equipment, largely focused on grain aeration systems and related products. The acquisition is to be financed through a bought deal private placement of units priced at $13.50 per unit for estimated net proceeds of $21.5 million. The Fund's estimated expenses in connection with the acquisition and the offering are $1.5 million. The offering is subject to receipt of Toronto Stock Exchange approval and other customary conditions, and is scheduled to close on March 31, 2005, subject to the concurrent closing of the Edwards acquisition.

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.

Auditors' Report

To the Unitholders of Ag Growth Income Fund

We have audited the consolidated balance sheet of the Ag Growth Income Fund as at December 31, 2004 and the consolidated statements of earnings, unitholders' equity and cash flows for the 283-day period then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2004 and the results of its operations and its cash flows for the 283-day period then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,

March 11, 2005.

Chartered Accountants

Consolidated Balance Sheet

As at December 31, 2004

	$
ASSETS [notes 10 and 11]	
Current	
Cash and cash equivalents [note 4]	**6,736,141**
Restricted cash [note 15]	**265,788**
Accounts receivable	**4,515,053**
Inventory [note 6]	**15,473,577**
Prepaid expenses and other assets	**958,425**
Total current assets	**27,948,984**
Property, plant and equipment [note 7]	**5,623,174**
Other assets	
Goodwill [note 3]	**32,888,891**
Intangible assets [note 8]	**53,144,658**
Deferred financing costs [note 9]	**454,559**
Future tax assets [note 13]	**563,000**
Deferred foreign exchange loss	**47,900**
	87,099,008
	120,671,166
LIABILITIES AND UNITHOLDERS' EQUITY	
Current	
Accounts payable and accrued liabilities	**4,044,845**
Income taxes payable	**75,593**
Customer deposits	**3,825,171**
Distributions payable	**2,789,041**
Long-term incentive plan [note 15]	**265,788**
Current portion of long-term debt [note 11]	**33,495**
Total current liabilities	**11,033,933**
Long-term debt [note 11]	**20,068,593**
Total liabilities	**31,102,526**
Commitments [notes 16 and 18]	
Unitholders' equity	**89,568,640**
	120,671,166

See accompanying notes

On behalf of the Board of Trustees:

Rod Senft
Trustee

John R. Brodie FCA
Trustee

Consolidated Statement of Earnings

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 [note 2]]

	$
Sales	**42,404,586**
Cost of goods sold	**22,683,058**
Gross margin	**19,721,528**
Expenses	
Selling, general and administration	**7,246,922**
Professional fees	**678,554**
Research and development	**290,502**
Long-term incentive plan	**265,788**
Capital taxes	**236,321**
Other income	**(138,963)**
	8,579,124
Earnings before the following	**11,142,404**
Interest expense	
Short-term debt	**122,767**
Long-term debt	**565,700**
Earnings before amortization and income taxes	**10,453,937**
Amortization of intangible assets	**855,342**
Amortization of deferred financing costs	**206,452**
Amortization of property, plant and equipment	**504,734**
	1,566,528
Earnings before income taxes	**8,887,409**
Provision for income taxes [note 13]	
Current	**37,000**
Future	**127,000**
	164,000
Net earnings for the period	**8,723,409**
Basic and diluted net earnings per unit	**0.91**
Basic and diluted weighted average number of units outstanding	**9,630,000**

See accompanying notes

Consolidated Statement of Unitholders' Equity

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 [note 2]]

	Unitholders' capital $	Accumulated earnings $	Accumulated distributions $	Total $
	[note 12]			
Issuance of initial subscriber units	**30**	—	—	**30**
Redemption of initial subscriber units	**(30)**	—	—	**(30)**
Issuance of units on initial public offering [note 3]	**69,040,000**	—	—	**69,040,000**
Issuance costs [note 3]	**(6,345,752)**	—	—	**(6,345,752)**
Issuance of AGHLP units as consideration on acquisition of Ag Growth [note 3]	**27,260,000**	—	—	**27,260,000**
Net earnings for the period	—	**8,723,409**	—	**8,723,409**
Distributions declared	—	—	**(9,109,017)**	**(9,109,017)**
Balance, December 31, 2004	**89,954,248**	**8,723,409**	**(9,109,017)**	**89,568,640**

See accompanying notes

Consolidated Statement of Cash Flows

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 [note 2]]

	$
OPERATING ACTIVITIES	
Net earnings for the period	**8,723,409**
Add (deduct) charges (credits) to operations not requiring a current cash payment (receipt)	
Amortization	**1,566,528**
Deferred foreign exchange loss	**(47,900)**
Future income taxes	**127,000**
Gain on sale of property, plant and equipment	**(16,419)**
Long-term incentive plan	**265,788**
	10,618,406

