ANNUAL REPORT **2008**

From Left to Right:

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Gary Anderson, President, Chief Operating Officer and Trustee

David White, CA, Trustee

Rob Stenson, Chief Executive Officer and Trustee

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

Several strategic moves over the last couple of years gained necessary traction in 2008, positioning us to continue with our plans for growth into the future.

INTRODUCTION TO THE AG GROWTH ANNUAL REPORT 2008

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 1964)

Hansen Manufacturing, Acquired: 2006 (Founded 1982)

Twister Pipe Ltd., Acquired: 2007 (Founded 1976)

Union Iron, Inc., Acquired: 2007 (Founded 1852)

Applegate Steel Inc., Acquired: 2008 (Founded 1955)

CEO MESSAGE

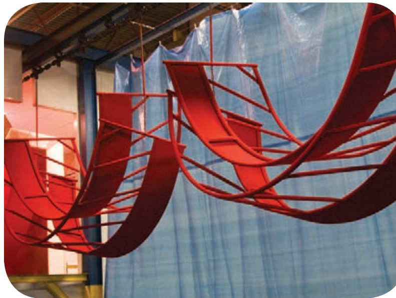
On behalf of the management, employees and the board of trustees of Ag Growth Income Fund, we are pleased to present our 2008 Annual Report to unitholders. Once again, the Fund faced many challenges and opportunities, finishing the year with record results. Revenue grew from $130.4 million in fiscal 2007 to $199.3 million in fiscal 2008, representing a 53% increase. Correspondingly, EBITDA, before the gain (loss) on foreign exchange increased from $28.3 million in 2007 to $41.0 million in 2008, representing a 44% increase.

As we predicted, recovery of the agricultural cycle continued in 2008 and this had the expected effect on demand. Our ability to capitalize on the potential was a result of a few key initiatives, with the most pronounced being the completion of capacity enhancements at our largest division, Westfield Industries.

2008 can best be described as volatile. Unprecedented volatility was evident by the mid-year run-up of corn to $8.00 per bushel. These climbing prices were primarily a result of speculative buying in the soft commodity markets. Only later did prices return to current levels of $3.60.

2008 also saw steel prices soar and effectively double in a few short months. This put pressure on our margins as we were unable

SALES HISTORY



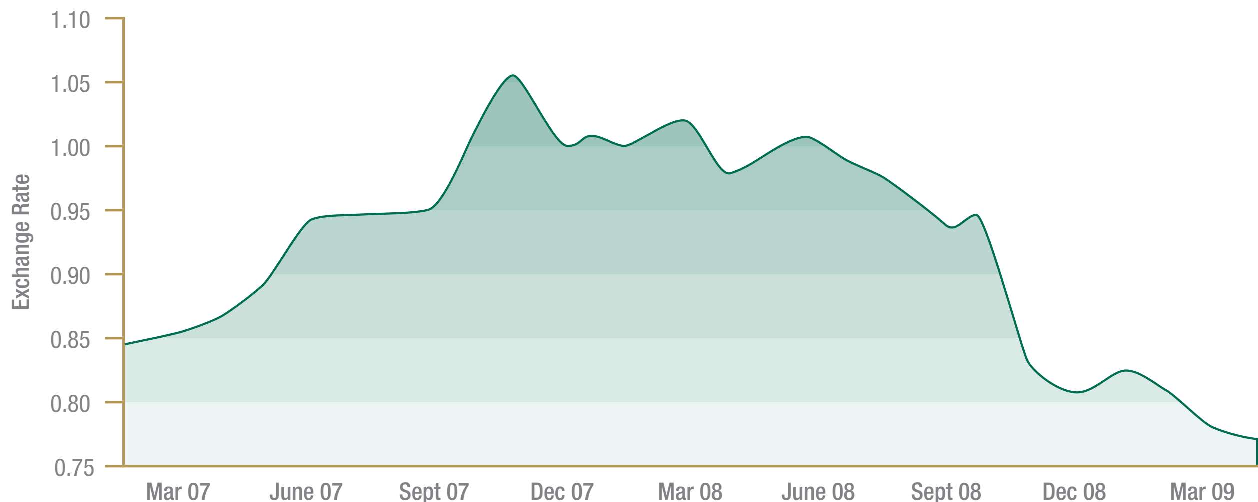
to pass cost increases through in a timely manner due to record level, price protected backlogs. In Q3 2008, the global economic meltdown caused steel prices to come crashing down to levels that paralleled the beginning of the year.

Steady escalation in the value of the Canadian dollar has been a headwind for the company since before IPO in 2004. Our heavy weighting in U.S. dollar revenue makes our earnings sensitive to the exchange rate. In Q4 2008 there was an unprecedented move in the Canadian dollar from near par to the eighty-cent range. This currency move is a very positive development for the Fund as we enter 2009.

Volatility is very difficult for any management team to deal with. To put it in perspective, the currency in which we do business, our largest manufacturing input, and the commodity prices that influence the buying patterns of our customers, all experienced unprecedented fluctuations in 2008—driving reactive management. The challenge is to fight the fires as they emerge, but still keep focused on the long-term planning that is crucial to the success of the business.

Over the past few years we have strengthened the depth and breadth of our management team. At the risk of driving up fixed overheads, we have positioned the company with the resources to manage our aggressive growth. I am proud of the quality team we have assembled and it is to their credit that we were able to deliver record results in a tumultuous environment.

It is always a challenge for a management team to maintain its core culture and focus as it grows. Since inception, we have maintained an entrepreneurial culture focused on cost control as



well as growth. We have maintained our discipline by resisting growth opportunities outside of our core competency in agricultural equipment. We are confident that our team will continue to gel and that we will maintain the values and focus that has driven our success to date.

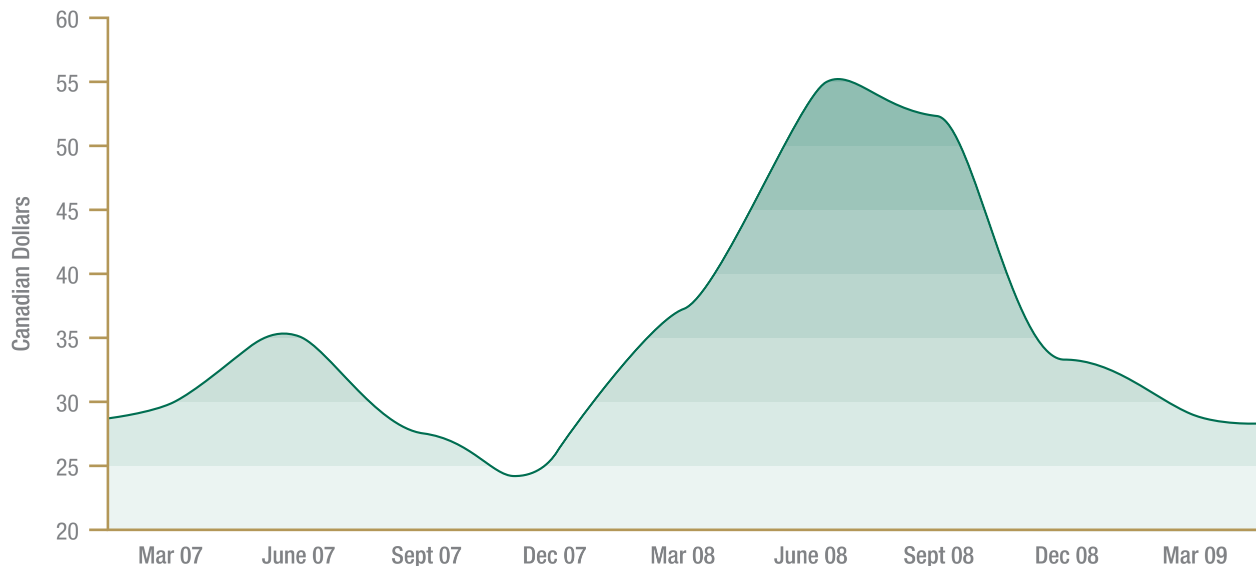
Operationally, 2008 was a transitional year for the Fund. Several strategic moves over the last couple of years gained necessary traction in 2008, positioning us to continue with our plans for growth into the future.

Our biggest accomplishment in 2008 was the successful completion of the capacity improvement initiative at Westfield.

The initiative was not as simple as adding bricks and mortar. It involved a total transformation into a lean manufacturing operation. We all had to reevaluate the way we were manufacturing, which required a complete cultural shift. I argue that this type of project meets more resistance in a highly profitable operation like Westfield's because the catalyst of a broken business model does not exist to motivate people.

Our success in opening a Winnipeg based feeder plant, accessing immigrant labour pools, and the opening of a winter loading facility contributed to our ability in the second half of 2008 to exceed our initial capacity improvement targets. We have been operating at record run rates for an extended enough period that we are confident the new capacity thresholds are comfortably sustainable.

Hats off to Ron Braun and his team for their excellent execution of a very difficult project. Since we bought Westfield in 2000 it has been our flagship division. Despite buying several great companies since then, Westfield has served as the benchmark of success that we measure all of our divisions against. The success of this project has only enhanced that status.



This year we also completed a capacity expansion at Batco in Swift Current. Batco is the leader in its niche and as a result of this expansion it is positioned for yet another record year in 2009. Management's roots lie in Batco and it was the founding company in the Ag Growth family. It continues to steadily and consistently grow over the years.

The new Randolph County facility in Indiana was opened in the second half of this year. We successfully installed a new powder paint line, integrated Applegate Steel and moved production of bin unload systems from Canadian operations into the facility. Although behind schedule and budget, the facility is now operational. This operation is of strategic importance to us as it takes further capacity constraints out of the Westfield and Batco facilities and provides us with a sizeable manufacturing footprint in our core market of the U.S. Midwest.

Hi Roller, our commercial conveyor division in Sioux Falls, succeeded with another banner year. We had been expecting a pullback after an exceptional year in 2007 riding the ethanol plant construction wave. Sometimes you don't grasp everything when you perform due diligence on a company. Rarely do these things work in your favour. I am pleased to say that in this instance, although we recognized Hi Roller to be a good company with a good reputation, we have been pleasantly surprised with the brand's true strength. Hi Roller's product quality, exceptional service and superior customer support has enabled the company to thrive despite volatile markets.

Even with these successes we still have our challenges. Our Edwards and Twister divisions in Alberta have the benefit of record backlogs, however the integration challenges continue at the Nobleford facility which houses the Twister bin line. We are making progress under a solid new management team and are driving ahead with a full lean rollout as we continue with the integration. This may be slowing the integration marginally, but we are confident that when we come out the other side of this process, we will be a stronger organization than originally anticipated.

Drawing on experience gained through the Westfield lean initiative, external expertise from a proven consulting group and the focus of head office support, this integration and lean manufacturing initiative is our top operational priority as we enter 2009.

I anticipate that agriculture markets will remain solid in North America for the foreseeable future. However, international markets present opportunities as they are generations behind us in grain handling, storage and conditioning.

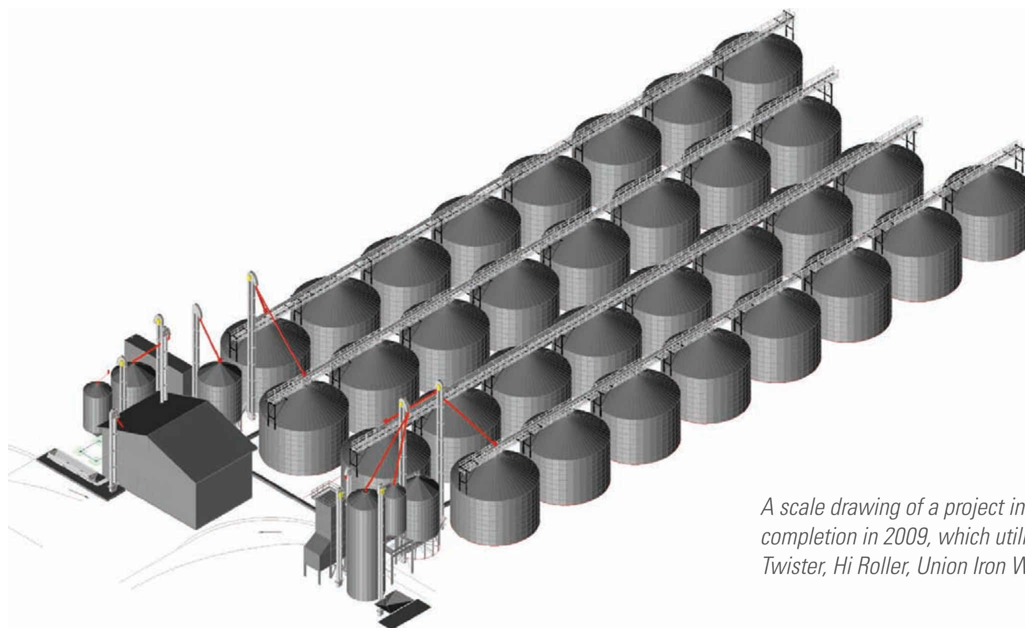
In this report last year, we introduced Shane Knutson who joined our team to head up strategic drive into international markets. Shane has built an impressive team of professionals, positioning us for strong growth over the medium to long term. They successfully completed projects in Russia and Kazakhstan over the past year and are currently quoting on opportunities in Eastern Europe, Africa and South America.

The opportunity to service international markets will serve as our next primary growth driver and as long as this thesis continues to prove positive we will dedicate the necessary resources to effectively and profitably capitalize.

The evolution from a catalogue of farm based portable equipment to a broader catalogue encompassing the entire spectrum including aeration, storage and industrial quality handling equipment is well underway. The acquisition of Edwards, Twister, Hi Roller and Union Iron Works has given us the necessary product lineup to establish a credible presence in these markets. We are excited to demonstrate to our investors over the next couple of years, the strategic significance of each of these deals. As we integrate the strategic plans of each of these divisions into a cohesive international business plan we expect excellent returns on the investment. The magic lies in the execution. Stay tuned!

Despite our optimism as we enter 2009 one cannot ignore the catastrophic events facing the world economy. The commodity sell off has not escaped the grain markets. We must remember that corn prices at $3.65 per bushel at the time of writing this report—although well off the highs that we experienced mid last year—are still significantly higher than the $2.00 to $2.25 level they sat at for almost a decade. Carryover stocks increased somewhat after the fall harvest although they are low on a historic stocks-to-use ratio.

We have to realize that 2008 was unique in that everything went right in grain production worldwide. We had large increases in emerging BRIC countries. We do not expect a repeat of those volumes due to credit constraints entering the 2009 production



A scale drawing of a project in Russia scheduled for completion in 2009, which utilizes the AGI brands: Twister, Hi Roller, Union Iron Works and Keho.

year. Canada had record crops and the U.S., despite concerns over spring flooding has also produced a large crop. In addition, very few droughts were experienced worldwide however carryover stocks remain tight.

We are seeing reports of droughts in large areas of China's wheat growing regions and South America is experiencing drought patterns. We expect a reduction in fertilizer application and planting in many of these regions as a result of tight credit and the price of inputs. We expect these variables to provide pricing support for ag commodities as we progress into 2009.

In North America (our primary market), strong corn and soybean plantings are expected. As our primary driver is production volume we expect continuation of strong demand for our product. This sentiment is reflected in our backlogs which are currently very strong. The greatest risk is from unexpected demand destruction for feed grain worldwide. We will be monitoring how that plays out.

Credit is another risk we are monitoring. Our equipment is small ticket relative to many other types of farm equipment and our dealers are portraying optimism that credit availability will not have a material effect on demand for our type of equipment. In fact, the dramatic drop in fuel prices and the easing in price for fertilizer are helping the working capital situation for farmers as they enter the 2009 crop year.

We are fortunate to have maintained a conservative balance sheet and are not concerned about credit availability for Ag Growth. However, we realize that our cost of capital will increase as we go forward.

Despite the negative broader economy, we continue to develop our business plan around strong revenue and earnings growth in 2009 based on solid ag industry fundamentals. This is built upon three main variables: our inability to pass on price increases in 2008 to compensate for the steel price runup. This is behind us and we will be realizing pricing adjustments in 2009.

The currency moved sharply in our favour in late 2008. 74% of our revenues are in U.S. dollars. Although somewhat tempered by hedging contracts, this will positively impact results with the currency at current levels.

Capacity constraints that hampered performance in the first half of the year are fundamentally behind us. In particular, our Westfield division is shipping substantially ahead of last years levels and so far we have the backlog demand to support these levels.

We will continue to build our business plan for growth until external factors tell us otherwise. We are not however, oblivious to the terrible economic situation facing the world. That being said, we will remain highly sensitive to macro and micro economic factors that could affect the Fund.

As a complement to our growth, Ag Growth Industries has undergone a rebranding. You will notice in this report that we have changed our logo and are presenting ourselves as AGI. This evolution in branding will help to further our recognition both domestically and in international markets, as an industry leading, strong and sustainable parent company.

We thank our unitholders for their support during these trying times in the world economy, however we hold the view that our industry fundamentals remain solid. We will continue to strive to create value for you over the long term.

