



# **Alliance**

## **GRAIN TRADERS**

### **Income Fund**

**Q3**

**Interim Financial Statements  
(unaudited)**

**September 30, 2008**

# ALLIANCE GRAIN TRADERS INCOME FUND

## (formerly Agtech Income Fund)

### Interim Consolidated Balance Sheets

As at September 30, 2008

	Sept 30, 2008 (unaudited)	Dec 31, 2007 (audited)
<b>Assets</b>		
<b>Current</b>		
Accounts receivable	\$ 82,374,521	\$ 25,654,720
Inventory	22,052,798	13,248,365
Prepaid expenses and deposits	2,454,138	314,065
	106,881,457	39,217,150
<b>Loans receivable</b>	-	162,033
<b>Property, plant and equipment (Note 4)</b>	40,795,489	24,653,572
<b>Goodwill</b>	12,427,125	10,038,495
	\$ 160,104,071	\$ 74,071,250
<b>Liabilities</b>		
<b>Current</b>		
Bank indebtedness (Note 5)	\$ 34,625,342	\$ 6,540,872
Accounts payable and accruals	45,143,796	21,890,474
Income taxes payable	5,443,721	1,182,722
Current portion of long term debt and capital leases (Note 6)	1,168,441	296,045
Distributions payable	1,055,857	597,326
	87,437,158	30,507,439
<b>Long term</b>		
Long term debt and capital leases (Note 6)	8,872,041	6,891,593
<b>Future income tax liability</b>	3,069,101	1,327,511
<b>Non-controlling interest (Note 7)</b>	-	1,366,617
	99,378,300	40,093,160
<b>Unitholders' equity (Note 7)</b>	60,725,772	33,978,090
	\$ 160,104,071	\$ 74,071,250

Commitments (Note 11)

Contingencies (Note 13)

Approved by the Board of Trustees

*Murad Al-Katib*

Trustee

*Denis Arsenault*

Trustee

The accompanying notes are an integral part of these financial statements

**ALLIANCE GRAIN TRADERS INCOME FUND**  
**(formerly Agtech Income Fund)**  
**Consolidated Statement of Unitholders' Equity (Unaudited)**  
*For the periods ended September 30*

	3 Months Ended September 30		9 Months Ended September 30	
	2008	2007	2008	2007
<b>UNITHOLDERS' EQUITY</b>				
Unitholders' equity, beginning of period	\$ 39,871,908	\$ 6,667,994	\$ 33,978,090	\$ 6,481,057
Net income before comprehensive income	6,643,206	1,330,423	14,068,221	1,861,912
Units and unit equivalents issued	16,109,996	23,200,000	16,345,952	23,200,000
Units redeemed	-	-	-	(10,368)
Issue costs	(843,481)	(708,185)	(843,481)	(708,185)
Contributed surplus of Saskcan Horizon Trading Inc.	-	2,344,000	-	2,344,000
Distributions paid to unitholders and exchangeable share holders	-	(553,404)	(1,767,154)	(887,588)
Distributions payable to unitholders and exchangeable share holders	(1,055,857)	-	(1,055,857)	-
Unitholders' equity, end of year	\$ 60,725,772	\$ 32,280,828	\$ 60,725,772	\$ 32,280,828
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>				
Accumulated other comprehensive income - beginning of year	\$ -	\$ -	\$ -	\$ -
Other comprehensive income	-	-	-	-
Accumulated other comprehensive income - end of year	\$ -	\$ -	\$ -	\$ -
<b>TOTAL UNITHOLDERS' EQUITY</b>	<b>\$ 60,725,772</b>	<b>\$ 32,280,828</b>	<b>\$ 60,725,772</b>	<b>\$ 32,280,828</b>

*The accompanying notes are an integral part of these financial statements*

# ALLIANCE GRAIN TRADERS INCOME FUND

## (formerly Agtech Income Fund)

Interim Consolidated Statement of Income (unaudited)