	$
Net change in non-cash working capital	
balances related to operations	
Accounts receivable	7,781,221
Inventory	(34,470)
Prepaid expenses and other assets	(487,740)
Accounts payable and accrued liabilities	(1,347,304)
Income taxes payable [note 13]	(1,357,012)
Customer deposits	3,291,839
	7,846,534
Cash provided by operating activities	18,464,940
INVESTING ACTIVITIES	
Acquisition of property, plant and equipment	(730,790)
Proceeds from sale of property, plant and equipment	42,776
Acquisition of Ag Growth Industries Inc. [note 3]	(32,133,771)
Transfers to restricted cash for long-term incentive plan	(265,788)
Cash used in investing activities	(33,087,573)
FINANCING ACTIVITIES	
Decrease in bank indebtedness	(5,266,052)
Repayment of long-term debt	(32,899,936)
Issuance of long-term debt	20,119,967
Increase in deferred financing costs on long-term debt	(661,011)
Initial public offering of fund units, net of expenses [note 3]	62,694,248
Distributions paid	(6,319,976)
Redemption of Class D preferred shares of Ag Growth	(16,000,000)
Payment of dividend on Class D preferred shares of Ag Growth	(308,466)
Cash provided by financing activities	21,358,774
Net increase in cash during the period	6,736,141
Cash position, beginning of period	—
Cash position, end of period	6,736,141
Supplemental cash flow information	
Interest paid	680,606
Income taxes paid [note 13]	1,394,013

See accompanying notes

December 31, 2004

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 conducts 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. These consolidated financial statements reflect the Fund's results of operations for the 283-day period ended December 31, 2004 [including the results of Ag Growth's operations for the 228-day period from May 18, 2004 to December 31, 2004]. As the Fund commenced operations on March 24, 2004, no comparative information is provided.

3. ISSUANCE OF FUND UNITS AND ACQUISITION

On May 5, 2004, the Fund filed a final prospectus for the sale of 6,904,000 units at $10 per unit for aggregate proceeds of $69,040,000. The costs of issuance were $6,345,752 resulting in net proceeds of $62,694,248. On May 18, 2004, in conjunction with the initial public offering, the Fund acquired indirectly all of the securities and assets of Ag Growth Industries Inc. ["Ag Growth"] and repaid certain indebtedness of Ag Growth. Concurrently, Ag Growth amalgamated with its subsidiaries and continued under the name Ag Growth.

The acquisition has been accounted for by the purchase method with the results of Ag Growth's operations included in the Fund's earnings from the date of acquisition [the consolidated statement of earnings includes the results of Ag Growth's operations for the 228-day period from May 18, 2004 to December 31, 2004]. The consolidated financial statements reflect the assets and liabilities of Ag Growth at assigned fair values as follows:

	$
Net assets acquired	
Accounts receivable	**12,296,274**
Inventory	**15,439,107**
Prepaid expenses and other assets	**470,685**
Property, plant and equipment	**5,423,475**
Future tax assets	**690,000**
Intangible assets	
Brand name	**19,000,000**
Distribution network	**35,000,000**
Goodwill	**32,888,891**
Bank indebtedness	**(5,266,052)**
Accounts payable and accrued liabilities	**(5,925,481)**
Income taxes payable	**(1,432,605)**
Dividends payable	**(308,466)**
Long-term debt	**(32,882,057)**
Redeemable preferred shares	**(16,000,000)**
	59,393,771
Consideration given	
Cash	**32,133,771**
Class B Exchangeable Units of AGX Holdings Limited Partnership [note 12]	**8,000,000**
Class C Exchangeable Subordinated Units of AGX Holdings Limited Partnership [note 12]	**19,260,000**
	59,393,771

December 31, 2004

Supplemental cash flow information

Details of sources and use of cash upon issuance of Fund units and acquisition of securities and assets of Ag Growth are as follows:

	$
Aggregate proceeds from issuance of Fund units	**69,040,000**
Costs of issuance	**(6,345,752)**
Proceeds from long-term debt	**20,000,000**
Financing costs	**(661,011)**
	82,033,237
Debt retirement	**(32,841,000)**
Redemption of Class D redeemable preferred shares	**(16,000,000)**
Payment of costs associated with the transaction	**(750,000)**
Dividends paid on Class D redeemable preferred shares	**(308,466)**
Cash consideration given on acquisition of Ag Growth	**32,133,771**

4. 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. The financial statements consolidate 100% of the assets and liabilities of Ag Growth as at December 31, 2004 and 100% of the revenues and expenses of the operations of Ag Growth for the period from May 18, 2004 to December 31, 2004.

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 material and finished goods. Raw material is 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.