Rob Stenson
Chief Executive Officer

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MANAGEMENT'S DISCUSSION AND ANALYSIS

March 16, 2009

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March 16, 2009

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements and accompanying notes of Ag Growth Income Fund (the "Fund") for the year ended December 31, 2008. Results are reported in Canadian dollars unless otherwise stated and have been prepared in accordance with Canadian generally accepted accounting principles. Throughout this MD&A references are made to "EBITDA," "EBITDA before gain (loss) on foreign exchange," "gross margin," "standardized distributable cash," "adjusted distributable cash" and "payout ratio." A description of these measures and their limitations are discussed below under "Non-GAAP Measures." See also "Risks and Uncertainties" and "Forward-Looking Statements" below.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements that reflect our expectations regarding the future growth, results of operations, performance, business prospects, and opportunities of the Fund. Forward-looking statements may contain such words as "anticipate," "believe," "continue," "could," "expects," "intend," "plans," "will" 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 changes in international, national and local business conditions, crop yields, crop conditions, seasonality, industry cyclicality, volatility of production costs, commodity prices, foreign exchange rates, and competition. In addition, actual results may be materially impacted by the current economic downturn, including the cost and availability of capital and the possibility of deterioration in the Fund's working capital position. These risks and uncertainties are described under "Risks and Uncertainties" and in our Annual Information Form. Although the forward-looking statements contained in this MD&A are based on what we believe to be reasonable assumptions, we cannot assure readers that actual results will be consistent with these forward-looking statements and we undertake no obligation to update such statements except as expressly required by law.

OVERVIEW OF THE FUND

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario. The Fund holds indirectly all of the securities of Ag Growth Industries Inc. ("Ag Growth"), which conducts business in the grain handling, storage, and conditioning market. The following Trust units of the Fund and Class B units of AGHLP were issued and outstanding and participated pro rata in distributions during the periods indicated:

	# Trust units	# Class B units (1)	# Total units
December 31, 2007	12,818,915	136,085	12,955,000
Units purchased under normal course issuer bid	(200,000)	0	(200,000)
December 31, 2008 and March 16, 2009	12,618,915	136,085	12,755,000

(1) The previous owners of Ag Growth were issued Class B exchangeable limited partnership units ("Class B units") of AGX Holdings Limited Partnership ("AGHLP"), a wholly-owned subsidiary of the Fund. The Class B units are exchangeable for Trust units of the Fund at the option of the holder on a one-for-one basis at any time. The Trust units of the Fund and the Class B units of AGHLP participate pro rata in distributions. The Fund has issued one Special Voting Unit for each Class B 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.

On October 22, 2008, the Fund commenced a normal course issuer bid for up to 1,262,090 Trust units, representing 10% of the Fund's public float. The normal course issuer bid will terminate on October 21, 2009 unless terminated earlier by the Fund. Units purchased under the normal course issuer bid will be cancelled. Trust units are purchased at market price and in accordance with Toronto Stock Exchange ("TSX") requirements. For the period ending December 31, 2008, the Fund purchased and cancelled 200,000 Trust units at an average unit price of $19.47 for total cash consideration of $3.9 million.

The Fund has granted 220,000 unit awards under its unit award incentive plan approved by unitholders in May 2007. The unit awards remain outstanding at December 31, 2008 and March 16, 2009 and, subject to vesting and payment of the exercise price, are each exercisable for one Trust unit.

In April 2008 the administrator of the Fund's long-term incentive plan acquired 70,400 Trust units to satisfy its obligations with respect to awards under the plan for fiscal 2007. These Trust units have not been cancelled but rather are being held by the administrator until such time as they vest to the participants of the plan.

The Fund's Trust units trade on the Toronto Stock Exchange under the symbol AFN.UN.

CURRENT ECONOMIC CONDITIONS

The current economic crisis and related economic uncertainty has impacted nearly every industry, including certain segments of the agricultural industry. General economic developments did not materially impact the Fund's results in fiscal 2008, and are not expected to significantly impact results in 2009.

Sales of portable grain handling, storage and aeration equipment represent approximately 72% of the Fund's total 2008 sales. The primary demand drivers for portable grain handling, storage and aeration equipment are volume of grains grown, storage practices, and commodity prices. These factors are expected to continue to support robust demand:

- The United States Department of Agriculture ("USDA") released a preliminary estimate that U.S. farmers will plant 86.0 million acres of corn in 2009 (2008 – 85.9 million acres). Although actual planting may differ from these projections, especially since many farmers are deferring their final planting decisions due to fluctuating commodity prices, planted acres at these levels are well above historical averages and are expected to continue to support strong demand for the Fund's portable grain handling, storage and aeration equipment. It should be noted that each year the USDA typically updates its planting intentions forecast at the end of March.
- The long-term trend towards increased on-farm storage not only stimulates the sale of grain storage bins and bin aeration equipment but also the sales of grain handling equipment as farmers are required to handle increased quantities of grains. Management expects this long-term trend to continue due to the increasing prevalence of larger and more sophisticated farming operations, a trend towards increased acreage and crop yields, and more recently the impact of corn-based ethanol.
- Agricultural commodity prices have retracted from record highs however they remain well above historical averages. Management believes that higher commodity prices should remain supported by global agricultural fundamentals and continued low stock-to-use ratios. In addition, legislation mandating corn-based ethanol production is expected to continue to support corn acreage and commodity prices. The profitability of ethanol producers has decreased along with oil prices, however the production of ethanol is legislatively mandated and the annual minimum ethanol requirement is expected to continue to increase due to minimum renewable fuel standards included in the Energy Independence and Security Act signed into law in 2007. The long-term projections released by the USDA in February 2009 support the view that corn prices should remain above their pre-2006 levels.

The Fund's remaining sales relate primarily to stationary grain handling equipment, with a small component related to livestock equipment. Stationary grain handling equipment is geared towards new construction and facility upgrades in the commercial grain handling and value-added food processing space. Macro-economic factors and the availability of credit may impact this sector. Management believes sales of stationary grain handling equipment may decrease in 2009, however not to the extent to offset anticipated gains in portable grain handling, storage and aeration. Sales of livestock equipment in 2008 were already impacted by a weak livestock sector and are not expected to be further damaged by recent economic developments.

The Fund does not believe the availability of credit will have a significant impact on demand for its products. The Fund's portable equipment is relatively low priced and does not represent a significant investment for a farmer. In addition, the equipment is essential to continuing farming operations and must be replaced on a regular basis. Access to credit may impact the commercial sector, as discussed above, and may also temper overseas growth in developing markets in the short-term. The Fund's sales to developing markets in 2008 were $6.5 million and it is not expected that sales to these markets will decrease significantly in 2009.

RATE OF FOREIGN EXCHANGE

The rate of exchange between the Canadian and U.S. dollars may be a significant factor when comparing financial results to prior periods. A stronger Canadian dollar will result in lower sales and lower expenses as transactions denominated in U.S. dollars are translated to Canadian dollars at a lower rate. For the year ended December 31, 2008, sales denominated in U.S. dollars accounted for 74% of total sales (2007 – 75%) and U.S. dollar denominated expenses equated to 36% of sales (2007 – 28%).

The Fund's average rate of exchange per U.S. dollar for the year ended December 31, 2008 was $1.04, compared to $1.08 in 2007. Accordingly, the stronger Canadian dollar in 2008 adversely impacted the Fund's financial results compared to 2007.

The Canadian dollar weakened significantly in the fourth quarter of 2008 and in early 2009 has traded at levels well above the 2008 average of $1.04. Accordingly, unless the Canadian dollar strengthens to levels experienced in 2008, the impact of foreign exchange will positively impact the Fund's 2009 results when comparing to the prior year.

The Fund translates its U.S. dollar denominated debt into Canadian dollars at each balance sheet date. The Canadian dollar weakened significantly in the fourth quarter of 2008, and accordingly the Fund recorded a large unrealized, non-cash loss when it translated its U.S. dollar denominated debt into Canadian dollars at December 31, 2008. This unrealized loss is included in "gain (loss) on foreign exchange" on the statement of earnings for the three and twelve months ended December 31, 2008.

OPERATING RESULTS

	Year Ended December 31	
	2008 $ (000s)	**2007 $ (000s)**
Sales	**$ 199,341**	$ 130,371
Cost of goods sold	**(128,264)**	(79,986)
Gross margin	**71,077**	50,385
Selling, general, and administrative expenses	**(26,856)**	(18,412)
Other expenses (1)	**(1,750)**	(1,521)
Long-term incentive plan	**(850)**	(800)
Unit award incentive plan	**(670)**	(1,402)
Gain (loss) on foreign exchange (3)	**(6,389)**	4,118
Amortization	**(8,525)**	(5,764)
Interest expense	**(2,733)**	(2,548)
Earnings before tax	**23,304**	24,056
Current income taxes	**(1,552)**	(1,933)
Future income taxes	**(540)**	(9,757)
Net earnings for the period	**$ 21,212**	$ 12,366
EBITDA (2)	**$ 34,562**	$ 32,368
EBITDA before gain (loss) on foreign exchange (2)	**$ 40,951**	$ 28,250
Net earnings per unit	**$ 1.64**	$ 1.06

(1) Professional fees, research and development, capital taxes and other expense (income).
(2) See "non-GAAP Measures."
(3) Included in gain (loss) on foreign exchange is an $8.7 million unrealized non-cash loss recorded when the Fund translated its U.S. dollar denominated debt into Canadian dollars for reporting purposes. See "Rate of Foreign Exchange" above.

ASSETS AND LIABILITIES

	Year Ended December 31	
	2008 $ (000s)	2007 $ (000s)
Total assets	$ 228,464	$ 210,683
Total liabilities	$ 102,928	$ 64,029

ACQUISITIONS

The inclusion of the assets, liabilities and operating results of the following acquisitions significantly impacts comparisons to 2007:

- Effective May 31, 2007, the Fund acquired substantially all of the operating assets of Twister Pipe Ltd. ("Twister"), a manufacturer of grain storage bins, aeration equipment, and bin unload systems. Subsequent to the acquisition the assets, liabilities and operations of Twister were integrated with the Fund's Edwards division.
- Effective November 19, 2007, the Fund acquired 100% of the outstanding shares of Union Iron Inc. ("Union Iron") and the shares and assets of certain related companies of Union Iron, a manufacturer of material handling and storage equipment.
- Effective January 15, 2008, the Fund acquired substantially all of the assets of Applegate Steel Inc. ("Applegate"), a manufacturer of livestock equipment.

DISTRIBUTIONS DECLARED

The table below summarizes distributions declared for Trust units of the Fund and Class B units of AGHLP. The Fund's distribution policy is described in the "Distributions" section of this MD&A.

DISTRIBUTIONS

	Year Ended December 31	
	2008 $ (000s)	2007 $ (000s)
Trust units	$ 26,419	$ 19,356
Class B units	282	229
Total distributions	$ 26,701	$ 19,585

OVERALL PERFORMANCE

The Fund reported record sales and EBITDA in fiscal 2008. Strong agricultural fundamentals, successive large harvests and a long-term trend towards increased on-farm storage and aeration resulted in record demand that has continued into 2009. The completion of the Westfield capacity initiative in March 2008 played a major role in allowing the Fund to capitalize on these positive market drivers.

Strong demand for portable grain handling and aeration equipment and a significant increase in production at the Westfield division has resulted in a substantial increase in sales compared to 2007. The table below summarizes consolidated sales as well as sales at core divisions (defined as those divisions reporting a full year of results in both 2007 and 2008):

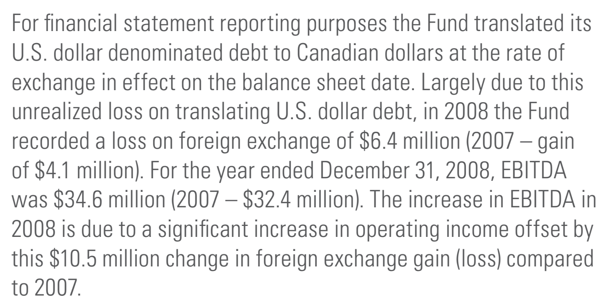
SALES

	Year Ended December 31	
	Core $ (000s)	Consolidated $ (000s)
December 31, 2008	$ 160,127	$ 199,341
December 31, 2007	$ 125,429	$ 130,371
Increase	$ 34,698	$ 68,970
Percentage increase	28%	53%

Gross margin (see "non-GAAP measures") as a percentage of sales for the year ended December 31, 2008 was 35.7% (2007 – 38.6%). Compared to 2007, gross margin was negatively impacted by integration issues at the Edwards/Twister division, increases in input costs, particularly raw steel, and a stronger Canadian dollar. The Fund announced several sales price increases in 2008 to offset rising input costs, however the financial statement impact of these price increases was limited in the year ended December 31, 2008 as the Fund honoured historical pricing on its order backlog.

Management initiatives to increase gross margin percentages have been largely successful. Gross margin in 2008, excluding Edwards/Twister, was 39.7% compared to 40.3% in 2007. The Fund has enhanced management depth and made organizational changes at Edwards/Twister, and expects gross margin improvements over the next several quarters to result from enhanced productivity, the realization of previously announced price increases, and the continuation of higher sales volume.

EBITDA before the gain (loss) on foreign exchange for the year ended December 31, 2008 was $41.0 million (2007 – $28.3 million). The increase of $12.7 million or 45% was due primarily to a significant increase in sales and gross margin at Westfield, inclusion of Union Iron results for a full twelve-month period, offset by the gross margin pressures discussed above and an operating loss at Applegate.



For financial statement reporting purposes the Fund translated its U.S. dollar denominated debt to Canadian dollars at the rate of exchange in effect on the balance sheet date. Largely due to this unrealized loss on translating U.S. dollar debt, in 2008 the Fund recorded a loss on foreign exchange of $6.4 million (2007 – gain of $4.1 million). For the year ended December 31, 2008, EBITDA was $34.6 million (2007 – $32.4 million). The increase in EBITDA in 2008 is due to a significant increase in operating income offset by this $10.5 million change in foreign exchange gain (loss) compared to 2007.

SALES

Sales for the year ended December 31, 2008 were $199.3 million, including $39.2 million at divisions acquired in 2007 and 2008. Excluding the impact of acquisitions, sales for the year ended December 31, 2008 were $160.1 million, compared to $125.4 million in 2007. The increase of $34.7 million or 28% over 2007 is largely due to the following:

- Sales of portable grain handling equipment in the North American market increased significantly due to higher levels of production capacity at Westfield, exceptional farm level demand, and sales price increases.
- Sales of Edwards' aeration equipment continued to benefit from the long-term trend towards increased on-farm storage in the U.S. and the increased adoption of aeration practices in western Canada.
- Total international sales were $17.4 million (2007 – $7.4 million) and excluding acquisitions were $10.6 million (2007 – $6.1 million). The increase is largely due to the development of new markets in Russia and Kazakhstan.
- Sales were negatively impacted by foreign exchange. Had the average exchange rates experienced in 2007 been in effect in 2008, all other factors remaining constant, sales excluding acquisitions would have increased an additional $4.5 million.

GROSS MARGIN (see discussion of non-GAAP measures)

Gross margin as a percentage of sales for the year ended December 31, 2008 was 35.7%, compared to 38.6% in 2007. The decrease in gross margin percentages compared to 2007 was largely due to the following:

- The inclusion of Twister negatively impacted gross margin percentages. Excluding the Edwards/Twister division, gross margin for 2008 was 39.7%, compared to 40.3% in 2007. The Fund has enhanced management depth and made organizational changes at Edwards/Twister, and expects gross margin improvements over the next several quarters to result from enhanced productivity, the realization of previously announced price increases, and the continuation of higher sales volume.
- Completion of the capacity improvement initiative at Westfield increased throughput and efficiency, however gross margin was negatively impacted while the project was implemented in the first quarter of 2008.
- Gross margin was negatively impacted by increases in the price of steel and related inputs. Sales price increases were implemented to address rising input costs, however the financial statement impact of these price increases was limited in the year ended December 31, 2008 as the Fund honoured historical pricing on its order backlog. The impact of honouring historical pricing most materially impacted Westfield and Edwards/Twister. The Fund expects the benefit of all price increases to fully impact the first quarter of 2009.
- The Fund's sales mix has changed substantially with the acquisitions of Twister, Union Iron, and Applegate. These businesses have operated at lower margins and their inclusion in the Fund's consolidated results lowered the consolidated gross margin percentage. Divisions that were acquired in 2007 and 2008 accounted for 20% of total sales in 2008.

FOREIGN EXCHANGE

The Fund's gain (loss) on foreign exchange on the income statement is primarily comprised of:

- Gains or losses on translating U.S. dollar denominated long-term debt into Canadian dollars using the foreign exchange rate in effect at the balance sheet date. The Canadian dollar weakened significantly in the fourth quarter of 2008, and accordingly the Fund recorded a large unrealized, non-cash loss when it translated its U.S. dollar denominated debt into Canadian dollars for reporting purposes.
- Gains or losses on the repayment of U.S. dollar denominated debt. A gain or loss is recorded when the rate of exchange at the date of repayment differs from the rate of exchange at the beginning of the reporting period. The Fund did not retire any debt in 2008, however a gain was realized on the repayment of debt in 2007.
- Gains or losses on foreign exchange hedging contracts that mature in the period.

- Gains or losses on U.S. dollar denominated working capital items. A realized gain or loss is recorded when the rate of exchange at the time an asset or liability is settled differs from the rate of exchange that was used when the asset or liability was initially recorded. An unrealized gain or loss is recorded when the rate of exchange at the end of the fiscal year differs from the rate of exchange when the asset or liability was recorded.

EXPENSES

For the year ended December 31, 2008, selling, general and administrative expenses were $26.9 million or 13% of sales. Excluding acquisitions, selling, general and administrative expenses were $22.4 million or 14% of sales (2007 – $18.1 million or 14% of sales). The increase of $4.3 million over 2007 is primarily due to the following:

- Salary expense increased $0.8 million due to personnel additions to facilitate growth and acquisition integration, wage adjustments, and a number of smaller items.
- Sales and marketing expense increased $0.8 million due largely to the development of an international sales group and investment in offshore territory development.
- Commission expense payable to third parties increased $0.7 million largely due to increased sales at Westfield and Hi Roller's customer mix.
- A number of miscellaneous items with variances of $0.3 million or less accounted for the remaining change.