For the periods ended September 30

	3 Months Ended September 30		9 Months Ended September 30	
	2008	2007	2008	2007
<b>Sales</b>	\$ 107,886,461	\$ 29,688,824	\$ 227,818,695	\$ 36,387,670
<b>Cost of sales</b>	91,669,256	25,078,811	192,686,881	30,381,754
<b>Gross margin</b>	16,217,205	4,610,013	35,131,814	6,005,916
<b>Operating expenses</b>				
Amortization	471,738	266,169	1,327,420	339,899
Interest and bank charges	243,895	117,106	681,912	163,703
Interest on long term debt	165,479	305,204	380,152	305,204
Salaries, wages and benefits	2,343,546	1,374,454	6,774,149	1,861,962
Compensation option expense (Note 7)	133,883	-	251,825	-
General and administration	2,827,844	780,599	5,632,586	1,037,178
	6,186,385	2,843,532	15,048,044	3,707,946
<b>Income before income taxes and non-controlling interest</b>	10,030,820	1,766,481	20,083,770	2,297,970
<b>Provision for (recovery of) income taxes (Note 10)</b>				
Current	3,213,541	275,000	5,526,695	275,000
Future	(29,195)	-	(82,560)	-
	3,184,347	275,000	5,444,135	275,000
<b>Income before non-controlling interest</b>	6,846,474	1,491,481	14,639,635	2,022,970
<b>Non-controlling interest</b>	(203,268)	(161,058)	(571,414)	(161,058)
<b>Net income before other comprehensive income</b>	6,643,206	1,330,423	14,068,221	1,861,912
<b>Other comprehensive income</b>	-	-	-	-
<b>Comprehensive income</b>	6,643,206	1,330,423	14,068,221	1,861,912
<b>Basic net earnings per unit and unit equivalent</b>	0.92	0.28	2.11	1.24
<b>Diluted net earnings per unit and unit equivalent</b>	0.83	0.26	1.89	1.07
<b>Basic weighted average number of units outstanding</b>	7,240,735	4,733,917	6,667,832	1,495,531
<b>Diluted weighted average number of units outstanding</b>	8,001,751	5,102,274	7,435,662	1,735,662

The accompanying notes are an integral part of these financial statements

**ALLIANCE GRAIN TRADERS INCOME FUND**  
**(formerly Agtech Income Fund)**

**Interim Consolidated Statement of Cash Flows (unaudited)**

*For the periods ended September 30*

	3 Months Ended September 30		9 Months Ended September 30	
	2008	2007	2008	2007
<b>Cash from (used for ) the following:</b>				
<b>Operating Activities</b>				
Net income	\$ 6,643,206	\$ 1,330,423	\$ 14,068,221	\$ 1,861,912
Items not involving cash:				
- Amortization	471,738	266,169	1,327,420	339,899
- Provision for (recovery of) future income taxes	(29,195)	-	(82,560)	-
Non-cash operating working capital (Note 9)	(20,048,947)	2,159,735	(38,659,756)	1,921,360
	(12,963,198)	3,756,327	(23,346,675)	4,123,171
<b>Financing Activities</b>				
Proceeds from (repayment of) bank indebtedness	14,142,490	(5,615,903)	28,084,470	(5,615,903)
Net proceeds from the issuance of units	14,191,519	12,963,449	14,427,475	12,953,081
Proceeds from long term debt	460,274	0	3,612,602	0
Repayment of long term debt	(91,991)	(8,502,460)	(2,227,749)	(8,502,460)
	28,702,292	(1,154,914)	43,896,800	(1,165,282)
<b>Investing Activities</b>				
Purchase of property, plant and equipment	(15,739,094)	(2,434,321)	(18,782,971)	(2,456,613)
Distributions paid to unitholders and non-controlling interest	-	(167,092)	(1,767,154)	(501,276)
	(15,739,094)	(2,601,413)	(20,550,125)	(2,957,889)
<b>Increase (decrease) in cash position</b>	-	-	-	-
<b>Cash position, beginning of period</b>	-	-	-	-
<b>Cash position, end of period</b>	\$ -	\$ -	\$ -	\$ -

**ALLIANCE GRAIN TRADERS INCOME FUND**  
**(formerly Agtech Income Fund)**  
**Notes to Consolidated Financial Statements**  
*For the periods ended September 30*

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**1. Incorporation and operations**