December 31, 2004

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% - 10%	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 amount paid to acquire Ag Growth in excess of the 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 fair value of its reporting unit to its carrying value. The carrying value of goodwill is written down to fair value if the carrying value of the reporting unit's goodwill exceeds its fair value.

Intangible assets

Intangible assets are comprised of Ag Growth's brand name, which is considered to have an indefinite life, and Ag Growth's distribution network, which is being amortized over 25 years on a straight-line basis. Indefinite life intangible assets are tested for impairment at least annually by comparing their fair values to their carrying values. The carrying value of an indefinite life intangible asset is written down to its fair value if its carrying value exceeds its 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 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.

December 31, 2004

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 is 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.

December 31, 2004

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 all derivatives to specific anticipated sales transactions and long-term debt 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 related accounts receivable. Foreign exchange translation gains and losses on foreign currency denominated derivative financial instruments used to hedge anticipated US 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 US 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 recorded on the consolidated balance sheet. Changes in the fair value of the swaps are recognized in earnings 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.

December 31, 2004

5. CHANGE IN ACCOUNTING POLICY

On January 19, 2005 the Canadian Institute of Chartered Accountants issued Emerging Issues Committee Abstract 151 (“EIC 151”), “Exchangeable Securities Issued by Subsidiaries of Income Trusts”. The abstract sets out the conditions that must be met in order to present exchangeable securities representing the retained interest in a subsidiary of an income trust as part of unitholders' equity. Management has determined that the characteristics of the Class B and C Exchangeable units of AGHLP, a subsidiary of the Fund, satisfy the conditions of EIC 151 and are therefore appropriately presented as part of unitholders' equity rather than as a non-controlling interest. As required, the Fund has chosen to adopt the provisions of this abstract for the 283-day period ended December 31, 2004. The implementation of this abstract results in an increase in net earnings for the period ended December 31, 2004 of $1,908,721, an increase in unitholders' equity of $21,070,870 and a decrease in non-controlling interest on the balance sheet of $22,979,591.

6. INVENTORY

	$
Raw materials	**4,080,743**
Finished goods	**11,392,834**
	15,473,577

7. PROPERTY, PLANT AND EQUIPMENT

	2004		
	Cost $	**Accumulated amortization** $	**Net book value** $
Land	**611,315**	**—**	**611,315**
Buildings	**2,940,739**	**80,893**	**2,859,846**
Leasehold improvements	**10,486**	**2,942**	**7,544**
Furniture and fixtures	**83,543**	**10,831**	**72,712**
Automotive equipment	**1,197,541**	**183,447**	**1,014,094**
Computer equipment	**285,842**	**60,667**	**225,175**
Manufacturing equipment	**998,442**	**165,954**	**832,488**
	6,127,908	**504,734**	**5,623,174**

December 31, 2004

8. INTANGIBLE ASSETS

	2004		
	Cost $	Accumulated amortization $	Net book value $
Distribution network	**35,000,000**	**855,342**	**34,144,658**
Brand name	**19,000,000**	**—**	**19,000,000**
	54,000,000	**855,342**	**53,144,658**

9. DEFERRED FINANCING COSTS

	2004		
	Cost $	Accumulated amortization $	Net book value $
	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 period was 4.50%. At December 31, 2004, no amount 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.

11. LONG-TERM DEBT

	$
Term loan, matures May 2006, extendible annually for additional one-year terms at the lender's option, 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 period was 4.50% and after consideration of the effect of the interest rate swap was 4.32%.	**20,000,000**
GMAC loans, 0% maturing in 2007 and 2008, with monthly payments of $2,791. Vehicles financed are pledged as collateral.	**102,088**
	20,102,088
Less current portion	**33,495**
	20,068,593

Under the agreement for the term loan, the Fund is required to maintain certain financial covenants. As at December 31, 2004, the Fund is in compliance with the applicable financial covenant terms.

Principal repayments due within the next four fiscal years are as follows:

	$
2005	33,495
2006	20,033,495
2007	27,008
2008	8,090
	20,102,088

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.

December 31, 2004

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 $
Issuance of initial subscriber units	30	—	—	30
Redemption of initial subscriber units	(30)	—	—	(30)
Issuance of units on initial public offering [note 4]	69,040,000	—	—	69,040,000
Issuance costs [note 4]	(6,345,752)	—	—	(6,345,752)
Issuance of units of AGHLP as consideration on acquisition of Ag Growth [note 4]	—	8,000,000	19,260,000	27,260,000
Exchange of units	6,189,130	(6,189,130)	—	—
Balance, December 31, 2004	**68,883,378**	**1,810,870**	**19,260,000**	**89,954,248**

	Fund Trust units #	Class B Exchangeable units of AGHLP #	Class C Exchangeable units of AGHLP #
Issuance of initial subscriber units	3	—	—
Redemption of initial subscriber units	(3)	—	—
Issuance of units on initial public offering [note 4]	6,904,000	—	—
Issuance of units of AGHLP as consideration on acquisition of Ag Growth [note 4]	—	800,000	1,926,000
Exchange of units	618,913	(618,913)	—
Balance, December 31, 2004	**7,522,913**	**181,087**	**1,926,000**

December 31, 2004

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 December 31, 2004, there were 2,107,087 Special Voting Units outstanding, 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 period, 618,913 Class B Exchangeable LP Units of AGHLP, with a value of $6,189,130, were exchanged into 618,913 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.