Other significant items include the following:

- The Fund adopted a unit award incentive plan ("UAIP") in May 2007. Calculation of the UAIP expense is based on the trading price of the Fund's Trust units at the balance sheet date and the vesting provisions of the UAIP. For the year ended December 31, 2008, the Fund recorded an expense related to the UAIP of $0.7 million (2007 – $1.4 million).
- The Fund's long-term incentive plan ("LTIP") provides for annual awards based on distributable cash generated. The awards are expensed over the term of the participant's vesting period and as a result the expense in 2008 includes a component related to fiscal 2007. For the year ended December 31, 2008, the Fund recorded an expense related to the LTIP of $0.9 million (2007 – $0.8 million).
- For financial statement reporting purposes the Fund translated its U.S. dollar denominated debt to Canadian dollars at the rate of exchange in effect on the balance sheet date of December 31, 2008. Largely due to this unrealized loss on translating U.S. dollar debt, the Fund recorded a loss on foreign exchange of $6.4 million (2007 – gain of $4.1 million). Accordingly, compared to 2007, the gain (loss) on foreign exchange negatively impacted earnings by $10.5 million.

EBITDA AND NET EARNINGS

(see discussion of non-GAAP measures)

EBITDA before the gain (loss) on foreign exchange for the year ended December 31, 2008 was $41.0 million (2007 – $28.3 million). The increase of $12.7 million or 45% over 2007 was due primarily to a significant increase in sales and gross margin at Westfield, inclusion of Union Iron results for a full twelve-month period, offset by the gross margin pressures discussed above and an operating loss at Applegate.

For financial statement reporting purposes the Fund translated its U.S. dollar denominated debt to Canadian dollars at the rate of exchange in effect on the reporting date of December 31, 2008. Largely due to this unrealized loss on translating its U.S. dollar debt, the Fund recorded a loss on foreign exchange of $6.4 million (2007 – gain of $4.1 million). EBITDA after considering the gain (loss) on foreign exchange was $34.6 million, compared to $32.4 million in 2007. The increase in EBITDA is the result of a significant increase in operating income offset by the $10.5 million change in foreign exchange gain (loss) compared to 2007.

The Fund's credit facility includes operating lines of CAD $10.0 million and USD $2.0 million, and provides for long-term debt of up to USD $66.5 million. As at December 31, 2008 no amounts were outstanding under the operating lines. The Fund's outstanding long-term debt is CAD $52.8 million (2007 – $25.6 million), comprised of term loans of USD $37.6 million and CAD $6.9 million. Interest rates on both facilities are based on performance calculations. For the year ended December 31, 2008, the Fund's effective interest rate on its U.S dollar term debt was 5.1% (2007 – 8.6%), and after consideration of the effect of the Fund's interest rate swap was 5.2% (2007 – 6.5%). For the year ended December 31, 2008 the Fund's effective interest rate on its Canadian dollar term debt was 4.8% (2007 – 6.1%). See "Financial Instruments."

Amortization for the year ended December 31, 2008 was $8.5 million (2007 – $5.8 million) and included the amortization of capital assets of $5.5 million and the amortization of intangible assets of $3.0 million. Compared to 2007, amortization was most significantly impacted by the acquisitions of Twister,

Union Iron and Applegate, and amortization of the new paint line at the Westfield facility.

The Fund is a mutual fund trust for income tax purposes and therefore is not at this time subject to tax on income distributed to unitholders. The manufacturing business operations of the Fund's divisions that are based in Canada 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 includes the Fund. The Fund's distributions are taxable in the hands of the unitholders. As a result of the Fund's structure, a current tax provision is recorded only for the Fund's subsidiary corporations, including its U.S. based divisions, and for the year ended December 31, 2008 the current tax provision was $1.6 million.

For the year ended December 31, 2008 the Fund recorded a future tax expense of $0.5 million (2007 – $9.8 million). The 2008 expense is related to the treatment of the Fund's long-term incentive plan and unit award incentive plan, net of an expense derived primarily from the utilization of future tax assets. The 2007 expense included a charge related to new income trust tax legislation (see "Legislation Related to Income Trusts").

For the year ended December 31, 2008, the Fund recorded net earnings of $21.2 million (2007 – $12.4 million) and earnings per basic and diluted unit of $1.64 (2007 – $1.06).

QUARTERLY FINANCIAL INFORMATION

	2008			
	Sales $ (000s)	Gain (loss) on FX $ (000s)	Net earnings (loss) $ (000s)	Net earnings per unit $ (000s)
Q1	$ 35,138	$ (586)	$ 1,889	$ 0.14
Q2	55,950	291	7,460	0.58
Q3	60,012	(1,242)	9,753	0.75
Q4	48,241	(4,852)	2,110	0.17
Fiscal 2008	**$ 199,341**	**$ (6,389)**	**$ 21,212**	**$ 1.64**

	2007			
	Sales $ (000s)	Gain (loss) on FX $ (000s)	Net earnings (loss) $ (000s)	Net earnings per unit $ (000s)
Q1	$ 28,085	$ 59	$ 5,618	$ 0.50
Q2	34,960	1,078	(4,902)	(0.44)
Q3	40,762	1,117	8,976	0.80
Q4	26,564	1,864	2,674	0.20
Fiscal 2007	**$ 130,371**	**$ 4,118**	**$ 12,366**	**$ 1.06**

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. Adjusted distributable cash generated per unit will also typically be highest in the third quarter. Due to the seasonality of the Fund's working capital movements, standardized distributable cash generated per unit will typically be highest in the fourth quarter. The following factors impact comparability between quarters in the table above:

- Sales, gain (loss) on foreign exchange, net earnings, and net earnings per unit are significantly impacted by the rate of exchange between the Canadian and U.S. dollars.
- The fourth quarter of 2008 includes a large unrealized loss that resulted primarily from translating U.S. dollar denominated debt into Canadian dollars for reporting purposes.

- The second quarter of 2007 includes a non-cash future tax accrual of $11.1 million related to the enactment of taxation laws related to income trusts for taxation years commencing January 1, 2011. The fourth quarter of 2007 includes a $1.6 million credit to future taxes to reflect a lower expected effective tax rate.

- Subsequent to January 15, 2008, results reflect the acquisition of Applegate.

- Subsequent to November 19, 2007, results reflect the acquisition of Union Iron.

- Subsequent to May 31, 2007, results reflect the acquisition of Twister.

- Subsequent to December 31, 2006, results reflect the acquisition of Hi Roller.

FOURTH QUARTER

The Fund reported record operating results in the fourth quarter of 2008 with sales of $48.2 million (2007 – $26.6 million) and EBITDA before the gain (loss) on foreign exchange of $8.9 million (2007 – $2.0 million). The fourth quarter of 2008 was positively impacted by strong agricultural fundamentals, a weaker Canadian dollar, and sales price increases. These positive drivers have continued into 2009.

SALES

Sales for the three months ended December 31, 2008 were $48.2 million, including $6.8 million at divisions acquired in 2007 and 2008. Excluding the impact of acquisitions, sales for the quarter ended December 31, 2008 were $41.5 million, compared to $25.4 million in 2007. The increase of $16.1 million or 63% over the fourth quarter of 2007 is largely due to the following:

- Sales of portable grain handling equipment in the North American market increased significantly due to higher levels of production capacity at Westfield, exceptional farm level demand, and sales price increases.

- Sales of Edwards' aeration equipment continued to benefit from the long-term trend towards increased on-farm storage in the U.S. and the increased adoption of aeration practices in western Canada.

- Total international sales were $4.0 million (2007 – $3.0 million) and excluding acquisitions were $2.4 million (2007 – $2.8 million). The decrease from 2007 largely relates to timing.

- Sales were positively impacted by foreign exchange. The Canadian dollar weakened significantly in the fourth quarter of 2008 and as a result U.S. dollar denominated sales were translated to Canadian dollars at a more favourable exchange rate. The impact of the rate of exchange on translation increased sales in the fourth quarter by $4.4 million.

GROSS MARGIN

Gross margin as a percentage of sales for the quarter ended December 31, 2008 was 35.9%, compared to 31.3% in 2007. The increase in gross margin percentages compared to 2007 was largely due to the following:

- Gross margin percentages in the fourth quarter of 2008 at all Canadian divisions benefited from sales price increases and a weaker Canadian dollar.

- Gross margin percentages at Westfield Industries, the Fund's largest division, increased after the completion in March 2008 of the capacity improvement initiative.

- Gross margin in the fourth quarter of 2007 was negatively impacted by costs related to the integration of Twister and implementation of the Westfield capacity improvement initiative.

EXPENSES

For the three months ended December 31, 2008, selling, general and administrative expenses were $7.6 million or 16% of sales. Excluding acquisitions, selling, general and administrative expenses were $6.5 million or 16% of sales (2007 – $4.7 million or 19% of sales). The increase of $1.8 million over 2007 is primarily due to the following:

- Salary expense increased $0.3 million due largely to personnel additions to facilitate growth and acquisition integration, wage adjustments, and a number of smaller items.

- Sales and marketing expense increased $0.3 million due largely to the development of an international sales group and investment in offshore territory development.

- Commission expense payable to third parties increased $0.2 million largely due to increased sales at Westfield and Hi Roller's customer mix.

- A number of miscellaneous items with variances of $0.1 million or less and certain reclassifications of comparative figures accounted for the remaining change.

Other significant items include the following:

- The Fund adopted the UAIP in May 2007. Calculation of the UAIP expense is based on the trading price of the Fund's Trust units at the balance sheet date and the vesting provisions of the UAIP. For the three months ended December 31, 2008, the Fund recorded an expense related to the UAIP of $0.1 million (2007 – $0.7 million).
- The LTIP awards are expensed over the term of the participant's vesting period and as a result the expense in 2008 includes a component related to fiscal 2007. For the three months ended December 31, 2008, the Fund recorded an expense related to the LTIP of $0.2 million (2007 – $0.3 million).
- For financial statement reporting purposes the Fund translated its U.S. dollar denominated debt to Canadian dollars at the rate of exchange in effect on the reporting date of December 31, 2008. Largely due to this unrealized loss on translating its U.S. dollar debt, the Fund recorded a loss on foreign exchange of $4.9 million (2007 – gain of $1.9 million).

EBITDA before gain (loss) on foreign exchange for the three-month period ended December 31, 2008 was $8.9 million, compared to $2.0 million in 2007. EBITDA at the Fund's core divisions increased significantly largely due to an increase in sales and EBITDA at Westfield that resulted from the successful completion of its capacity improvement initiative in March of 2008. These gains were partially offset by an increase in corporate expenses, a seasonally weak quarter at Union Iron, and an operating loss at Applegate.

EBITDA for the three-month period ended December 31, 2008 was $4.1 million, compared to $3.9 million in 2007. The increase in EBITDA is the result of the significant increase in operating income offset in part by the $6.8 million change in foreign exchange gain (loss) discussed above.

For the three-months ended December 31, 2008, the Fund recorded net earnings of $2.1 million and earnings per basic and diluted unit of $0.17, compared to net earnings of $2.7 million and earnings per basic and diluted unit of $0.20 in 2007. Net earnings in 2008 were negatively impacted by a significant non-cash loss on the translation of U.S. dollar denominated debt, while net earnings in the fourth quarter of 2007 benefited from a reduction in the Fund's future tax liability (see "Legislation Imposing Taxation on Income Trusts").

CASH FLOW AND LIQUIDITY

The table below reconciles net earnings to cash provided by operations for the years ended December 31, 2008 and 2007:

	Year Ended December 31	
	2008 $ (000s)	**2007 $ (000s)**
Net earnings for the period	**$ 21,212**	$ 12,366
Add charges (deduct credits) to operations not requiring a current cash payment:		
Amortization	**8,525**	5,764
Future income taxes	**540**	9,757
Translation loss (gain) on foreign exchange	**8,745**	(2,866)
Non-cash interest expense	**349**	190
Long-term incentive plan	**850**	800
Unit award incentive plan	**670**	1,402
Loss (gain) on sale of property, plant & equipment	**0**	(44)
	40,891	27,369
Net change in non-cash working capital balances related to operations:		
Accounts receivable	**(14,182)**	4,729
Inventory	**(13,155)**	521
Prepaid expenses and other assets	**304**	(30)
Accounts payable and accruals	**(359)**	87
Customer deposits	**(1,444)**	5,406
Long-term incentive plan	**91**	(854)
Income taxes payable	**(1,242)**	(154)
	(29,987)	9,705
Cash provided by operations	**$ 10,904**	$ 37,074

For the year ended December 31, 2008, cash provided by operations was $10.9 million (2007 – $37.1 million). The decrease in cash provided by operations in 2008 is primarily due to changes in non-cash working capital. Increased demand resulted in a high level of customer deposits on hand at December 31, 2007, and accordingly a higher level of production and sales in 2008 related to cash received in 2007. Additional cash resources were required to support inventory levels in 2008 as an increase in purchasing resulted from increased production, higher input prices, and an increased investment in raw material to protect against rising input prices. An increase in period-end accounts receivable resulted from higher sales. A number of smaller changes account for the remaining variance.

In fiscal 2009 we expect that non-cash working capital requirements will more closely approximate historical patterns and will not impact cash flows to the same extent as 2008. Accounts receivable and inventory balances are expected to remain high compared to prior years to support higher levels of sales activity, however we do not expect that the Fund will be required to invest significant resources to support further working capital increases as was the case in 2008. Customer deposits entering 2009 are at similar levels to 2008. The Fund's working capital requirements in 2009 will be impacted by sales demand as well as certain risk factors including customer access to credit and fluctuations in input costs (see "Risk Factors").

WORKING CAPITAL REQUIREMENTS

Interim period working capital requirements typically reflect the seasonality of the business. 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 in-season demand, inventory levels must be gradually increased throughout the year. Accordingly, inventory levels typically increase in the first and second quarters and then begin to decline in the third or fourth quarter as sales levels exceed production. As a result of these working capital movements, historically, Ag Growth begins to draw on its operating lines in the first or second quarter. The operating line balance typically peaks in the second or third quarter and normally begins to decline later in the third quarter as collections of accounts receivable increase. Ag Growth has typically fully repaid its operating line balance by early in the fourth quarter.

Operating results in 2008 generally reflected these expectations, however, compared to prior years, additional cash resources were required to support inventory levels as an increase in purchasing resulted from increased production, higher input prices, and an increased investment in raw material to protect against rising input prices. Accordingly, the Fund's consolidated inventory balance did not decrease in the second half as is typical. In addition, the Fund's accounts receivable balance did not decrease in the fourth quarter to the same extent as prior years due to increased sales activity in the fourth quarter. Largely due to the increased investment in inventory and the higher than typical accounts receivable balance, the Fund's cash provided by operations decreased compared to the prior year.

CAPITAL EXPENDITURES

The Fund had maintenance capital expenditures of $2.3 million for year ended December 31, 2008 (2007 – $1.8 million). Maintenance capital expenditures in 2008 relate primarily to purchases of manufacturing equipment, a semi tractor unit and trailers, forklifts, and computer equipment. The increase from 2007 is largely the result of the acquisitions of Twister, Union Iron and Applegate. Maintenance capital expenditures in a fiscal year are generally funded through cash from operations. Due to seasonality of the Fund's cash flows, capital expenditures may be funded on a short-term basis through the Fund's credit facilities (see "Capital Resources").

The Fund defines maintenance capital expenditures as cash outlays required to maintain plant and equipment at current operating capacity and efficiency levels. Non-maintenance capital expenditures encompass other investments including cash outlays required to increase operating capacity or improve operating efficiency and are typically financed with long-term debt. The following capital expenditures were classified as non-maintenance in 2008:

i. Westfield capacity improvement initiative – in addition to capacity enhancements, the initiative improved the quality and finish of the Westfield product through the implementation of a new paint system. The total expenditure prior to 2008 was $3.6 million. An additional $0.5 million was expended in 2008. The project is substantially complete and project costs were consistent with management expectations.

ii. Westfield facility in Winnipeg, MB – to allow for capacity gains at Westfield's primary facility in Rosenort, MB, the Fund leased space and moved certain production to Winnipeg. In 2008 a total of $0.1 million was expended on manufacturing equipment at this facility. Additional capital expenditures are not anticipated to be material.

iii. Union City, Indiana – a manufacturing facility was acquired to allow for the transfer of certain production from western Canada as well as to provide a more efficient facility for Applegate. Management anticipates total expenditures of $3.7 million related to manufacturing equipment, paint line equipment and building enhancements. In 2008 the Fund expended $3.4 million on this project.

iv. Twister acquisition – in 2008 the Fund expended $0.3 million related to site preparation and material handling equipment. In 2007 the Fund invested $1.6 million in building renovations and certain equipment not included in the purchase agreement.

v. Batco facility – to enhance capacity and improve productivity, Batco added approximately 6,000 square feet to its manufacturing facility. Expenditures in 2008 totalled $0.3 million, bringing the project cost to $0.6 million. The project is complete and costs were consistent with management expectations.

vi. Hi Roller facility – in February 2008 the Fund purchased for $3.3 million the manufacturing facility in Sioux Falls, South Dakota that it had previously leased.

vii. Westfield laser cutter – to allow for capacity gains and increased efficiency, Westfield purchased a second laser cutter for $0.6 million.

viii. Westfield loading facility – to increase shipping capacity Westfield invested $0.3 million in a loading facility.

ix. Westfield warehousing facility – Westfield invested $0.1 million in 2008 towards constructing a warehousing facility in Fargo, ND. Total expenditures, net of proceeds from the sale of its existing facility, are expected to be $0.5 million.