Alliance Grain Traders Income Fund (formerly Agtech Income Fund) (the "Fund") is a limited purpose open-ended trust established on June 25, 2004. The Fund was created for the purpose of acquiring all of the voting securities of Agtech Processors Inc. ("Agtech"), which transaction was completed on March 22, 2005. The Fund subsequently acquired Saskcan Pulse Trading Inc. ("Saskcan") on August 1, 2007 and amalgamated it with Agtech to form Alliance Pulse Processors Inc. ("Alliance"). The Fund, through its operating company Alliance, is engaged in the business of sourcing and processing (cleaning, splitting, sorting and bagging) specialty crops, primarily for export markets. The Fund's companies in Canada, US and Australia handle the full range of pulses and specialty crops including lentils, peas, chickpeas, beans and canary seed. The units of the Fund are listed for trading on Tier 2 of the TSX Venture Exchange under the symbol "AGT.UN".

**2. Accounting policies**

***Basis of presentation***

The accompanying unaudited consolidated balance sheet as at September 30, 2008 the audited consolidated balance sheet as of December 31, 2007, and the consolidated statements of earnings, unitholders' equity, accumulated other comprehensive income, cash flows for the periods ended September 30, 2008 and 2007 have been prepared by management of the Fund in accordance with Canadian generally accepted accounting principles. These consolidated financial statements are unaudited and have not been reviewed by the independent auditors of the Fund.

***Measurement uncertainty (use of 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 amounts of revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of property, plant and equipment. The fair value of net assets acquired in business combinations are determined based on available market information and analysis that is subjective in nature.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

***Inventory***

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first in, first out method.

***Property, plant and equipment***

Property, plant and equipment are recorded at cost. Amortization is provided using the straight-line method at annual rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Rate
Buildings and site improvements	Straight-line	20 to 39 years
Storage bins	Straight-line	25 to 39 years
Automotive	Straight-line	5 years
Equipment	Straight-line	5 to 20 years

***Goodwill***

Goodwill is not subject to amortization. Goodwill is tested for impairment at least annually by comparing the fair value of its reporting unit to its carrying value. The carrying value of goodwill is written down to fair value if the carrying value of the reporting unit's goodwill exceeds its fair value. Any impairment write down is charged to income during the period of impairment.

***Income taxes***

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

The Fund's subsidiaries follows the asset and liability method of accounting for future income taxes. Under this method, future income tax assets and liabilities are recorded based on temporary differences between the carrying amount of balance sheet items and their corresponding tax bases. In addition, the future benefits of income tax assets, including unused tax losses, are recognized, subject to a valuation allowance, to the extent that it is more likely than not that such future benefits will ultimately be realized. Future income tax assets and liabilities are measured using enacted tax rates and laws expected to apply when the tax liabilities or assets are either settled or realized.

**ALLIANCE GRAIN TRADERS INCOME FUND**  
**(formerly Agtech Income Fund)**  
**Notes to Consolidated Financial Statements**  
For the periods ended September 30

**2. Accounting policies (continued)**

**Exchangeable securities issued by subsidiaries of the Fund**

Exchangeable securities are recorded in unitholders' equity as unit equivalents when the holders of the exchangeable shares are entitled to receive distributions of earnings economically equivalent to unitholders, and when disposition of exchangeable shares can only occur by exchange for units of the Fund.

**Revenue recognition**

Revenue is recognized when the customer has substantially taken title and substantially assumed the risks and rewards of ownership of the products specified in the purchase order or sales agreement. Typically this occurs when product is delivered to the customer's delivery site (if the terms of the sale are "FOB destination") or when a product is shipped to the customer (if the terms are "FOB shipping point"). The sale price is fixed in a purchase order before shipment. Product cannot be returned. In cases where the terms of sale are "FOB destination" at a destination outside of Canada or the United States, payment is typically required in advance, or a deposit, letter of credit or receivable insurance is required. Payments in advance and deposits are accounted for as deposits rather than revenue. Letters of credit are not recorded until drawn upon. These revenue recognition policies are followed whether the sale is under a long-term contract or a spot contract.

**Derivative financial instruments**

The Fund enters into forward foreign exchange contracts to minimize its operating exposures to fluctuations in foreign exchange rates. These contracts are recorded on the balance sheet and marked-to-market at each reporting date. Any mark-to-market gains or losses are included in the statement of earnings.

**Financial instruments**

All significant financial assets, financial liabilities and equity instruments of the Fund are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows and interest rate, currency or credit risk.