December 31, 2004

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 Ag Growth. Ag Growth is 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:

	283-day period ended December 31, 2004	
	$	%
Earnings before income taxes	**8,887,409**	
Temporary differences and non-tax deductible expenses	**565,566**	
Earnings subject to tax in the hands of unitholders	**(9,109,017)**	
Net income of subsidiary companies	**343,958**	
Provision for income taxes	**127,000**	**37**
Large corporation tax	**37,000**	**11**
Income tax provision	**164,000**	**48**

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

	$
Future tax assets	
Financing costs	**377,000**
Non-capital loss [expires in 2014]	**186,000**
	563,000

Cash paid for income taxes of $1,394,013 includes amounts paid towards Ag Growth's taxes payable for the 137-day period ended May 17, 2004.

14. DISTRIBUTIONS TO UNITHOLDERS

Distributions of $0.95 per unit of the Fund and per Class B and Class C Exchangeable units of AGHLP, totalling $9,109,017 were declared for the 283-day period ended December 31, 2004.

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 recorded an accrual of $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, accounts payable and accrued liabilities, distributions payable, long-term debt, an interest rate swap arrangement, and forward foreign exchange contracts. 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 US dollar. The Fund has entered into foreign exchange contracts to hedge its foreign currency exposure on anticipated US dollar sales transactions and the collection of the related accounts receivable. At December 31, 2004, the Fund had outstanding forward foreign exchange contracts as follows:

Settlement dates	Face value $US	Average rate $Cdn
March 2005 to December 2005	18,500,000	1.3121
March 2006 to December 2006	18,500,000	1.3227

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 December 31, 2004 was $20,000,000.

Fair value

At December 31, 2004, the carrying value of the Fund's financial instruments approximates their carrying value with the exception of derivative financial instruments. At December 31, 2004, a cash payment of $63,418 would have been due to settle the interest rate swap agreement. The unrealized gain on forward foreign exchange contracts was $3,588,689.

December 31, 2004

17. SEGMENTED DISCLOSURE

The Fund operates in one business segment related to the manufacturing and distributing of portable grain handling 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 for the 283-day period ended December 31, 2004 $	Property, plant and equipment, goodwill and intangible assets at December 31, 2004 $
Canada	**10,079,209**	**91,420,726**
United States	**29,962,416**	**235,997**
International	**2,362,961**	**—**
	42,404,586	**91,656,723**

18. COMMITMENTS

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

	$
2005	274,852
2006	171,274
2007	109,985
2008	67,321
2009	14,151
	637,583

In addition, the Fund is committed to a lease for equipment over a five year period with total lease payments of approximately $587,000. The lease terms will be finalized in 2005.

19. SUBSEQUENT EVENT

On March 14, 2005, the Fund entered into an agreement to acquire substantially all of the assets of The Edwards Group of Companies, a leading manufacturer of agricultural equipment, for cash consideration in the amount of $20.0 million. In conjunction with the acquisition, the Fund has reached an agreement to offer for sale on a “bought deal” basis a private placement of Trust Units priced at $13.50 per unit for gross proceeds of approximately $21.5 million. The Fund’s estimated expenses in connection with the acquisition and the offering are $1.5 million. The offering is subject to receipt of Toronto Stock Exchange approval and other customary conditions, and is scheduled to close on March 31, 2005, subject to the concurrent closing of the Edwards acquisition.

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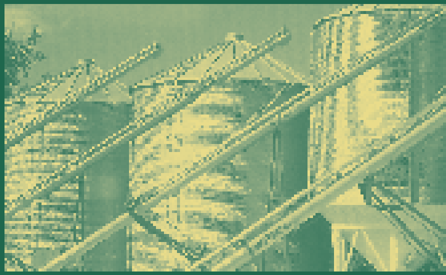
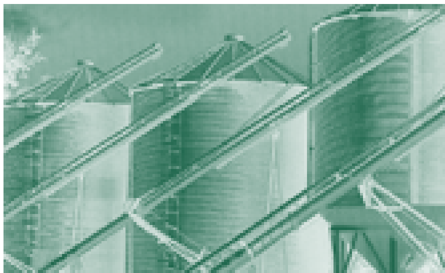
Additional Information

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





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