Maintenance capital expenditures in 2009 are expected to approximate 2008 levels and it is anticipated that these expenditures will be financed from operations. Non-maintenance capital expenditures in 2009 are expected to decrease significantly from 2008 and it is anticipated that these expenditures will be financed with long term debt.

CASH BALANCE

For the year ended December 31, 2008 the Fund's cash balance decreased $16.0 million (2007 – increase of $11.7 million). The variance from 2007 was largely the result of increased working capital requirements to support higher levels of sales activity.

CONTRACTUAL OBLIGATIONS

	Total $ (000s)	2009 $ (000s)	2010 $ (000s)	2011 $ (000s)	2012 $ (000s)	2013 + $ (000s)
Long-term debt	$ 53,063	$ 18	$ 13,267	$ 39,760	$ 18	$ 0
Operating leases	1,716	681	560	348	101	26
Total obligations	$ 54,779	$ 699	$ 13,827	$ 40,108	$ 119	$ 26

Long-term debt at December 31, 2008 includes non-amortizing term loans of $52.8 million (comprised of U.S. dollar debt of $37.6 million and CAD $6.9 million), which for financial reporting purposes are shown net of the related deferred financing costs of $0.3 million. The remaining long-term debt relates to GMAC financed vehicle loans. The operating leases relate primarily to vehicle, equipment, warehousing, and facility leases and were entered into in the normal course of business.

CAPITAL RESOURCES

The Fund's credit facility includes operating lines of CAD $10.0 million and USD $2.0 million, and provides for long-term debt of up to USD $66.5 million. As at December 31, 2008 no amounts were outstanding under the operating lines. The Fund's outstanding long-term debt is CAD $52.8 million (2007 – $25.6 million), comprised of term loans of USD $37.6 million and CAD $6.9 million. Interest rates on both facilities are based on performance calculations. For the year ended December 31, 2008, the Fund's effective interest rate on its U.S dollar term debt was 5.1% (2007 – 8.6%), and after consideration of the effect of the Fund's interest rate swap was 5.2% (2007 – 6.5%). For the year ended December 31, 2008, the Fund's effective interest rate on its Canadian dollar term debt was 4.8% (2007 – 6.1%). See "Financial Instruments."

Under the terms of the credit facility agreement, the operating and term loan facilities will bear interest at prime plus 0.00%, 0.50%, or 1.00% per annum based on performance calculations. The loans mature August 31, 2009 and are extendible annually for an additional one-year term at the lender's option. Under the terms of the credit facility agreement, if the bank elects to not extend the operating and term loan facilities beyond the current August 31, 2009 maturity date, all amounts outstanding under the facilities become repayable in four equal quarterly instalments of principal, commencing November 30, 2010.

Based on recent discussions with its existing lenders management fully expects the credit facility agreement will be renewed and extended. The Fund's interest rates are expected to increase upon renewal while other terms of the credit facility are expected to be largely unchanged.

DISTRIBUTIONS

The Fund declared distributions to public unitholders of $26.4 million for the year ended December 31, 2008 (2007 – $19.4 million) and declared distributions to holders of Class B units of AGHLP of $0.3 million (2007 – $0.2 million). Total distributions declared to public unitholders have increased due to an increase in the number of outstanding units, an increase in the distribution rate and a special distribution for the year ended December 31, 2008 of $0.24 per unit. The Fund's monthly distribution level increased to $0.17 per unit effective August 2008, a $0.03 increase from $0.14 per unit, the distribution rate for all of 2007 and the first seven months of 2008.

The Fund's policy is to make monthly distributions to holders of both Trust units of the Fund and Class B units of AGHLP. 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 one or more special distributions to achieve this requirement, and for the year ended December 31, 2008 the Fund declared a special distribution of $0.24 per unit (2007 – $nil).

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

STANDARDIZED DISTRIBUTABLE CASH

In 2007 the Canadian Institute of Chartered Accountants (CICA) issued an interpretive release providing guidance on standardized preparation and disclosure of distributable cash for income trusts. The CICA calculation of standardized distributable cash is based on cash flows from operating activities, including the effects of changes in non-cash working capital, less total capital expenditures.

Management believes that the standardized distributable cash calculation distorts the Fund's distributable cash and payout ratios, as the Fund's non-cash working capital fluctuates dramatically due to organic growth and the seasonality of the Fund's business and cash flow cycle. In addition the standardized distributable cash calculation does not contemplate the timing or source of funding for non-maintenance capital expenditures and as a result may not provide complete information with respect to distributable cash available for distribution.

The table below calculates standardized distributable cash for the years ended December 31, 2008 and 2007:

STANDARDIZED DISTRIBUTABLE CASH

	Year Ended December 31	
	2008 $ (000s)	**2007 $ (000s)**
Cash provided by operations	**$ 10,904**	$ 37,074
Capital expenditures	**(11,197)**	(6,306)
Standardized distributable cash	**$ (293)**	$ 30,768
Standardized distributable cash generated per unit	**$ (0.02)**	$ 2.64
Distributions declared	**$ 2.07**	$ 1.68
Payout ratio – standardized	**N/A**	64%

The decrease in standardized cash and the corresponding increase in payout ratio are primarily due to an increase in non-maintenance capital expenditures and the working capital movements described under "Cash Flow and Liquidity."

ADJUSTED DISTRIBUTABLE CASH

Adjusted distributable cash, as defined under "non-GAAP measures," is the equivalent of EBITDA (1) less maintenance capital expenditures, cash interest expense, and current cash tax expense plus the non-cash charge related to the unit award incentive plan.

The objective of presenting this measure is to calculate the amount that is available for distribution to unitholders and exchangeable unitholders. The adjusted distributable cash definition excludes changes in working capital as they are necessary to drive organic growth and are expected to be financed by the Fund's operating facility (See "Capital Resources"). Adjusted distributable cash should not be construed as an alternative to cash flows from operating, investing, and financing activities as a measure of the Fund's liquidity and cash flows. Adjusted distributable cash can be reconciled to cash provided by operating activities as follows:

	Year Ended December 31	
	2008 $ (000s)	**2007 $ (000s)**
Cash provided by operating activities	**$ 10,904**	$ 37,074
Change in non-cash working capital	**29,987**	(9,705)
Long-term incentive plan	**(850)**	(800)
Reversal of tax reserve	**0**	(500)
Translation gain (loss) on FX	**(8,745)**	2,866
Gain on sale of equipment	**0**	44
Net maintenance capital expenditures	**(2,337)**	(1,816)
Adjusted distributable cash (2)	**$ 28,959**	$ 27,163
Weighted average units outstanding	**12,923,988**	11,651,575
Distributions declared per unit	**$ 2.07**	$ 1.68
Distributable cash generated per unit (2)	**$ 2.24**	$ 2.33
Payout ratio	**92%**	72%
Payout ratio before special distribution	**82%**	72%

(1) See "EBITDA and Net Earnings."
(2) See "non-GAAP Measures."

The following table reconciles standardized distributable cash to adjusted distributable cash:

	Year Ended December 31	
	2008 $ (000s)	**2007 $ (000s)**
Standardized distributable cash	**(293)**	30,768
Change in non-cash working capital	**29,987**	(9,705)
Reversal of tax reserve	**0**	(500)
Long-term incentive plan	**(850)**	(800)
Translation gain (loss) on FX	**(8,745)**	2,866
Gain on sale of equipment	**0**	44
Non-maintenance capital expenditures	**8,860**	4,490
Adjusted distributable cash	**$ 28,959**	$ 27,163

The following table displays total adjusted distributable cash generated and total distributions declared since the inception of the Fund:

ADJUSTED DISTRIBUTABLE CASH

	Generated $ (000s)	Distributions declared (1) $ (000s)	Payout ratio $ (000s)
Period Ended December 31, 2004	$ 9,686	$ 9,109	94.0%
Year Ended December 31, 2005	22,629	18,918	83.6%
Year Ended December 31, 2006	21,979	18,858	85.8%
Year Ended December 31, 2007	27,163	19,585	72.1%
Year Ended December 31, 2008	28,959	26,701	92.2%
Cumulative since inception	$ 110,416	$ 93,171	84.4%

(1) Distributions declared include special distributions of $1,329 in 2004, $3,368 in 2005, and $3,061 in 2008.

Distributions declared for the year ended December, 2008 were $2.07 per unit (2007 – $1.68 per unit). The distributions declared in the year ended December 31, 2008 represent an increase of 59.2% over the per unit distributions disclosed in the Fund's 2004 prospectus.

Distributions in a fiscal year are typically funded entirely through cash from operations, though due to seasonality distributions may be funded on a short-term basis by the Fund's operating lines. In 2008, due to increased working capital investments required to maintain growth, total distributions exceeded cash provided by operations. As a result, a portion of 2008 distributions were financed from the Fund's opening cash balance. In fiscal 2009 it is expected that distributions will be funded entirely through cash from operations.

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

The Fund's Declaration of Trust requires distribution of all taxable income earned in its fiscal periods ending December 31. Due to a number of tax deductions available to the Fund and its subsidiary entities, and to the acquisitions of its U.S. divisions, since inception the Fund has retained $17.2 million for internal purposes. The amounts retained have been used primarily to strengthen the Fund's financial position, to fund certain strategic capital projects, to fund certain acquisition costs, and to allow for future strategic or expansionary capital expenditures.

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. By their nature, these estimates are subject to a degree of uncertainty and are based on historical experience and trends in the industry. Management reviews these estimates on an ongoing basis. While management has applied judgment based on assumptions believed to be reasonable in the circumstances, actual results can vary from these assumptions. It is possible that materially different results would be reported using different assumptions.

The Fund believes the accounting policies that are critical to its business, as described in Note 2 to the audited financial statements for the year ended December 31, 2008, relate to the use of estimates regarding the recoverability of accounts receivable and the valuation of inventory, intangibles, goodwill, and future income taxes.

Allowance for Doubtful Accounts

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 ongoing assessment of the recoverability of accounts receivable. The Fund maintains an allowance for doubtful accounts to reflect expected credit losses. A considerable amount of judgment is required to assess the ultimate realization of accounts receivable and these judgments must be continuously evaluated and updated. The Fund is not able to predict changes in the financial

conditions of its customers, and the Fund's judgment related to the recoverability of accounts receivable may be materially impacted if the financial condition of the Fund's customers deteriorates.

Valuation of Inventory

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

Goodwill and Intangible Assets

Assessments and judgments are inherent in the determination of the fair value of goodwill and intangible assets. Goodwill and indefinite life intangible assets are recorded at cost and finite life intangibles are recorded at cost less accumulated amortization. Goodwill and intangible assets are tested for impairment at least annually. Assessing goodwill and intangible assets for impairment requires considerable judgment and is based in part on current expectations regarding future performance. Changes in circumstances including market conditions may materially impact the assessment of the fair value of goodwill and intangible assets.

Future Income Taxes

Future income taxes are calculated based on assumptions related to the future interpretation of tax legislation, future income tax rates, and future operating results, acquisitions and dispositions of assets and liabilities, and distribution policy. The Fund periodically reviews and adjusts its estimates and assumptions of income tax assets and liabilities as circumstances warrant. A significant change in any of the Fund's assumptions could materially affect the Fund's estimate of future tax assets and liabilities.

The Fund does not believe that recent economic developments significantly impact its critical accounting estimates. Accordingly, the Fund does not believe that current economic conditions materially impact the valuation of its accounts receivable, inventory, intangibles, goodwill, and future income taxes.

FINANCIAL INSTRUMENTS

Risk from foreign exchange arises as a result of variations in exchange rates between the Canadian and the U.S. dollar. The Fund has entered into foreign exchange contracts with two Canadian chartered banks to partially hedge its foreign currency exposure on anticipated U.S. dollar sales transactions and the collection of the related accounts receivable. As at December 31, 2008, the Fund had outstanding the following foreign exchange contracts:

Forward Foreign Exchange Contracts

Settlement Dates	Face amount U.S. $ (000s)	Average rate Cdn.	CAD amount (000s)
January – December 2009	$ 65,000	$ 1.0768	$ 69,992
January – December 2010	$ 44,000	$ 1.1829	$ 52,050

At December 31, 2008, the fair value of the foreign exchange contracts was a loss of $10.1 million.

The Fund is subject to risks associated with fluctuating interest rates on its long-term debt. To manage this risk, as at December 31, 2008 the Fund had outstanding the following interest rate swap transactions with a Canadian chartered bank:

i. Notional amount of USD $17.5 million, expires August 29, 2009, effective interest rate of 3.88%, resulting in interest charges to the Fund of 3.88% plus a variable rate based on performance calculations.

ii. Notional amount of USD $2.5 million, expires August 29, 2009, effective interest rate of 3.88%, resulting in interest charges to the Fund of 3.88% plus a variable rate based on performance calculations.

iii. Notional amount of USD $6.5 million, expires August 29, 2009, effective interest rate of 3.88%, resulting in interest charges to the Fund of 3.88% plus a variable rate based on performance calculations.

At December 31, 2008, the fair value of the interest rate swap contracts was a loss of $0.5 million.

OUTLOOK

Demand for portable grain handling and aeration equipment, which account for approximately 65% of the Fund's total sales, is expected to be very strong in 2009 as successive large corn harvests in the U.S. and a long-term trend towards increased on-farm storage has led to robust sales and depleted inventory levels throughout the Fund's distribution network. Consistent with prior years, demand in 2009, particularly in the second half, will be influenced by crop conditions.

New construction and facility upgrades in the commercial grain handling sector may be impacted by macro-economic factors, including access to credit. Accordingly, demand for stationary grain handling equipment is expected to moderate somewhat in 2009. Demand for Twister storage products currently exceeds production capacity. Strong demand has resulted from positive market conditions in western Canada and the increased investment in grain handling and storage infrastructure in certain overseas markets. As a result, Twister's sales in 2009 are expected to exceed historical averages.

The Fund anticipates gross margin percentages on portable grain handling and aeration equipment will strengthen in 2009 due to the impact of previously announced price increases, moderating input costs and a weaker Canadian dollar. Gross margins on stationary grain handling equipment are expected to remain stable or slightly decrease as sales activity in this segment of the agricultural space returns to more historical levels. Gross margin on Twister product is expected to remain low as management initiatives to improve manufacturing efficiency are not expected to significantly impact until the second half of 2009. In addition, the benefit of price increases at Twister in the short term will be largely offset by the impact of higher steel costs as Twister has large amounts of higher priced steel in inventory or on order.

A weaker Canadian dollar positively impacts sales and gross margin percentages compared to prior periods. The Fund's average rate of exchange in 2008 was U.S. $1.00 = Canadian $1.04. To date in 2009 the Canadian dollar has traded well above the 2008 average of $1.04. Accordingly, unless the Canadian dollar strengthens considerably, the Fund expects foreign exchange rates to positively impact sales and gross margins compared to 2008. However, the benefit of a weaker Canadian dollar will be tempered in 2009 as the Fund's 2009 U.S. dollar exposure has been largely hedged with forward foreign exchange contracts at an average rate of $1.08, and a decrease in the Canadian dollar will result in an unrealized loss on the Fund's U.S. dollar denominated debt, both of which will mitigate part of the gain noted above.

Management does not currently anticipate that recent developments in credit markets will have a material adverse effect on the Fund. The Fund's portable equipment is relatively low priced and does not represent a significant investment for a farmer. In addition, the equipment is essential to continuing farming operations and must be replaced on a regular basis. Management does expect that access to credit may negatively impact sales to commercial grain handling facilities and to certain international markets. Management's assessment is based on current conditions and may be subject to change if the credit environment deteriorates further.

Overall, management expects strong demand for portable grain handling and aeration equipment to continue well into 2009. Strong demand coupled with increased capacity at Westfield and sales price increases at all divisions should allow the Fund to increase sales of portable grain handling and aeration equipment compared to prior periods. Gross margin on these products, which account for approximately two-thirds of the Fund's total sales, are expected to increase due to previously announced sales price increases, moderating input costs and a weaker Canadian dollar. Demand for stationary grain handling equipment appears to be moderating slightly, however the financial impact on the consolidated results of the Fund is not expected to be significant. We expect that demand for Twister product will continue to be very strong, particularly internationally, and it is expected that margin improvements will be realized in the second half of 2009 due to improved efficiencies, sales price increases and decreasing input costs.

LEGISLATION IMPOSING TAXATION ON INCOME TRUSTS

In June 2007, the Government of Canada enacted legislation imposing additional income taxes upon publicly traded income trusts, including the Fund, effective January 1, 2011. Prior to June 2007, the Fund estimated the future income tax on certain temporary differences between amounts recorded on its balance sheet for book and tax purposes at a $nil effective tax rate. Upon enactment of the June 2007 legislation, the Fund estimated the effective tax rate to be 31.5% and as a result future income tax liabilities for the period increased by $11.1 million. On December 14, 2007, further legislation was enacted by the federal government to reduce the effective rate of tax on the Fund's temporary differences from the previous rate of 31.5% to 29.5% in 2011 and 28.0% thereafter. As a result the Fund reduced its expected future income tax liability related to the legislation from $11.1 million to $9.5 million. Temporary differences reversing before 2011 will still give rise to $nil future income taxes. The amount and timing of reversals of temporary differences will depend on the Fund's future operating results, acquisitions and dispositions of assets and

liabilities, and distribution policy. A significant change in any of the preceding assumptions could materially affect the Fund's estimate of the future tax liability.