**Per unit amounts**

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

**Basis of consolidation**

The consolidated financial statements include the operations of the Fund's 100% owned subsidiaries Alliance Pulse Processors Inc., United Pulse Trading Inc., Australian Milling Group Pty Ltd., Pulse Depot Rosetown Inc. and Saskcan Horizon Trading Inc. On September 30, 2008, the Fund purchased the 45% non controlling interest of Saskcan Horizon Trading Inc., as a result 100% of the operations will be consolidated in the Fund's operations effective October 1, 2008.

**Change in accounting policies**

Effective January 1, 2008, the Fund adopted the accounting recommendations for capital disclosures (Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535) in accordance with the transition provisions of the section. This section requires disclosure of information related to the objectives, policies and processes for managing capital, and particularly whether externally imposed capital requirements have been complied with. As this standard only addresses disclosure requirements, there is no impact on the Fund's operating results.

Effective January 1, 2008, the Fund adopted the accounting recommendations for financial instruments - disclosures (CICA Handbook Section 3862) and financial instruments - presentation (CICA Handbook Section 3863) in accordance with the transition provisions of the sections. These sections replace the existing disclosure and presentation recommendations contained in financial instruments - disclosure and presentation (CICA Handbook Section 3861). The new disclosure standards increase the disclosures related to financial instruments, and the nature, extent and management of the Fund's risks arising from financial instruments. The presentation standards carry forward unchanged the former presentation requirements. As these standards only address disclosure and presentation requirements, there is no impact on the Fund's operating results.

**3. Purchase price allocation:**

The consolidated financial statements reflect the transactions using the purchase method with the purchase price being allocated to the fair value of the assets and liabilities as follows:

<i>Purchase price comprised of:</i>	<b>Total</b>
Cash	7,785,000
Issuance of New Agtech shares	715,000
<b>Total purchase price</b>	<b>8,500,000</b>
<b>Allocation of purchase price:</b>	
Property, plant and equipment	8,500,000
Identifiable tangible assets	8,500,000
Accounts payable and accruals	(2,388,630)
Goodwill	2,388,630
	<b>8,500,000</b>

**ALLIANCE GRAIN TRADERS INCOME FUND**  
**(formerly Agtech Income Fund)**  
**Notes to Consolidated Financial Statements**  
For the periods ended September 30

**4. Property, plant and equipment**

	Cost	Accumulated amortization	Sept 30, 2008 Net book Value	Dec 31, 2007 Net book Value
Land	3,719,057	-	3,719,057	2,047,812
Buildings and Site Improvements	18,536,795	945,226	17,591,570	7,209,824
Automotive	1,419,475	408,341	1,011,133	728,044
Equipment	21,605,775	3,132,048	18,473,727	14,667,892
	45,281,102	4,485,615	40,795,489	24,653,572

**5. Bank indebtedness**

At September 30, 2008, the Fund had total consolidated lines of credit available totalling \$53,000,000. The lines bear interest ranging from prime to prime plus 0.75%. Collateral consists of a general security agreement on all the assets of the Fund.

	Sept 30, 2008 Balance	Dec 31, 2007 Balance
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*Long term debt*

Advancer loan payable bearing interest at the rate of prime plus 1%, no fixed repayment terms.	\$ 5,806,025	\$ 4,500,000
United Pulse Trading Inc. long term debt payable, various due dates and interest rate buy downs provided by the State of North Dakota, secured by property, plant and equipment of United Pulse Trading Inc.	1,906,601	1,920,815
Pulse Depot Rosetown Inc. long term debt payable, due October 15, 2008, payments of \$12,400 per month plus interest at the rate of Canadian Bankers Acceptance rate plus 3.75%	713,891	-
Saskcan Horizon Trading Inc. long term debt payable, due November 6, 2013, payments of \$8,670 per month, principal and interest, at the rate of prime plus 1.5%, secured by property, plant and equipment of Saskcan Horizon Trading Inc.	418,181	473,740
Pulse Depot Rosetown Inc. long term debt payable, due October 15, 2012, payments of \$6,900 per month plus interest at the rate of Canadian Bankers Acceptance rate plus 3.75%	754,100	-
United Pulse Trading Inc. vehicle debt payable, due May 2011, payments of \$858.28 per month, including interest of .9%, secured by vehicle.	30,446	-

*Capital leases*

Capital lease payable in monthly instalments of \$3,859, including interest at 9.5%, secured by sale leaseback asset, due October 2011.	133,597	160,400
Capital lease payable in monthly instalments of \$1,929, including interest at 9.1%, secured by sale leaseback asset, due January 2012.	86,522	-
Capital lease payable in monthly instalments of \$1,819, including interest at 11.1%, secured by sale leaseback asset, due February 2011.	71,074	-
Capital lease payable in monthly instalments of \$1,899, including interest at 8.5%, secured by sale leaseback asset, due June 2009.	62,838	73,923
Capital lease payable in monthly instalments of \$1,052, including interest at 9.536%, secured by sale leaseback asset, due July 2012.	39,856	46,018
Capital lease payable in monthly instalments of \$422, including interest at 7.1%, secured by sale leaseback asset, lump sum payment due October 2008.	9,114	12,742
Capital lease payable in monthly instalments of \$119 including interest at 14.5%, secured by sale leaseback asset, due July 2012.	4,474	-
Capital lease payable in monthly instalments of \$97 including interest at 9.5%, secured by sale leaseback asset, due July 2012.	3,765	-
	10,040,482	7,187,638
Total current portion	1,168,441	296,045
	\$ 8,872,041	\$ 6,891,593



**ALLIANCE GRAIN TRADERS INCOME FUND**  
**(formerly Agtech Income Fund)**  
**Notes to Consolidated Financial Statements**  
For the periods ended September 30

**6. Long term debt and capital leases (continued)**

The future minimum payments under long term debt and capital leases in each of the next five years are as follows:

	Long term debt	Capital Leases	Total
2008	\$ 1,054,586	\$ 139,916	\$ 1,194,502
2009	255,806	148,436	404,241
2010	270,850	103,908	374,758
2011	263,870	78,000	341,870
2012	1,209,465	9,293	1,218,758
	3,054,577	479,553	3,534,129
Less: interest portion	-	68,314	68,314
	\$ 3,054,577	\$ 411,239	\$ 3,465,816

**7. Unitholders' equity**

The Fund is authorized to issue an unlimited number of Units. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the fund, whether of net income, net realized capital gains or other amounts and in the net assets of the Fund in the event of termination or winding up of the Fund. Each Unit entitles the holder thereof to one vote at all meetings of voting Unitholders.

Unitholders' capital is comprised of the following:

	September 30, 2008		December 31, 2007	
	Units and Unit Equivalents	Total Unitholders' Capital	Units and Unit Equivalents	Total Unitholders' Capital
Balance, beginning of the year	6,335,804	33,978,090	1,333,332	6,481,057
Units and unit equivalents issued	1,624,497	16,345,952	5,007,472	27,048,744
Units redeemed	-	-	(5,000)	(32,286)
Issue costs	-	(843,481)	-	(845,591)
Net earnings for the year	-	14,068,221	-	3,695,128
Transition adjustment for accounting policy change	-	-	-	(68,382)
Distributions paid and payable to unitholders	-	(2,823,011)	-	(2,300,580)
Balance, end of the period	7,960,301	60,725,772	6,335,804	33,978,090

*Non-controlling interest*

	Sept 30, 2008	Dec 31, 2007
45% non owned share of net income and retained earnings of Saskcan Horizon Trading Inc.	\$ -	\$ 1,366,617
Non-controlling interest	\$ -	\$ 1,366,617

On September 19, 2008 the Fund received a notice of redemption for a total of 59,500 units. Pursuant to the Declaration of Trust, the redemption price is the lesser of 90% of the volume-weighted average closing price for the 10 trading days following the date the redemption notice was given and 100% of the closing market price on the date the redemption notice was given. Pursuant to the Articles of Trust of the Fund, the maximum redemption payment that may be made is \$25,000 per quarter. The payment of the redemption is required on or before October 31, 2008 and the unitholder must reissue a request for redemption during the redemption period each quarter. The pro-rata redemption amount is 2,021 units and the units were redeemed on October 20, 2008.