Based on its assets and liabilities as at December 31, 2008, the Fund has estimated the amount of its temporary differences and the periods in which these differences will reverse. The Fund estimates that approximately $35.5 million net taxable temporary differences will reverse after January 1, 2011, resulting in a $10.1 million future income tax liability. The taxable temporary differences relate principally to the Fund's intangible assets. Until 2011, the new legislation does not directly affect the Fund's cash flow from operations. However, as enacted in its present form, the legislation will, all other things being equal, result in a reduction of cash available for distribution commencing in 2011.

The Department of Finance published proposed amendments to the Income Tax Act which are intended to facilitate the conversion of publicly traded income trusts, including the Fund, into corporate form on a tax deferred basis. The proposed amendments address many of the principal substantive and administrative issues that currently arise when structuring such a conversion. The Fund is considering these legislative changes and their possible impact on the Fund.

ACCOUNTING POLICY CHANGES

Capital Disclosures and Financial Instruments – Presentation and Disclosure

Effective January 1, 2008 the Fund has adopted the following accounting standards:

- The CICA issued three new accounting standards: section 1535, *Capital Disclosures,* section 3862, *Financial Instruments – Disclosures,* and section 3863, *Financial Instruments – Presentation.* These new standards were adopted on January 1, 2008. The required disclosure has been included in the notes to the audited financial statements.

- Section 1535 establishes disclosure requirements about an entity's capital and how it is managed. The purpose is to enable users of the financial statements to evaluate the entity's objectives, policies and processes for managing capital.

- Sections 3862 and 3863 replaced section 3861, *Financial Instruments – Disclosure and Presentation,* revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Inventories

The CICA issued section 3031, *Inventories,* which replaced section 3030, *Inventories.* This new standard was adopted on January 1, 2008. Section 3031 provides more extensive guidance on measurement, and expands disclosure requirements to increase transparency. The adoption of this standard has had no material impact on the Fund's financial position or results of operations.

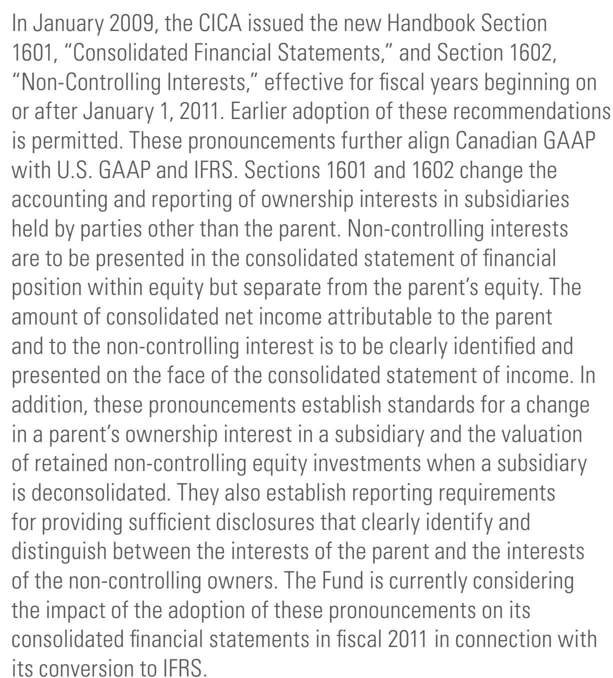
Assessing Going Concern

The Accounting Standards Board amended CICA Handbook Section 1400, "General Standards of Financial Statement Presentation" to include requirements for management to assess an entity's ability to continue as a going concern and to disclose material uncertainties related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. The adoption of this section did not impact the Fund's audited financial statements as no such material uncertainties were identified.

NEW ACCOUNTING STANDARDS

As of January 1, 2009, the Fund will be required to adopt the CICA Handbook Section 3064, "Goodwill and Intangible Assets," which will replace the existing "Goodwill and Intangible Assets" standard. The new standard revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard should not have a material impact on the Fund's consolidated financial statements.

In January 2009, the CICA issued the new Handbook Section 1582, "Business Combinations" effective for fiscal years beginning on or after January 1, 2011. Earlier adoption of Section 1582 is permitted. This pronouncement further aligns Canadian GAAP with U.S. GAAP and International Financial Reporting Standards ("IFRS") and changes the accounting for business combinations in a number of areas. It establishes principles and requirements governing how an acquiring company recognizes and measures in its financial statements identifiable assets acquired, liabilities assumed, any non-controlling interest in the acquiree, and goodwill acquired. The section also establishes disclosure requirements that will enable users of the acquiring company's financial statements to evaluate the nature and financial effects of its business combinations. The Fund is considering the impact of the adoption of this pronouncement on its consolidated financial statements in fiscal 2011 in connection with its conversion to IFRS.



In January 2009, the CICA issued the new Handbook Section 1601, "Consolidated Financial Statements," and Section 1602, "Non-Controlling Interests," effective for fiscal years beginning on or after January 1, 2011. Earlier adoption of these recommendations is permitted. These pronouncements further align Canadian GAAP with U.S. GAAP and IFRS. Sections 1601 and 1602 change the accounting and reporting of ownership interests in subsidiaries held by parties other than the parent. Non-controlling interests are to be presented in the consolidated statement of financial position within equity but separate from the parent's equity. The amount of consolidated net income attributable to the parent and to the non-controlling interest is to be clearly identified and presented on the face of the consolidated statement of income. In addition, these pronouncements establish standards for a change in a parent's ownership interest in a subsidiary and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. They also establish reporting requirements for providing sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. The Fund is currently considering the impact of the adoption of these pronouncements on its consolidated financial statements in fiscal 2011 in connection with its conversion to IFRS.

In January 2009, the CICA issued the Emerging Issues Committee ("EIC") Abstract EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities," effective for interim and annual financial statements ending on or after January 20, 2009. Earlier adoption of this abstract is permitted. EIC-173 provides further information on the determination of the fair value of financial assets and financial liabilities under Section 3855, "Financial Instruments – Recognition and Measurement." It states that an entity's own credit and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. EIC-173 should be applied retrospectively, without restatement of prior periods, to all financial assets and liabilities measured at fair value. The Fund will adopt this abstract during the first quarter of the 2009 fiscal year. The Fund is currently considering the impact of adopting EIC-173 on its consolidated financial statements and cannot reasonably estimate its effect at this time.

In February 2008, the AcSB confirmed that IFRS will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. The Fund will be required to report its results in accordance with IFRS starting in 2011. The Fund formally commenced an IFRS conversion project in the third quarter of 2008 and has engaged the services of an external advisor with IFRS expertise to work with management. The Fund will continue to invest in training and resources to ensure a timely and effective conversion. Regular reporting is provided to the Fund's senior management and to the Audit Committee of the Board of Trustees. To date, an initial diagnostic assessment has been completed and an IFRS conversion plan has been developed. A diagnostic assessment has been initiated to examine the extent of the impact that the conversion may have on financial reporting, business processes, internal controls and information systems. The Fund's current plan is aimed in particular at identifying the differences between IFRS and the Fund's current accounting policies, as well as assessing the impact of various accounting alternatives offered pursuant to IFRS. In addition, a high level assessment of the Fund's Information Technology Systems and tax processes will be conducted, and is underway. The financial impact of the transition to IFRS cannot be reasonably estimated at this time, however, there will likely be changes in accounting policies and these may materially impact the Fund's financial statements.

CERTIFICATION OF DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for the design and operation of disclosure controls and procedures and internal control over financial reporting and is required to evaluate the effectiveness of these controls on an annual basis.

An effective system of disclosure controls and procedures and internal control over financial reporting is highly dependent upon adequate policies and procedures, human resources and information technology. All control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention or overriding of the controls or procedures. As a result, there is no certainty that our disclosure controls and procedures or internal control over financial reporting will prevent all errors or all fraud.

In addition, changes in business conditions or changes in the nature of the Fund's operations may render existing controls inadequate or affect the degree of compliance with policies and procedures. Accordingly, even disclosure controls and procedures and internal control over financial reporting determined to be effective can only provide reasonable assurance of achieving their control objectives.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to: (a) provide reasonable assurance that material information required to be disclosed by us is accumulated and communicated to management

to allow timely decisions regarding required disclosure; and (b) ensure that information required to be disclosed by us is recorded, processed, summarized, and reported within the time periods specified in applicable securities legislation.

Our management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2008. Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures, as defined by National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings,* are effective for the purposes set out above.

Internal Control over Financial Reporting

Our management is responsible for designing, establishing and maintaining an adequate system of internal control over financial reporting. Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

Our management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has conducted an evaluation of the effectiveness of our internal control over financial reporting using the framework recommended by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") as at December 31, 2008. Based on that evaluation, management concluded that our internal control over financial reporting, as defined by National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, is effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP.

Changes in Internal Control over Financial Reporting

Under the supervision and with the participation of management, including the Chief Executive Office and Chief Financial Officer, we have evaluated changes in internal control over financial reporting that occurred during the fiscal quarter ended December 31, 2008 and found no change that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

The Fund's Board of Trustees and Audit Committee reviewed and approved the 2008 audited consolidated financial statements and this MD&A prior to its release.

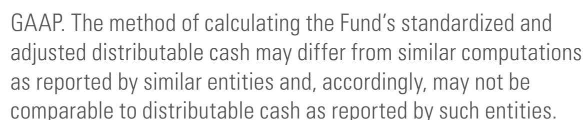
NON-GAAP MEASURES

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 the Fund's performance. EBITDA is not a financial measure recognized by 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.

References to "EBITDA before gain (loss) on foreign exchange" are to earnings before gain (loss) on foreign exchange, interest, income taxes, depreciation, and amortization. Management believes that, in addition to net income or loss and EBITDA, the presentation of EBITDA before gain (loss) on foreign exchange is a useful supplemental measure in evaluating the Fund's performance. EBITDA before gain (loss) on foreign exchange is not a financial measure recognized by GAAP and does not have a standardized meaning prescribed by GAAP.

References to "gross margin" are to sales less cost of goods sold. Management believes that, in addition to net income or loss, gross margin provides a useful supplemental measure in evaluating its performance. Gross margin 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 gross margin 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 gross margin may differ from the methods used by other issuers.

Standardized and adjusted distributable cash are non-GAAP measures generally used by Canadian income funds as an indicator of financial performance. The Fund defines standardized distributable cash as cash flow from operating activities less capital expenditures. The Fund defines adjusted distributable cash as cash flow from operating activities before the net change in non-cash working capital balances and before items not affecting cash other than items that impact amortization, interest expense, future taxes, or tax reserves, less maintenance capital expenditures (see "Capital Expenditures"). Standardized and adjusted distributable cash are not financial measures recognized by GAAP and do not have a standardized meaning prescribed by



GAAP. The method of calculating the Fund's standardized and adjusted 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.

Payout ratio is a non-GAAP measure used by Canadian income funds as an indicator of the amount of generated distributable cash that is distributed to the unitholders. The Fund defines payout ratio as total distributions expressed as a percentage of standardized and adjusted distributable cash. Payout ratio is not a financial measure recognized by GAAP and does not have a standardized meaning prescribed by GAAP. The method of calculating the Fund's payout ratio may differ from similar computations as reported by similar entities and, accordingly, may not be comparable to the payout ratio as reported by such entities.

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. The Fund's Annual Information Form contains a description of these and 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 and General Economic Conditions

The performance of the agricultural industry is cyclical, and to the extent that the agricultural sector declines or experiences a downturn, this is likely to have a negative impact on the farm equipment and commercial grain handling industry, and the business of Ag Growth. The agricultural sector has recently been positively impacted by the expansion of the ethanol industry, and to the extent the ethanol industry declines or experiences a downturn, this is likely to have a negative impact on the farm equipment and commercial grain handling industry, and the business of Ag Growth.

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

Seasonality of Business

The seasonality of the demand for Ag Growth's products results in lower cash flow in the first three quarters of each calendar year and may impact the ability of the Fund to make cash distributions to unitholders, or the quantum of such distributions, if any. No assurance can be given that the Fund's credit facility will be sufficient to offset the seasonal variations in Ag Growth's cash flow.

Risk of Decreased Crop Yields

Decreased crop yields due to poor weather conditions and other factors are a significant risk affecting Ag Growth. Both reduced crop volumes and the accompanying decline in farm incomes can negatively affect demand for grain handling equipment.

Potential Volatility of Production Costs

Various materials and components are purchased in connection with Ag Growth's manufacturing process, some or all of which may be subject to wide price variation. Consistent with past and current practices within the industry, Ag Growth manages its exposure to material and component price volatility by planning and negotiating significant purchases on an annual basis, and passing through to customers, most, if not all, of the price volatility. There can be no assurance that industry dynamics will allow Ag Growth to continue to reduce its exposure to volatility of production costs by passing through price increases to its customers.

Commodity Prices, International Trade and Political Uncertainty

Prices of commodities are influenced by a variety of unpredictable factors that are beyond the control of Ag Growth, including weather, government (Canadian, United States and other) farm programs and policies, and changes in global demand or other economic factors. New legislation or amendments to existing legislation, including the Energy Independence and Security Act in the U.S., may ultimately impact demand for the Fund's products. The world grain market is subject to numerous risks and uncertainties, including risks and uncertainties related to international trade and global political conditions.

Competition

Ag Growth experiences competition in the markets in which it operates. Certain of Ag Growth's competitors may have greater financial and capital resources than Ag Growth. Ag Growth could face increased competition from newly formed or emerging entities, as well as from established entities that choose to focus (or increase their existing focus) on Ag Growth's primary markets.

As the grain handling 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.

Acquisition and Expansion Risk

The Fund may expand its operations, depending on certain conditions, by acquiring additional businesses, products or technologies. There can be no assurance that the Fund will be able to identify, acquire, or profitably manage additional businesses, or successfully integrate any acquired business, products, or technologies into the business without substantial expenses, delays or other operational or financial difficulties. The Fund's ability to acquire additional businesses may be impacted by its cost of capital and access to credit. Furthermore, acquisitions may involve a number of special risks including diversion of management's attention, failure to retain key personnel, unanticipated events or circumstances, and legal liabilities, some or all of which could have a material adverse effect on the Fund's performance. In addition, there can be no assurance that acquired businesses, products, or technologies, if any, will achieve anticipated revenues and income. The failure of the Fund to manage its acquisition or expansion strategy successfully could have a material adverse effect on the Fund's results of operations and financial condition. The Fund is subject to restrictions on its ability to grow without becoming subject to additional income taxes that would otherwise not apply to the Fund until the taxation year commencing January 1, 2011.

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.

Labour Costs and Shortages and Labour Relations

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

Distribution, Sales Representative and Supply Contracts

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

Foreign Exchange Risk

Ag Growth generates a majority of its sales in U.S. dollars, but a materially smaller proportion of its expenses are denominated in U.S. dollars. In addition, Ag Growth may denominate its long-term borrowings in U.S. dollars. Accordingly, fluctuations in the rate of exchange between the Canadian dollar and the U.S. dollar may significantly impact the Fund's financial results. To partially mitigate the effects of exchange rate fluctuation, management has implemented a foreign currency hedging strategy. Ag Growth has entered into a series of hedging arrangements to partially mitigate the potential effect of fluctuating exchange rates. To the extent that Ag Growth does not adequately hedge its foreign exchange risk, changes in the exchange rate between the Canadian dollar and the U.S. dollar may have a material adverse effect on Ag Growth's results of operations, business, prospects and financial condition.

Availability of Credit

The Fund's credit facility expires August 31, 2009, and is renewable at the option of the lenders. Should the lenders decline to renew the facility, the Fund is required to repay the outstanding balance in four equal payments commencing November 30, 2010. There can be no guarantee the Fund will be able to obtain alternate financing and no guarantee that future credit facilities will have the same terms and conditions as the existing facility. This may have an adverse effect on the Fund, its ability to pay distributions and the market value of its units. In addition, the business of the Fund may be adversely impacted in the event that the Fund's customer base does not have access to sufficient financing. Sales related to the construction of commercial grain handling facilities, sales to developing markets, and sales to North American farmers may be impacted.

Interest Rates

The Fund's term and operating credit facilities bear interest at rates that are in part dependant on performance based financial ratios. The Fund's cost of borrowing may be impacted to the extent that the ratio calculation results in an increase in the performance based component of the interest rate. The Fund is party to a number of interest rate swap arrangements to mitigate the impact of fluctuating market interest rates. These swap arrangements mature on August 29, 2009. In the event the Fund enters new interest rate swap arrangements, the rate of the new contracts will be a function of prevailing market rates. To the extent that the Fund has term and operating loans where the fluctuations in the cost of borrowing are not mitigated by interest rate swaps, the Fund's cost of borrowing may be impacted by fluctuations in market interest rates.

Uninsured and Underinsured Losses

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

Nature of Trust Units

Securities such as the Trust Units are hybrids in that they share certain attributes common to both equity securities and debt instruments. The Trust Units do not represent a direct investment in the business of Ag Growth/AGLP and should not be viewed by investors as shares or debt of Ag Growth/AGLP. As holders of Trust Units, unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The Trust Units represent a fractional interest in the Fund. The Fund's primary asset will be its interest in AGOT. The price per Trust Unit is a function of anticipated distributable cash.

The rights of unitholders are established by the Declaration of Trust. Although the Declaration of Trust confers upon a unitholder many of the same protections, rights and remedies as an investor would have as a shareholder of a corporation governed by the *Canada Business Corporations Act* (the "CBCA"), significant differences exist.

Taxation of Income Trusts

There can be no assurance that Canadian federal income tax laws or the judicial interpretation thereof or the administrative and/or assessing practices of the Canada Revenue Agency and/or the treatment of mutual fund trusts will not be changed in a manner that adversely affects the holders of Trust Units.