On September 30, 2008, the Fund signed an agreement to purchase the 45% non-controlling interest of Saskcan Horizon Trading Inc. The purchase consideration of \$1,759,996 consisted of \$1,400,000 cash and 27,047 units of the Fund. The units were issued on October 9, 2008 and were valued at \$359,996. As a result of this agreement, there is no non-controlling interest amount reflected in the September 30, 2008 financial statements of the Fund.

On September 29, 2008, 55,556 units were issued in exchange for performance options. These options were issued in conjunction with the earn up agreement that was issued on August 1, 2007, whereby the shareholders of Saskcan were entitled to earn up to an additional 555,556 Units of the Fund if the North Dakota processing plant acquired by Saskcan on July 17, 2007 achieves certain performance targets (again based on a deemed issue price of \$5.40).

On August 1, 2008, 55,000 units were issued at a price of \$13.00 per unit. The units were issued as part of the acquisition cost of Pulse Depot Rosetown Inc., which was acquired by the Company effective August 1, 2008.

On July 16, 2008 the Fund completed a private placement of 970,000 units at a price of \$15.50 per unit for gross proceeds of \$15,035,000. The net proceeds of the private placement were used to finance acquisitions as well as to finance capital improvements to existing facilities.

On June 16, 2008 5,000 compensation options valued at \$27,000 were exchanged for 5,000 units of the Fund.

On May 7, 2008 20,000 compensation options valued at \$108,000 were exchanged for 20,000 units of the Fund.

On May 1, 2008, 333,336 of the Exchangeable Shares of Alliance were exchanged for 333,336 units of the Fund at a price of \$10.619 per unit. The units were paid for by the issuance by Alliance to the Fund of a promissory note having a principal amount of \$3,539,695, bearing interest at 10.5% per annum, calculated and payable quarterly, and maturing on March 22, 2020, subject to an extension for ten additional years in certain circumstances.

**ALLIANCE GRAIN TRADERS INCOME FUND**  
**(formerly Agtech Income Fund)**  
**Notes to Consolidated Financial Statements**  
*For the periods ended September 30*

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**7. Unitholders' equity (continued)**

On April 21, 2008 the Fund issued options to acquire 605,000 units of the Fund, each exercisable for one unit of the Fund at a price of \$9.00 per unit until April 21, 2013. The fair value of unit options, estimated at the date of grant using the Black-Scholes option pricing model with the assumptions below, of \$1,874,130 resulted in a charge of \$586 to current period income and a charge of \$118,528 year to date September 30, 2008.

Risk free interest rate	3%
Expected dividend yield	10%
Expected volatility	25%
Expected time until exercise	5 years

The options were issued to certain key managers and to the Trustees of the Fund and vest in the hands of the holder as follows:

33,333 units	April 21, 2009
33,333 units	April 21, 2010
198,334 units	April 21, 2011
165,000 units	April 21, 2012
165,000 units	January 21, 2013

The Black-Scholes options valuation model used by the Fund to determine fair values was developed for use in estimating the fair value of freely traded options which are fully transferable and have no vesting restrictions. In addition, this model requires the input of highly subjective assumptions, including future unit price volatility and expected time until exercise. The Fund's outstanding unit options have characteristics which are significantly different from those of traded options and changes in any of the assumptions may have a material effect on the estimated value.

On March 6, 2008 3,555 compensation options valued at \$19,197 were exchanged for 3,555 units of the Fund.

On February 27, 2008 5,000 compensation options valued at \$27,000 were exchanged for 5,000 units of the Fund.

On February 20, 2008 333 compensation options valued at \$1,798.20 were exchanged for 333 units of the Fund.

On January 11, 2008 10,053 compensation options valued at \$54,286.20 were exchanged for 10,053 units of the Fund.

**8. Financial instruments**

***Fair values:***

Fair values approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics, such as risk, principal and remaining maturities. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgement and future-oriented information, aggregate fair values amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

The Fund, as part of its operations, carries a number of financial instruments that include bank indebtedness, accounts receivable, loans receivable, accounts payable and accruals, distributions payable, and long-term debt. The fair value of bank indebtedness, accounts receivable, accounts payable and accruals, and distributions payable approximate their carrying value given their short-term maturities. The fair value of loans receivable and long-term debt approximate their carrying value based on the terms of the agreements.

***Business risk:***

As a result of the nature of the Funds operations, it may be exposed to various forms of risk. Those forms of risk include commodity risk, credit risk, liquidity risk and foreign currency risk.

***Commodity risk:***

Commodity risk is the risk of financial loss resulting from changes in commodity prices. Commodity risk is inherent in the nature of the business as the Fund enters into commitments that involve a degree of speculative risk.

**ALLIANCE GRAIN TRADERS INCOME FUND**  
**(formerly Agtech Income Fund)**  
**Notes to Consolidated Financial Statements**  
For the periods ended September 30

**8. Financial instruments (continued)**

**Credit risk:**

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet obligations to be similarly affected by changes in economic or other conditions. The Fund minimizes this risk by having a diverse customer base and established credit policies, including the use of accounts receivable insurance.

The credit risk of the Fund relates to accounts receivable and loans receivable.

The carrying amount of financial assets represents the maximum credit exposure as follows:

	Sept 30, 2008	Dec 31, 2007
Accounts receivable	\$ 82,374,521	\$ 25,654,720
Loans receivable	-	162,033
	<u>\$ 82,374,521</u>	<u>\$ 25,816,753</u>

The aging of customer receivables, which indicates potential impairment losses, is as follows:

	Sept 30, 2008	Dec 31, 2007
Current	\$ 24,437,204	\$ 7,653,576
0 - 30 days overdue	42,006,530	9,798,454
31 - 60 days overdue	13,080,257	6,859,063
Greater than 60 days overdue	2,850,530	1,343,627
	<u>\$ 82,374,521</u>	<u>\$ 25,654,720</u>

Provisions for credit losses are regularly reviewed based on an analysis of the aging of customer accounts. Amounts are written off if the accounts are deemed uncollectible. Details of the allowance account are as follows:

	Sept 30, 2008	Dec 31, 2007
Allowance for doubtful accounts - beginning	\$ -	\$ -
Written off	-	-
Recoveries	-	-
Provision for losses	11,406	-
Allowance for doubtful accounts - ending	<u>\$ 11,406</u>	<u>\$ -</u>

**Foreign currency risk:**

The Fund enters into sales denominated in US currency for which the related revenue and accounts receivable balances are subject to exchange rate fluctuations. The Fund has entered into certain foreign exchange contracts with maturities of less than one year, to manage risks associated with entering into new sales contracts denominated in US dollars.

**Liquidity risk:**

The following are the contractual maturities of financial liabilities, including interest payments:

**September 30, 2008**

	Carrying Amount	Contractual cash flows	1 year	2 years	3 - 5 years	More than 5 years
Bank indebtedness	\$ 34,625,342	\$ 34,625,342	\$ 34,625,342	\$ -	\$ -	\$ -
Accounts payable	45,143,796	45,143,796	45,143,796	-	-	-
Long-term debt	10,040,482	13,147,779	875,510	868,295	2,167,246	9,236,729
Distributions payable	1,055,857	17,958,711	4,298,563	4,366,183	4,646,983	4,646,983
	<u>\$ 90,865,478</u>	<u>\$ 110,875,629</u>	<u>\$ 84,943,211</u>	<u>\$ 5,234,478</u>	<u>\$ 6,814,228</u>	<u>\$ 13,883,712</u>

**December 31, 2007**

	Carrying Amount	Contractual cash flows	1 year	2 years	3 - 5 years	More than 5 years
Bank indebtedness	\$ 6,540,872	\$ 6,540,872	\$ 6,540,872	\$ -	\$ -	\$ -
Accounts payable	21,890,474	21,890,474	21,890,474	-	-	-
Long-term debt	7,187,638	9,352,332	717,015	719,211	1,890,757	6,025,349
Distributions payable	597,326	17,933,212	4,273,063	4,366,183	4,646,983	4,646,983
	<u>\$ 36,216,310</u>	<u>\$ 55,716,890</u>	<u>\$ 33,421,424</u>	<u>\$ 5,085,394</u>	<u>\$ 6,537,740</u>	<u>\$ 10,672,332</u>

Sufficient assets are on hand to fund these obligations.