As described in the Fund's audited financial statements for the year ended December 31, 2007, in June 2007 the Government of Canada enacted legislation imposing additional income taxes on the Fund for taxation years commencing January 1, 2011. Effective January 1, 2011, taxable income generated by most income trusts will be subject to tax at a special rate based on the federal-provincial corporate tax rates. Unitholders will be taxed on such distributions as if they have received a taxable dividend paid by a taxable Canadian corporation. There will be a transitional period so that existing income trusts and their investors will not be subject to the proposed tax until 2011. The legislation also specifies that "undue growth" may result in immediate taxation of income trusts that would otherwise not be subject to taxation until 2011. The legislation provides that the maximum growth permissible is 100% of an entity's market capitalization determined as at the close of trading on October 31, 2006, and that the growth limit is phased in annually from 2007 – 2010. The legislation could have an adverse effect on the Fund, its ability to pay distributions and the market value of its units.

There can be no assurance that the Fund will be able to reorganize its legal and tax structure to reduce the expected impact of the legislation. In addition, there can be no assurance that the Fund will maintain its "grandfathered" status under the legislation until 2011. If the Fund exceeds "normal growth" during the transitional period from October 31, 2006 to December 31, 2010, the legislation would become effective on a date earlier than January 1, 2011. Loss of grandfathered status could have a material and adverse effect on the value of the Units.

Until June 2007 the Fund had been tax effecting the reversal of taxable temporary differences at a nil tax rate on the assumption that the Fund would make sufficient tax deductible cash distributions to unitholders such that the Fund's taxable income would be nil for the foreseeable future. The new legislation limits the tax deductibility of cash distributions such that income taxes may become payable in the future.

The Fund has estimated its future income taxes based on its best estimates of results of operations and tax pool claims and cash distributions in the future assuming no material change to the Fund's current organizational structure. As currently interpreted, Canadian GAAP does not permit the Fund's estimate of future income taxes to incorporate any assumptions related to a change in organizational structure until such structures are given legal effect.

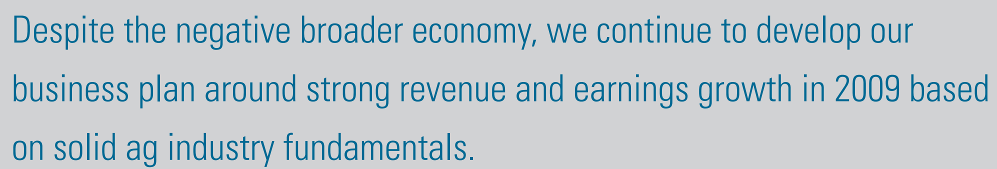
The Fund's estimate of its future income taxes will vary as do the Fund's assumptions pertaining to the factors described above, and such variations may be material.

ADDITIONAL INFORMATION

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

INVESTOR RELATIONS

Steve Sommerfeld
1301 Kenaston Blvd, Winnipeg, MB R3P 2P2
Phone: (204) 489-1855
Email: steve@aggrowth.com



Despite the negative broader economy, we continue to develop our business plan around strong revenue and earnings growth in 2009 based on solid ag industry fundamentals.

AUDITORS' REPORT

AUDITORS' REPORT

To the Unitholders of Ag Growth Income Fund

We have audited the consolidated balance sheets of Ag Growth Income Fund as at December 31, 2008 and 2007 and the consolidated statements of earnings, comprehensive income, unitholders' equity and cash flows for the years 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 audits.

We conducted our audits 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, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

Winnipeg, Canada
March 6, 2009

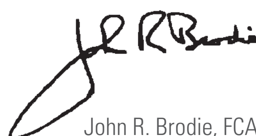
CONSOLIDATED BALANCE SHEETS

	As at December 31	
	2008 $ (000s)	**2007 $ (000s)**
ASSETS (notes 9 and 10)		
Current		
Cash and cash equivalents	**4,391**	20,411
Cash held in trust (note 5)	–	1,488
Accounts receivable	**25,382**	9,923
Income taxes receivable	**873**	–
Inventory (note 6)	**43,332**	28,959
Prepaid expenses and other assets (note 15)	**1,187**	1,972
Total current assets	**75,165**	62,753
Property, plant and equipment, net (note 7)	**28,973**	21,035
Goodwill	**52,337**	51,926
Intangible assets, net (note 8)	**71,989**	74,969
	228,464	210,683
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**11,789**	10,312
Customer deposits	**10,115**	11,559
Income taxes payable	–	369
Distributions payable	**5,230**	1,814
Acquisition, transaction and financing costs payable (note 5)	–	2,564
Derivative instruments (note 15)	**10,560**	–
Current portion of long-term debt (note 10)	**18**	12
Total current liabilities	**37,712**	26,630
Long-term debt (note 10)	**52,791**	25,623
Future income taxes (note 13)	**10,162**	9,574
Long-term incentive plan (note 17)	**191**	800
Unit award incentive plan (note 18)	**2,072**	1,402
Total liabilities	**102,928**	64,029
Commitments (notes 15 and 20)		
Unitholders' equity	**125,536**	146,654
	228,464	210,683

See accompanying notes

On behalf of the Board of Trustees:

Bill Lambert
Trustee



John R. Brodie, FCA
Trustee

CONSOLIDATED STATEMENTS OF EARNINGS

	Year Ended December 31	
	2008 $ (000s)	**2007 $ (000s)**
Sales	**199,341**	130,371
Cost of goods sold	**128,264**	79,986
Gross margin	**71,077**	50,385
Expenses		
Selling, general and administrative	**26,856**	18,412
Stock-based compensation (notes 17 and 18)	**1,520**	2,202
Research and development	**1,139**	884
Loss (gain) on foreign exchange	**6,389**	(4,118)
Other expenses	**611**	637
Short-term interest expense	**262**	191
Long-term interest expense	**2,471**	2,357
Amortization of property, plant and equipment	**5,545**	3,396
Amortization of intangible assets	**2,980**	2,368
	47,773	26,329
Earnings before income taxes	**23,304**	24,056
Provision for income taxes (note 13)		
Current	**1,552**	1,933
Future	**540**	9,757
	2,092	11,690
Net earnings for the year	**21,212**	12,366
Basic and diluted net earnings per unit	**$1.64**	$1.06
Basic and diluted weighted average number of units outstanding (notes 11 and 18)	**12,923,988**	11,651,575

See accompanying notes

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (note 2)

	Year Ended December 31	
	2008 $ (000s)	**2007 $ (000s)**
Net earnings for the year	**21,212**	12,366
Other comprehensive income (loss)		
Change in fair value of derivatives designated as cash flow hedges	**(11,410)**	3,926
Realized losses (gains) on derivatives designated as cash flow hedges recognized in net earnings	**311**	(3,110)
Other comprehensive income (loss)	**(11,099)**	816
Comprehensive income	**10,113**	13,182

See accompanying notes

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

	Year Ended December 31, 2008					
	Unitholders' capital $ (000s)	Contributed surplus $ (000s)	Accumulated earnings $ (000s)	Accumulated distributions $ (000s)	Accumulated other comprehensive income (loss) $ (000s)	Total $ (000s)
	(note 11)					
Balance, December 31, 2007	152,800	–	59,785	(66,470)	539	146,654
Net earnings for the year	–	–	21,212	–	–	21,212
Units purchased in the market under the LTIP (note 17)	(2,170)		–	–	–	(2,170)
Settlement of LTIP obligation (note 17)	–	1,551	–	–	–	1,551
Units purchased in the market under normal course issuer bid (note 11)	(2,363)	–	(1,536)	–	–	(3,899)
Distributions declared (note 14)	–	–	–	(26,701)	–	(26,701)
Issuance costs (note 11)	(12)	–	–	–	–	(12)
Other comprehensive loss for the year	–	–	–	–	(11,099)	(11,099)
Balance, December 31, 2008	148,255	1,551	79,461	(93,171)	(10,560)	125,536

	Year Ended December 31, 2007				
	Unitholders' capital $ (000s)	Accumulated earnings $ (000s)	Accumulated distributions $ (000s)	Accumulated other comprehensive income (loss) $ (000s)	Total $ (000s)
	(note 11)				
Balance, December 31, 2006	110,431	47,419	(46,885)	–	110,965
Transition adjustment (note 2)	–	–	–	(277)	(277)
Issuance of units (note 11)	44,980	–	–	–	44,980
Issuance costs (note 11)	(2,611)	–	–	–	(2,611)
Net earnings for the year	–	12,366	–	–	12,366
Distributions declared (note 14)	–	–	(19,585)	–	(19,585)
Other comprehensive income for the year	–	–	–	816	816
Balance, December 31, 2007	152,800	59,785	(66,470)	539	146,654

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31	
	2008 $ (000s)	**2007 $ (000s)**
OPERATING ACTIVITIES		
Net earnings for the year	**21,212**	12,366
Add (deduct) items not affecting cash		
Amortization	**8,525**	5,764
Future income taxes	**540**	9,757
Translation loss (gain) on foreign exchange	**8,745**	(2,866)
Non-cash component of interest expense	**349**	190
Stock-based compensation	**1,520**	2,202
Gain on sale of property, plant and equipment	**–**	(44)
	40,891	27,369
Net change in non-cash working capital balances related to operations (note 21)	**(29,987)**	9,705
Cash provided by operating activities	**10,904**	37,074
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	**(11,197)**	(6,306)
Acquisition of assets of Hansen Manufacturing Corp. (note 5)	**–**	(1,405)
Acquisition of assets of Twister Pipe Ltd. (note 5)	**(20)**	(7,721)
Acquisition of shares in Union Iron Inc., net of cash acquired (note 5)	**(108)**	(19,187)
Acquisition of assets of Applegate Steel Inc., net of cash acquired (note 5)	**(3,324)**	–
Proceeds from sale of property, plant and equipment	**38**	95
Transfer from (to) cash held in trust	**1,488**	(905)
Payments in current period with respect to acquisitions in prior periods	**(2,564)**	–
Cash used in investing activities	**(15,687)**	(35,429)
FINANCING ACTIVITIES		
Repayment of long-term debt	**(12)**	(42,670)
Distributions paid	**(23,285)**	(19,342)
Issuance of units, net of expenses	**–**	42,369
Issuance costs	**(12)**	–
Issuance of long-term debt	**18,162**	30,158
Financing costs on long-term debt	**(21)**	(455)
Purchase of units in the market under the long-term incentive plan	**(2,170)**	–
Purchase of units in the market under the normal course issuer bid	**(3,899)**	–
Cash provided by (used in) financing activities	**(11,237)**	10,060
Net increase (decrease) in cash and cash equivalents during the year	**(16,020)**	11,705
Cash and cash equivalents, beginning of year	**20,411**	8,706
Cash and cash equivalents, end of year	**4,391**	20,411
Supplemental cash flow information		
Interest paid	**2,733**	2,551
Income taxes paid	**2,775**	2,067

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 (in thousands of dollars, except where otherwise noted and per Units data)

1. DESCRIPTION OF BUSINESS

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

2. 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 Industries Inc. ("Ag Growth"), Westfield Distributing Ltd., Westfield Distributing (North Dakota) Inc., Hansen Manufacturing Corp. ("Hansen"), Union Iron Inc. ("Union Iron") and Applegate Livestock Equipment, Inc. on consolidation. All material intercompany balances and transactions have been eliminated.

Cash and Cash Equivalents

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

Inventory

Inventory is comprised of raw materials and finished goods. The Fund values inventory at the lower of cost and net realizable value. The cost of finished goods includes direct costs and an allocation of fixed manufacturing overhead. Cost is determined on a first-in, first-out basis. Net realizable value for finished goods and raw materials is generally considered to be the selling price in the ordinary course of business less the estimated costs of completion and estimated costs to make the sale. A review of inventory is performed at each quarter end to determine if a write-down or reversal of previously recorded write-downs in carrying value is required. The write-down and/or reversal of write-down is recorded in cost of goods sold as recognized.

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 on a declining balance basis using the following annual rates:

Buildings	4% – 5%
Furniture and fixtures	20%
Automotive equipment	30%
Computer equipment	30%
Manufacturing equipment	30%

Leasehold improvements are amortized over the term of the lease.

Goodwill

Goodwill represents the amounts paid to acquire Ag Growth, the Edwards Group, Applegate Livestock Equipment Inc. (note 5(a)), Union Iron (note 5(b)), Twister Pipe Ltd. ("Twister") (note 5(c)) and Hansen (note 5(d)) in excess of the estimated fair value of the net identifiable assets acquired. Goodwill is not subject to amortization. Goodwill is tested for impairment annually or when an event or change in circumstances that indicate the carrying value may not be recoverable by comparing the estimated fair value of its reporting unit to its carrying value. The carrying value of goodwill is written down to estimated fair value if the carrying value of the reporting unit's goodwill exceeds its estimated fair value.

Intangible Assets

Intangible assets are comprised of brand names, which are considered to have an indefinite life, distribution networks, which are being amortized over 8, 10 and 25 years on a straight-line basis and patents acquired from Hansen which are being amortized over their remaining lives of 11 years. Indefinite life intangible assets are tested for impairment annually or when an event or change in circumstances that indicate the carrying value may not be recoverable by comparing their estimated fair values to their carrying values. The carrying value of an indefinite life intangible asset is written down to its estimated fair value if its carrying value exceeds its estimated fair value.

Impairment of Property, Plant and Equipment and Finite Life Intangible Assets

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

Income Taxes

In June 2007, the Government of Canada enacted new legislation imposing additional income taxes upon publicly traded income trusts (specified investment flow through "SIFT" entities), including the Fund, effective January 1, 2011. Prior to June 2007, the Fund estimated the future income tax on certain temporary differences between amounts recorded on its consolidated balance sheets for book and tax purposes at a nil effective tax rate. Under the legislation, the Fund now estimates the effective tax rate on the post 2010 reversal of these temporary differences to be 29.5% in 2011 and 28% thereafter. Temporary differences reversing before 2011 will still give rise to nil future income taxes.

While the Fund believes it will be subject to additional tax under the new legislation, the estimated effective tax rate on temporary difference reversals after 2011 may change in future periods. As the legislation is new, future technical interpretations of the legislation could occur and could materially affect management's estimate of the future income tax liability.

The amount and timing of reversals of temporary differences will also depend on the Fund's future operating results, acquisitions and dispositions of assets and liabilities, and distribution policy. A significant change in any of the preceding assumptions could materially affect the Fund's estimate of the future tax liability.

Foreign Currency Translation

The Fund follows the temporal method of accounting for the translation of its integrated foreign subsidiaries and foreign currency transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the balance sheet dates. Non-monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at their historical exchange rates. Revenue and expenses denominated in foreign currencies are translated into Canadian dollars at the monthly rate of exchange except for amortization which is translated at the historical rates of the related assets. Gains and losses on translation are reflected in net earnings for the year.

Revenue Recognition

The Fund recognizes revenue at the time product is shipped, free on board shipping point, title passes and there is evidence a sales arrangement exists, the sales price is fixed and determinable and collectibility is reasonably assured. A provision is made at the time revenue is recognized for estimated product returns and warranties based on historical experience. Customer deposits are recorded as a current liability when cash is received from the customer and recognized as revenue at the time product is shipped as noted above.

Research and Development

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

Leases

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

Net Earnings Per Unit

Net earnings per unit is based on the consolidated net earnings for the year divided by the weighted average number of units outstanding during the year. 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"), as described in note 17, the Fund establishes an amount to be allocated to eligible participants based on 10% to 20% of distributable cash in excess of an established threshold. The cost is charged against earnings over the period of time to which the award vests. The liability which is recorded over the period of time the award vests is reclassified to contributed surplus, at such time the units are purchased. When the award vests and units are released, the contributed surplus is credited to unitholders' capital.

Unit Award Incentive Plan

The Fund has a unit award incentive plan (the "UAIP") as described in note 18. The UAIP will be recognized as a direct award of units, resulting in an expense to be charged against earnings over the period of time to which the award vests. The expense and related liability are based on the market price of the Fund's units at the end of the year and, as such, could increase or decrease from one period to the next in relation to the market price.

Financial Instruments, Hedges and Comprehensive Income

Recognition and Measurement

The Fund has made the following classifications:

- Cash and cash equivalents are classified as "assets held for trading" and are measured at fair value. Gains and losses resulting from the periodic revaluation are recorded in net earnings.
- Accounts receivable are classified as "loans and receivables" and are recorded at fair value upon initial measurement. Subsequent measurements are recorded at amortized cost using the effective interest rate method.
- Accounts payable and accrued liabilities, distributions payable, and acquisition, transaction and financing costs payable are classified as "other financial liabilities" and are measured at their fair value upon initial measurement. Subsequent measurements are recorded at amortized cost using the effective interest rate method.
- Long-term debt is classified as an "other financial liability" and is initially measured at fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method. The deferred financing costs, previously reported on a separate line item on the consolidated balance sheets, are now netted against the carrying value of the related debt and amortized to interest expense using the effective interest rate method. Prior to the adoption of the new standards, the amortization of deferred financing costs was reported as a separate line item in the consolidated statements of earnings.
- Derivative financial instruments are measured at fair value, even when they are part of a hedging relationship. All changes in fair value are recorded in earnings unless cash flow hedge accounting is used, in which case the effective portion of the changes in fair value is recorded in other comprehensive income.

Fair value is based on quoted market prices when available. However, when financial instruments lack an available trading market, fair value is determined using management's estimates and is calculated using market factors with similar characteristics and risk profiles.

Hedges

The Fund elected to apply hedge accounting for certain of its foreign exchange forward contracts and interest rate swaps. The foreign exchange forward contracts and swaps are designated as cash flow hedges. They are measured at fair value at the end of each period and the effective portion of the gain or loss resulting from remeasurement is recognized in other comprehensive income and ineffectiveness is recognized in net earnings. Gains and losses on derivatives are reclassified immediately to net earnings when the hedged item is sold or early terminated, or the hedged anticipated transaction is probable of not occurring. Accumulated gains or losses in other comprehensive income related to the foreign exchange forward contracts and swaps are subsequently recognized in earnings when the hedged item affects earnings. When hedge accounting is discontinued, the accumulated gain or loss in other comprehensive income is deferred and recognized when the gain or loss on the item hedged is recognized, unless the hedged item is no longer probable of occurring, then, the accumulated gain or loss is recognized in current earnings immediately.

Comprehensive Income

Comprehensive income is comprised of net earnings and other comprehensive income or loss. Other comprehensive income includes changes in the fair value of derivative instruments designated as cash flow hedges, all net of applicable income taxes. The components of comprehensive income are disclosed in the consolidated statements of comprehensive income.

Employee Benefit Plans

The Fund contributes to group retirement savings plans subject to maximum limits per employee. The Fund accounts for such defined contributions as an expense in the period in which the contributions are made. The expense recorded in 2008 was $781 (2007 – $553).

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") 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 dates and the reported amounts of revenue and expenses during the reporting

periods. Key areas where management has made complex or subjective judgements, as a result of matters that are inherently uncertain, include among others, the fair value of certain assets including indefinite life intangible assets and goodwill, assessment of foreign exchange unit of measure, valuation of accounts receivable, inventory, income taxes and derivatives, and the estimated useful life of long-lived assets. By their nature, these estimates are subject to measurement uncertainty and may impact the consolidated financial statements of the Fund in future periods. Actual results could differ from these estimates.

3. CHANGES IN ACCOUNTING POLICIES

On January 1, 2008, the Fund adopted the following Canadian Institute of Chartered Accountants ("CICA") Handbook Sections:

Section 3031, "Inventories"

The new standard replaces the previous inventories standard and requires inventories to be valued on a first-in, first-out or weighted average basis, which is consistent with the Fund's accounting policies. The new standard requires the measurement of inventories at the lower of cost and net realizable value and provides guidance on the determination of cost, including any write-down to net realizable value. The adoption of this standard has had no material impact on the Fund's financial position or results of operations.

Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation"

The new disclosure standards increase the Fund's disclosure regarding the nature and extent of the risks associated with financial instruments and how those risks are managed (note 15). Section 3863 carries forward the presentation standards from Section 3861. The adoption did not impact the financial position or operating results of the Fund.

Section 1535, "Capital Disclosures"

The new standard requires the Fund to disclose its objectives, policies and processes for managing its capital structure (note 12). The adoption did not impact the financial position or operating results of the Fund.

Section 1400, "General Standards of Financial Statement Presentation"

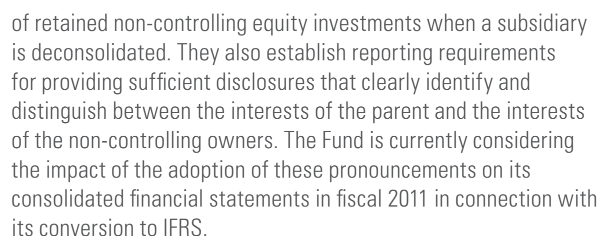
The Accounting Standards Board ("AcSB") amended CICA Handbook Section 1400, "General Standards of Financial Statement Presentation," to include requirements for management to assess an entity's ability to continue as a going concern and to disclose material uncertainties related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. The Fund adopted the new standard effective January 1, 2008. The adoption of this section did not impact the consolidated financial statements for the year ended December 31, 2008.

4. RECENT ACCOUNTING PRONOUNCEMENTS

As at January 1, 2009, the Fund will be required to adopt the CICA Handbook Section 3064, "Goodwill and Intangible Assets," which will replace the existing "Goodwill and Intangible Assets" standard. The new standard revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard should not have a material impact on the Fund's consolidated financial statements.

In January 2009, the CICA issued the new Handbook Section 1582, "Business Combinations" effective for fiscal years beginning on or after January 1, 2011. Earlier adoption of Section 1582 is permitted. This pronouncement further aligns Canadian GAAP with U.S. GAAP and International Financial Reporting Standards ("IFRS") and changes the accounting for business combinations in a number of areas. It establishes principles and requirements governing how an acquiring company recognizes and measures in its financial statements identifiable assets acquired, liabilities assumed, any non-controlling interest in the acquiree, and goodwill acquired. The section also establishes disclosure requirements that will enable users of the acquiring company's financial statements to evaluate the nature and financial effects of its business combinations. The Fund is considering the impact of the adoption of this pronouncement on its consolidated financial statements in fiscal 2011 in connection with its conversion to IFRS.

In January 2009, the CICA issued the new Handbook Section 1601, "Consolidated Financial Statements," and Section 1602, "Non-Controlling Interests," effective for fiscal years beginning on or after January 1, 2011. Earlier adoption of these recommendations is permitted. These pronouncements further align Canadian GAAP with U.S. GAAP and IFRS. Sections 1601 and 1602 change the accounting and reporting of ownership interests in subsidiaries held by parties other than the parent. Non-controlling interests are to be presented in the consolidated statement of financial position within equity but separate from the parent's equity. The amount of consolidated net income attributable to the parent and to the non-controlling interest is to be clearly identified and presented on the face of the consolidated statement of income. In addition, these pronouncements establish standards for a change in a parent's ownership interest in a subsidiary and the valuation



of retained non-controlling equity investments when a subsidiary is deconsolidated. They also establish reporting requirements for providing sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. The Fund is currently considering the impact of the adoption of these pronouncements on its consolidated financial statements in fiscal 2011 in connection with its conversion to IFRS.

In January 2009, the CICA issued the Emerging Issues Committee ("EIC") Abstract EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities," effective for interim and annual financial statements ending on or after January 20, 2009. Earlier adoption of this abstract is permitted. EIC-173 provides further information on the determination of the fair value of financial assets and financial liabilities under Section 3855, "Financial Instruments – Recognition and Measurement." It states that an entity's own credit and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. EIC-173 should be applied retrospectively, without restatement of prior periods, to all financial assets and liabilities measured at fair value. The Fund will adopt this abstract during the first quarter of the 2009 fiscal year. The Fund is currently considering the impact of adopting EIC-173 on its consolidated financial statements and cannot reasonably estimate its effect at this time.

In February 2008, the AcSB confirmed that IFRS will replace Canadian GAAP in 2011 for profit-oriented Canadian publicly accountable enterprises. The Fund will be required to report its results in accordance with IFRS starting in 2011. The Fund formally commenced an IFRS conversion project in the third quarter of 2008 and has engaged the services of an external advisor with IFRS expertise to work with management. The Fund will continue to invest in training and resources to ensure a timely and effective conversion. Regular reporting is provided to the Fund's senior management and to the Audit Committee of the Board of Trustees. To date, an initial diagnostic assessment has been completed and an IFRS conversion plan has been developed. A diagnostic assessment has been initiated to examine the extent of the impact that the conversion may have on financial reporting, business processes, internal controls and information systems. The Fund's current plan is aimed in particular at identifying the differences between IFRS and the Fund's current accounting policies, as well as assessing the impact of various accounting alternatives offered pursuant to IFRS. In addition, a high level assessment of the Fund's information technology systems and tax processes will be conducted, and is underway. The financial impact of the transition to IFRS cannot be reasonably estimated at this time, however, there will likely be changes in accounting policies and these may materially impact the Fund's financial statements.

5. ACQUISITIONS

(a) Applegate Steel Inc.

Effective January 15, 2008, the Fund acquired substantially all of the operating assets of Applegate Steel Inc. ("Applegate"), a manufacturer of livestock equipment, for cash consideration of $3,441, which includes transaction costs of $392.

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

	$ (000s)
Net assets acquired	
Cash	117
Accounts receivable	1,276
Inventory	1,218
Prepaid expenses and other assets	56
Property, plant and equipment	2,328
Accounts payable and accrued liabilities	(1,837)
Goodwill	283
Cash consideration, including transaction costs	3,441

Goodwill at the time of acquisition is deductible for tax over a period of 15 years.

(b) Union Iron Inc.

Effective November 19, 2007, the Fund acquired 100% of the outstanding shares of Union Iron and the shares and assets of certain companies related to Union Iron, a manufacturer of material handling and storage equipment, for cash consideration of $21,641. In conjunction with the acquisition, the Fund incurred transaction costs of $331.

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

	$ (000s)
Net assets acquired	
Cash	775
Accounts receivable	1,797
Inventory	2,673
Prepaid expenses and other assets	161
Property, plant and equipment	2,926
Intangible assets – distribution network	5,244
Intangible assets – brand name	2,098
Goodwill	7,930
Accounts payable and accrued liabilities	(1,759)
Customer deposits	(204)
	21,641

As at December 31, 2007, the Fund had cash held in trust in the amount of $494 relating to the acquisition of Union Iron. The cash held in trust was released in 2008.

The asset purchase agreement provides for adjustments to the purchase price of up to U.S. $3,100 based on the achievement of certain earnings targets for the years 2008, 2009 and 2010. An increase in the purchase price adjustment will be recognized upon the achievement of the earnings targets and will be recorded to goodwill. No such adjustment was required for the year ended December 31, 2008.

(c) Acquisition of Twister Pipe Ltd.

Effective May 31, 2007, the Fund acquired substantially all of the operating assets of Twister, a manufacturer of grain bins for cash consideration of $8,241. In conjunction with the acquisition, the Fund incurred transaction costs of $408.

The acquisition has been accounted for by the purchase method with the results of Twister's operations included in the Fund's earnings from the date of acquisition. The assets and liabilities of Twister were initially recorded in the consolidated financial statements at their estimated fair values as follows:

	$ (000s)
Net assets acquired	
Accounts receivable	1,972
Inventory	4,167
Prepaid expenses and other assets	56
Property, plant and equipment	1,025
Intangible asset – brand name	800
Goodwill	1,737
Accounts payable and accrued liabilities	(1,228)
Customer deposits	(288)
	8,241

As at December 31, 2007, the Fund had cash held in trust in the amount of $500 relating to the acquisition of Twister. The cash held in trust was released in 2008.

(d) Prior Year Acquisitions

As described in the December 31, 2007 audited consolidated financial statements, the Fund acquired the assets of Hansen Manufacturing Corp. on December 31, 2006. Subsequent to December 31, 2006, transaction costs related to the acquisition were paid from cash and cash held in trust. As at December 31, 2007, the Fund had cash held in trust in the amount of $494. The cash held in trust was released in 2008.

6. INVENTORY

	2008 $ (000s)	2007 $ (000s)
Raw materials	**20,050**	12,343
Finished goods	**23,282**	16,616
	43,332	28,959

During the year ended December 31, 2008, inventories of $128,264 (2007 – $79,986) were expensed through cost of goods sold. Inventory is recorded at cost and the Fund has assessed that there were no material amounts of write-down of finished goods, reserve for obsolete materials and supplies, and reversals of write-downs included in cost of goods sold during the year.

7. PROPERTY, PLANT AND EQUIPMENT

	2008			2007		
	Cost $ (000s)	Accumulated amortization $ (000s)	Net book value $ (000s)	Cost $ (000s)	Accumulated amortization $ (000s)	Net book value $ (000s)
Land	**2,504**	**–**	**2,504**	894	–	894
Buildings	**12,785**	**1,211**	**11,574**	7,962	782	7,180
Leasehold improvements	**427**	**217**	**210**	419	23	396
Furniture and fixtures	**845**	**241**	**604**	264	96	168
Automotive equipment	**3,227**	**1,660**	**1,567**	2,429	1,155	1,274
Computer equipment	**1,269**	**702**	**567**	985	494	491
Manufacturing equipment	**21,227**	**9,280**	**11,947**	15,862	5,230	10,632
	42,284	**13,311**	**28,973**	28,815	7,780	21,035

Included in manufacturing equipment above is approximately $885 (2007 – $520) of construction-in-progress, the cost of which has not been amortized as this asset was not placed in use as of December 31, 2008.

8. INTANGIBLE ASSETS

	2008			2007		
	Cost $ (000s)	Accumulated amortization $ (000s)	Net book value $ (000s)	Cost $ (000s)	Accumulated amortization $ (000s)	Net book value $ (000s)
Distribution networks	**50,114**	**9,016**	**41,098**	50,114	6,129	43,985
Brand names	**30,038**	**–**	**30,038**	30,038	–	30,038
Patents	**1,289**	**436**	**853**	1,289	343	946
	81,441	**9,452**	**71,989**	81,441	6,472	74,969

9. BANK INDEBTEDNESS

The Fund has an operating facility of Cdn. $10 million and U.S. $2.0 million. The facilities bear interest at a rate of prime to prime plus 1.0% per annum based on performance calculations. The effective interest rate during the year ended December 31, 2008 on the Fund's Canadian dollar term debt was 4.8% (2007 – 6.1%), and on the Fund's U.S. dollar term debt was 5.1% (2007 – 8.6%). Collateral for the operating facilities are described in note 10. As at December 31, 2008 and 2007, there were no amounts outstanding under these facilities.

10. LONG-TERM DEBT

	2008 $ (000s)	2007 $ (000s)
Term loans of U.S. $37,630 (2007 – U.S. $26,500) and $6,920 (2007 – nil), interest payable monthly at prime to prime plus 1% per annum based on performance calculations. The Fund entered into interest rate swap contracts to fix the Fund's interest rate at 2.88% on U.S. $26,500 plus 1.0% to 2.0% per annum based on performance calculations. The effective interest rate on the U.S. term loan during the year ended December 31, 2008 would have been 5.1% and after consideration of the effect of the interest rate swap was 5.2%. The effective interest rate on the Canadian dollar term loan for the year ended December 31, 2008 was 4.8%	**53,002**	26,185
GMAC loans, 0% maturing in 2011 and 2014. Vehicles financed are pledged as collateral	**61**	33
	53,063	26,218
Less current portion	**18**	12
Less deferred financing costs	**254**	583
	52,791	25,623

The Fund's credit facility provides for long-term debt of up to U.S. $66,500.

Collateral for the operating facility and term loans (note 9) includes a general security agreement over all assets, first position collateral mortgages on land and buildings, assignments of rents and leases and security agreements for patents and trademarks.

The term loans mature August 31, 2009 and are extendible annually for an additional one-year term at the lender's option. Under the terms of the credit facility agreement, if the bank elects to not extend the operating loan and term loan facilities beyond the current August 31, 2009 maturity date, all amounts outstanding under the facilities become repayable in four equal quarterly instalments of principal, commencing on November 30, 2010.

Principal repayments due within the next four fiscal years and thereafter, if the term loans are not renewed and are repayable commencing November 30, 2010, are as follows:

	$ (000s)
2009	18
2010	13,267
2011	39,760
2012 and thereafter	18
	53,063

11. UNITHOLDERS' CAPITAL

Unitholders' capital is comprised of the following:

	Fund Trust units $ (000s)	Class B exchangeable units of AGHLP $ (000s)	Total unitholders' capital $ (000s)
Balance, December 31, 2006	109,070	1,361	110,431
Issuance of units, net of costs	42,369	–	42,369
Balance, December 31, 2007	151,439	1,361	152,800
Purchase of units under long-term incentive plan	(2,170)	–	(2,170)
Purchase of units under normal course issuer bid	(2,363)	–	(2,363)
Issuance costs	(12)	–	(12)
Balance, December 31, 2008	**146,894**	**1,361**	**148,255**

	Trust Fund units #	Class B exchangeable units of AGHLP #
Balance, December 31, 2006	11,088,915	136,085
Issuance of units	1,730,000	–
Balance, December 31, 2007	12,818,915	136,085
Purchase of units under long-term incentive plan	(70,400)	–
Purchase of units under normal course issue bid	(200,000)	–
Balance, December 31, 2008	**12,548,515**	**136,085**

On October 2, 2007, the Fund completed an equity financing whereby it issued 1,730,000 Trust Units at a price of $26.00 per Trust Unit for gross proceeds of $44,980. Expenses incurred in connection with the offering were $2,611 resulting in net proceeds of $42,369.

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. 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, 2008, there were 136,085 Special Voting Units outstanding (2007 – 136,085 units), which were attached to the outstanding Class B Exchangeable LP Units of AGHLP. The Class B units are exchangeable for Fund Trust units at the option of the holder on a one-for-one basis at any time.

On October 22, 2008, the Fund commenced a normal course issuer bid for up to 1,262,090 Trust units, representing 10% of the Fund's public float. The normal course issuer bid will terminate on October 21, 2009 unless terminated earlier by the Fund. For the year ended December 31, 2008, the Fund purchased and cancelled 200,000 Trust units for total cash consideration of $3,899.

12. CAPITAL STRUCTURE

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

The Fund monitors its capital structure using non-GAAP financial metrics including long-term debt to earnings before interest, taxes, depreciation and amortization ("EBITDA") for the immediately preceding 12-month period and long-term debt to unitholders' equity.

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

	2008	2007
Long-term debt	**$ 52,809**	$ 25,635
EBITDA	**$ 34,562**	$ 32,368
Ratio	**1.53 times**	0.79 times

The Fund's optimal capital structure targets to maintain its long-term debt to unitholders' equity ratio at levels below 1.0, after taking into consideration the impacts of industry cyclicality and acquisitions:

	2008	2007
Long-term debt	**$ 52,809**	$ 26,635
Unitholders' equity	**$ 125,536**	$ 146,654
Ratio	**0.42 times**	0.17 times

The Fund's capital management objectives, evaluation measures, definitions and targets have remained unchanged over the periods presented. The Fund is subject to certain financial covenants in its credit facility agreement which must be maintained to avoid acceleration of the termination of the agreement. The Fund is in compliance with all financial covenants.