**ALLIANCE GRAIN TRADERS INCOME FUND**  
**(formerly Agtech Income Fund)**  
**Notes to Consolidated Financial Statements**  
For the periods ended September 30

**9. Non-cash operating working capital**

Details of net change in each element of working capital relating to operations excluding cash are as follows:

	3 Months Ended Sept 30, 2008	3 Months Ended Sept 30, 2007	9 Months Ended Sept 30, 2008	9 Months Ended Sept 30, 2007
<b>(Increase) decrease in current assets:</b>				
Accounts receivable	\$ (37,239,210)	\$ (5,516,594)	\$ (56,557,768)	\$ (5,111,964)
Inventory	(5,355,031)	(8,852,527)	(8,804,433)	(9,424,760)
Prepaid expenses and deposits	533,076	(765,451)	(296,667)	(793,988)
	(42,061,164)	(15,134,572)	(65,658,867)	(15,330,712)
<b>Increase (decrease) in current liabilities:</b>				
Accounts payable and accruals	18,881,649	17,067,598	22,738,112	17,025,363
Income taxes payable	3,130,568	226,709	4,260,999	226,709
	22,012,217	17,294,307	26,999,111	17,252,072
	\$ (20,048,947)	\$ 2,159,735	\$ (38,659,756)	\$ 1,921,360

**10. Income taxes**

	3 Months Ended Sept 30, 2008	3 Months Ended Sept 30, 2007	9 Months Ended Sept 30, 2008	9 Months Ended Sept 30, 2007
Statutory income tax rate	32%	32%	32%	32%
Earnings before income taxes	\$ 9,827,553	\$ 1,605,423	\$ 19,512,356	\$ 2,136,912
Earnings subject to tax in the hands of unitholders	1,055,857	553,404	2,823,011	887,588
Other costs of the Fund	176,488	-	211,180	-
Net income of subsidiaries	8,595,208	1,052,019	16,478,166	1,249,324
Income taxes at statutory rate	2,760,781	336,646	5,292,787	399,784
Change as result:				
Other	423,566	(61,646)	151,348	(124,784)
	3,184,347	275,000	5,444,135	275,000
Current	3,213,541	275,000	5,526,695	275,000
Future	(29,195)	-	(82,560)	-
	\$ 3,184,347	\$ 275,000	\$ 5,444,135	\$ 275,000

**11. Commitments**

The Fund enters into production contracts with producers. The contracts provide for delivery of specific quantities and include specific prices based on the grade that is delivered. The terms of the production contracts are not longer than one year.

The Fund has in place a letter of credit in favour of the Canadian Grain Commission in the amount of \$12,500,000. The letter of credit is callable by the beneficiary in the event of a producer grain payment default. The letter of credit expires October 31, 2008.

**ALLIANCE GRAIN TRADERS INCOME FUND**  
**(formerly Agtech Income Fund)**  
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**12. Segmented information**

The subsidiaries and divisions of the Fund are in the business of sourcing and processing specialty crops, specializing in the lentil and pea markets for domestic and export markets, and operating in one business segment. Geographic information about the Fund's revenues is based on the product shipment destination.

*Segmented sales:*

Sales were derived from customers located in the following geographic areas:

	3 Months Ended Sept 30, 2008	3 Months Ended Sept 30, 2007	9 Months Ended Sept 30, 2008	9 Months Ended Sept 30, 2007
Americas / Caribbean	14,229,331	8,581,692	47,291,886	13,038,683
Asia / Pacific Rim	27,290,204	10,096,156	47,830,732	11,862,938
Europe / Middle East / North Africa	66,366,926	11,010,975	132,696,077	11,486,049
<b>Total</b>	<b>107,886,461</b>	<b>29,688,824</b>	<b>227,818,695</b>	<b>36,387,670</b>

*Segmented assets:*

Fixed assets by geographic areas are as follows:

	Sept 30, 2008	Dec 31, 2007
Americas / Caribbean	\$ 38,189,159	\$ 22,291,611
Pacific Rim	2,606,330	2,361,961
<b>Total</b>	<b>\$ 40,795,489</b>	<b>\$ 24,653,572</b>

**13. Contingencies**

In the normal course of operations, the Fund may become involved in various legal matters, both claims by and against the Fund. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. In the opinion of management, based on the information provided by its legal counsel, final determination of these litigations are not determinable and an estimate of the contingency cannot be made at this time.