As a result of the Canadian trust taxation passed in June 2007 and effective January 1, 2011, the Fund is subject to certain capital growth restrictions referred to as "normal growth" equity rules. These rules limit the amount of unitholders' capital that can be issued by the Fund in each of the next two years. If the Fund exceeds "normal growth" during the transitional period from October 31, 2006 to December 31, 2010, the legislation would become effective on a date earlier than January 1, 2011. As at December 31, 2008, the Fund is in compliance with capital growth restrictions.

13. INCOME TAXES

The components of income tax expense are as follows:

	2008 $ (000s)	2007 $ (000s)
Current	**1,552**	1,933
Future	**110**	262
Future SIFT	**430**	9,495
Provision for income taxes	**2,092**	11,690

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 earnings before income taxes as shown in the following table:

	2008 $ (000s)	2007 $ (000s)
Earnings before income taxes and other comprehensive income	**23,304**	24,056
SIFT temporary differences	**8,117**	2,762
Earnings subject to tax in the hands of unitholders/limited partners	**(26,701)**	(19,585)
Income of subsidiary companies subject to tax	**4,720**	7,233
Tax at statutory rate	**1,705**	2,561
Reversal of reserve	**–**	(500)
Rate differential and other	**(43)**	134
Provision for subsidiary companies subject to tax	**1,662**	2,195
Future SIFT income tax	**430**	9,495
Income tax provision	**2,092**	11,690

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

	2008 $ (000s)	2007 $ (000s)
Future tax liabilities	**10,162**	9,574

For the year ended December 31, 2008, the Fund has recorded a current income tax expense of $1,552 (2007 – $1,933). The expense is comprised of an income tax expense of $1,283 (2007 – $2,376) related to income of U.S. corporation subsidiaries, $269 (2007 – $57) related to income of a Canadian subsidiary, and a recovery of $nil (2007 – $500) related to the reversal of an accrual which management has determined is no longer required. The Fund has recorded a future tax expense related to temporary differences of the subsidiaries and of the Fund reversing after 2010 of $540 (2007 – recovery of $405). In addition, due to legislation enacted by the Government of Canada in June 2007 that imposed additional income taxes upon publicly traded income trusts effective January 1, 2011, the Fund recorded a one-time charge of $11,135 to the future tax provision during 2007. This charge was based on an effective tax rate of 31.5% applied to the temporary differences expected to reverse after December 31, 2010. On December 14, 2007, further legislation was enacted by the federal government to reduce the effective rate of tax on the Fund's temporary differences from the previous rate of 31.5% to 29.5% in 2011 and 28% in 2012 and thereafter.

Based on its assets and liabilities as at December 31, 2008, the Fund has estimated the amount of its temporary differences which were previously not subject to tax and has estimated the periods in which these differences will reverse. The Fund estimates that approximately $35,510 of net taxable differences will reverse after January 1, 2011, resulting in a $10,162 future income tax liability. The taxable temporary differences relate principally to the Fund's intangible assets.

14. DISTRIBUTIONS TO UNITHOLDERS

The Declaration of Trust provides that the Fund will, subject to applicable law, distribute to Trust Unitholders by way of monthly distributions all of its distributable cash, being all cash received from its indirect ownership in Ag Growth Industries Limited Partnership ("AGLP"), which will carry on the business of Ag Growth, less amounts set aside for:

(a) administrative expenses and other obligations of the Fund;

(b) amounts that may be paid by the Fund in connection with any cash redemptions or repurchases of Trust Units;

(c) satisfaction of its debt service obligations (principal and interest) on indebtedness, if any; and

(d) any amount that the Trustees may reasonably consider to be necessary to provide for the payment of any costs or expenses and for reasonable reserves.

The Fund's distribution policy is to pay cash distributions on or about the 30th of each month to unitholders of record on the last business day of the preceding month.

The Fund may make additional distributions in excess of monthly distributions. For the year ended December 31, 2008, the Fund declared an additional distribution of $0.24 per unit in order to allocate all income of the Fund that would otherwise be subject to income taxes under Part I of the Tax Act. Any income of the Fund that is unavailable for cash distribution will be distributed to Trust Unitholders in the form of additional Trust Units, subject to applicable securities laws in order to allocate all income of the Fund that would otherwise be subject to tax as noted above. The distribution policy may be amended only with the approval of a majority of the votes cast at a meeting of Unitholders.

For the year ended December 31, 2008, the Fund declared distributions of $26,701 which equated to $2.07 weighted average per unit (2007 – $19,585 or $1.68 weighted average per unit).

Distributions for the year ended December 31, 2008 include amounts paid or payable to the LTIP administrator (note 17) of $91 and $28, respectively (2007 – $ nil).

15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

The Fund has the following financial instruments: cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, acquisition, transaction and financing costs payable, long-term debt, interest rate swap arrangements and foreign exchange contracts.

The Fund is exposed to financial risks arising from financial assets and liabilities. The Fund's objectives in managing these risks are to protect from volatility in net earnings and to minimize exposure from fluctuations in market rates. The financial risks include foreign exchange risk, interest rate risk, credit risk and liquidity risk as follows:

(a) Foreign Exchange Risk

The Fund operates primarily in North America and, as a result, fluctuations in the rate of exchange between the U.S. and Canadian dollar can have a significant effect on the Fund's reported results. To mitigate exposure to the fluctuating exchange rates, the Fund enters into foreign exchange contracts and denominates a portion of its debt in U.S. dollars. At December 31, 2008, the Fund's U.S. dollar denominated debt totaled U.S. $37.6 million and the Fund had entered into the following foreign exchange contracts to sell U.S. dollars in order to hedge their foreign exchange risk:

Settlement dates	Face value U.S. $ (000s)	Average rate Cdn.
Year ending December 31, 2009	65,000	1.0768
Year ending December 31, 2010	44,000	1.1829

The Fund's sales denominated in U.S. dollars for the year ended December 31, 2008 were U.S. $141.7 million, and the total of its cost of goods sold and its selling, general and administrative expenses denominated in that currency was U.S. $68.5 million. Accordingly, a 10% increase or decrease in the value of the U.S. dollar relative to its Canadian counterpart would result in a $14.2 million increase or decrease in sales and a total increase or decrease of $6.9 million in its cost of goods sold and its selling, general and administrative expenses. In relation to the Fund's foreign exchange hedging contracts, a 10% increase in the value of the U.S. dollar relative to its Canadian counterpart would result in an increase in the foreign exchange loss of $3.6 million and an increase to other comprehensive income of $1 million while a 10% decrease in the value of the U.S. dollar relative to its Canadian counterpart would result in an increase in the foreign exchange gain of $4.1 million and a decrease to other comprehensive income of $1 million.

(b) 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 a number of interest rate swap transactions with a Canadian chartered bank and has limited its exposure to changes in interest rates on its variable rate debt as follows:

Notional amounts of U.S. $17.5 million, U.S. $6.5 million and U.S. $2.5 million expire August 29, 2009, effective interest rate of 2.88%, resulting in interest charges to the Fund of 3.88% plus a variable rate based on performance calculations.

At December 31, 2008, if interest rates on debt were to fluctuate by 1%, and all other variables were held constant, the impact on the Fund's earnings before income taxes would be $205.

(c) Credit Risk

Credit risk is the risk that a customer will fail to perform an obligation or fail to pay amounts due causing a financial loss. A substantial portion of the Fund's accounts receivable is with customers in the agriculture industry and is subject to normal industry credit risks. This credit exposure is mitigated through the use of credit practices that limit transactions according to the customer's credit quality and due to the accounts receivable being spread over a large number of customers. The Fund establishes a reasonable allowance for non-collectible amounts with this allowance netted against the accounts receivable on the consolidated balance sheets. The Fund does not hold collateral as security for these balances.

The Fund does not believe it has significant concentration risk. The maximum credit risk exposure associated with accounts receivable is the total carrying value.

As is typical in the agriculture sector, the Fund may offer extended terms on its accounts receivable to match the cash flow cycle of its customer. The table below sets out the details of the accounts receivable balances outstanding as at December 31, 2008, based on the status of the receivable in relation to when the receivable is due and payable:

	$ (000s)
Neither impaired nor past due	17,636
Not impaired and past the due date as follows:	
Within 30 days	
31 to 60 days	2,471
61 to 90 days	1,168
Over 90 days	4,635
Allowance for doubtful accounts	(528)
Total receivables	25,382

The following table represents a summary of the movement of the allowance for doubtful accounts:

	2008 $ (000s)	**2007 $ (000s)**
Balance, beginning of year	**197**	196
Allowance for doubtful accounts	**361**	28
Write-off of specific accounts receivable	**(30)**	(27)
Balance, end of year	**528**	197

(d) Liquidity Risk

Liquidity risk is the risk the Fund will encounter difficulties in meeting its financial liability obligations. The Fund manages its liquidity risk through cash and debt management. In managing liquidity risk, the Fund has access to committed short- and long-term debt facilities as well as to equity markets, the availability of which is dependent on market conditions. The Fund believes it has sufficient funding through the use of these facilities to meet foreseeable borrowing requirements. Trade payables are due within one year and long-term debt is due August 31, 2009 and is extendible annually for an additional one-year term at the lender's option. Under the terms of the Fund's credit facility arrangement, if the bank elects to not extend the credit facilities beyond the August 31, 2009 maturity date, all amounts outstanding under the facilities become repayable in four equal quarterly instalments of principal, commencing on November 30, 2010.

Fair Value

The Fund has made the following classifications of its financial instruments:

- Cash and cash equivalents are classified as "assets held-for-trading" and are measured at fair value. Gains and losses resulting from the periodic revaluation are recorded in net earnings for the period.
- Accounts receivable are classified as "loans and receivables" and are recorded at fair value upon initial measurement. Subsequent measurements are recorded at amortized cost using the effective interest rate method.
- Accounts payable and accrued liabilities and acquisition, transaction and financing costs payable are classified as "other financial liabilities" and are measured at their fair value upon initial measurement. Subsequent measurements are recorded at amortized cost using the effective interest rate method.
- Long-term debt is classified as an "other financial liability" and is initially measured at fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method. The deferred financing costs are netted against the carrying value of the related debt and amortized to interest expense using the effective interest rate method.
- Derivative financial instruments are measured at fair value, even when they are part of a hedging relationship. All changes in fair value are recorded in earnings unless cash flow hedge accounting is used, in which case the effective portion of the changes in fair value is recorded in other comprehensive income.

The fair value of a financial instrument on initial recognition is normally the transaction price, which is the value of the consideration given or received. Transaction costs on financial instruments are expensed when incurred.

At December 31, 2008, the carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and acquisition, transaction and financing costs payable approximates their fair value due to the relatively short period to maturity. Long-term debt with a variable interest rate is carried at amortized cost, which approximates fair value. Derivatives are valued based on market quotations. However, when financial instruments lack an available trading market, fair value is determined using management's estimates and is calculated using market factors with similar characteristics and risk profiles. At December 31, 2008, the fair value and carrying value of the foreign exchange contracts was an unrealized loss of $10,101 (2007 – gain of $647) and the fair value and carrying value of the interest rate swaps that are part of an effective hedging relationship was an unrealized loss of $459 (2007 – loss of $108). Derivative assets are included in prepaid expenses and other assets. Derivative liabilities are recorded in derivative instruments.

Over the next 12 months, the Fund expects to realize an estimated $9.5 million in net losses presently reported in accumulated other comprehensive income as unrealized losses as at December 31, 2008.

16. SEGMENTED DISCLOSURE

The Fund operates in one business segment related to the manufacturing and distributing of portable and stationary grain handling, storage and conditioning 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 year end:

	Revenues		**Property, plant and equipment, goodwill and intangible assets as at December 31,**	
	2008 $ (000s)	**2007 $ (000s)**	**2008 $ (000s)**	**2007 $ (000s)**
Canada	**49,762**	30,550	**108,585**	109,801
United States	**132,222**	92,467	**44,714**	38,129
International	**17,357**	7,354	**–**	–
	199,341	130,371	**153,299**	147,930

17. LONG-TERM INCENTIVE PLAN

Effective January 1, 2007, the Fund adopted an amended LTIP. Pursuant to the LTIP, the Fund establishes the amount to be allocated to eligible participants based upon the amount by which the Fund's distributable cash, as defined in the LTIP, exceeds a predetermined threshold. Accordingly, the Fund will make available $286 for the LTIP and will use these funds to purchase units within 121 days of year end. Subsequent to approval of the LTIP by the Fund's Board of Trustees, the administrator of the LTIP is required to use the allocated amount to purchase units of the Fund in the market. The amount owing to participants is recorded as a long-term incentive plan liability with the offset recorded to net earnings. At such time that the units are purchased the liability is reclassified to contributed surplus under unitholders' equity. Accordingly, in April 2008, the administrator purchased 70,400 units for $2,170 to satisfy its obligation related to fiscal 2007. These units are reflected in the unitholders' equity balance as at December 31, 2008. During the year ended December 31, 2008, $1,551 was reclassified from the long-term incentive plan liability to contributed surplus.

The units awarded vest over a three-year period commencing one year after the fiscal year of the award. As at December 31, 2008, no LTIP units have yet vested. Cash distributions paid on units held by the administrator are retained and are payable to participants in the plan on the vesting date. The expense related to the LTIP is recorded in relation to the vesting period and accordingly the total award will be expensed as to 36% in the initial fiscal year and 36%, 20% and 8% in the next three fiscal years, respectively, subsequent to the current year. For the year ended December 31, 2008, the Fund has recorded an expense with respect to the LTIP of $850 (2007 – $800). The amount to be expensed in future years is $786.

18. UNIT AWARD INCENTIVE PLAN

On May 10, 2007, the unitholders of Ag Growth approved the adoption by the Fund of a UAIP which authorizes the Trustees to grant awards ("Unit Awards") to employees or officers of the Fund or any affiliates of the Fund or who are consultants or other service providers to the Fund and its affiliates ("Service Providers"). Unit Awards may not be granted to non-management Trustees.

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

The unitholders reserved for issuance 220,000 Fund Units, subject to adjustment in lieu of distributions, if applicable. The aggregate number of Unit Awards granted to any single Service Provider shall not exceed 5% of the issued and outstanding Fund Units. In addition:

(a) The number of Fund Units issuable to insiders at any time, under all security based compensation arrangements of the Fund, shall not exceed 10% of the issued and outstanding Fund Units; and

(b) The number of Fund Units issued to insiders, within any one-year period, under all security based compensation arrangements of the Fund, shall not exceed 10% of the issued and outstanding Fund Units.

No Unit Awards were granted in the year ended December 31, 2008 and 220,000 Unit Awards were granted in the year ended December 31, 2007 and remain outstanding as at December 31, 2008. For the year ended December 31, 2008, the Fund recorded an expense of $670 for the Unit Awards (2007 – $1,402).

For the year ended December 31, 2008, the 220,000 Unit Awards granted were excluded from the calculation of diluted net earnings per unit because their effect is anti-dilutive.

19. TRUSTEES' DEFERRED COMPENSATION PLAN

On May 8, 2008, the unitholders of the Fund approved the adoption by the Fund of the Trustees' Deferred Compensation Plan (the "Plan"), which provides that a minimum of 20% of the remuneration of non-management Trustees be payable in Fund Units of the Fund. The principal purpose of the Plan is to encourage non-management Trustee ownership of Fund Units. A Trustee will not be entitled to receive the Fund Units granted for three years from the date of grant or until the Trustee ceases to be a Trustee, whichever is earlier. The price to be used for determining the number of Fund Units to be granted will be the weighted average trading price of Fund Units for the 10 trading days preceding the Fund's financial quarter. The total number of Fund Units issuable pursuant to the Plan shall not exceed 35,000, subject to adjustment in lieu of distributions, if applicable. Mandatory participation in the Plan commences January 1, 2009. As at December 31, 2008, 1,660 Fund Units had been granted under the Plan and no Fund Units had been issued as at December 31, 2008.

20. COMMITMENTS

The Fund has entered into various operating leases for office and manufacturing equipment, warehouse facilities and vehicles. Future minimum annual lease payments required in aggregate are as follows:

	$ (000s)
2009	681
2010	560
2011	348
2012	101
2013	26
	1,716

21. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS

The net change in non-cash working capital balances related to operations consists of the following:

	2008 $ (000s)	2007 $ (000s)
Decrease (increase) in current assets		
Accounts receivable	**(14,182)**	4,729
Inventory	**(13,155)**	521
Prepaid expenses and other assets	**304**	(30)
Income taxes receivable	**(873)**	–
	(27,906)	5,220
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	**(359)**	87
Customer deposits	**(1,444)**	5,406
Income taxes payable	**(369)**	(154)
Long-term incentive plan	**91**	(854)
	(2,081)	4,485
	(29,987)	9,705

22. COMPARATIVE FIGURES

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

Officers

Rob Stenson, Chief Executive Officer and Trustee
Gary Anderson, President, Chief Operating Officer and Trustee
Steve Sommerfeld, CA, Chief Financial Officer
Dan Donner, Vice President Sales and Marketing
Paul Franzmann, CA, Vice President Corporate Development
Doug Weinbender, Vice President Operations

Trustees

Rob Stenson
Gary Anderson
John R. Brodie, FCA, Audit Committee Chairman
Bill Lambert, Board of Trustees Chairman
Bill Maslechko, Governance Committee Chairman
David White, CA

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

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