

# AGF Limited Partnership 1991

SECOND QUARTER REPORT  
FOR THE SIX MONTHS  
ENDED JUNE 30, 2006



What are you doing after work?

# AGF Limited Partnership 1991

## Market Value of Distributed Securities

(Unaudited)

As at June 30, 2006

	<b>Market Value (in thousands)</b>		<b>Market Value (in thousands)</b>
AGF Canadian Stock Fund	\$ 6,050	AGF Canadian Small Cap Fund	\$ 83
AGF Canadian Money Market Fund	4,014	AGF Elements Balanced Portfolio	82
AGF Canadian Growth Equity Fund Limited	3,175	AGF Global High Yield Bond Fund	79
AGF Canadian Bond Fund	2,786	AGF Precious Metals Fund	70
AGF Canadian Large Cap Dividend Fund	2,607	AGF Elements Global Portfolio	67
AGF Canadian Real Value Balanced Fund	2,262	AGF Emerging Markets Fund	65
AGF International Value Fund	2,052	AGF Dividend Income Fund	59
AGF Canadian Balanced Fund	1,874	AGF China Focus Class	55
AGF Canadian Resources Fund Limited	843	AGF Monthly High Income Fund	42
AGF European Equity Class	821	AGF Global Equity Class	41
AGF International Stock Class	563	AGF Aggressive Global Stock Fund	37
AGF American Growth Class	396	AGF RSP Global Bond Fund	35
AGF Canadian Conservative Income Fund	307	AGF Canadian High Yield Bond Fund	26
AGF Special U.S. Class	290	AGF Diversified Dividend Income Fund	26
AGF World Balanced Fund	278	AGF Canadian Real Value Fund	23
AGF Global Government Bond Fund	205	AGF Germany Class	10
AGF World Companies Fund	187	AGF Managed Futures Fund	9
AGF Asian Growth Class	179	AGF Global Health Sciences Class	5
AGF Japan Class	153	AGF US Value Class	3
AGF Aggressive Growth Fund	95	AGF Aggressive Japan Class	2
AGF Elements Growth Portfolio	91	Others	12
AGF Global Perspective Class	86		
			<b>\$ 30,145</b>

# AGF Limited Partnership 1991 Management's Discussion and Analysis of Financial Condition and Results of Operations

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For the three and six months ended June 30, 2006

Management's Discussion and Analysis ("MD&A") presents an analysis of the financial condition of AGF Limited Partnership 1991 ("the Partnership") as at June 30, 2006 compared with December 31, 2005, and the results of operations for the three and six months ended June 30, 2006 compared with the corresponding periods of 2005. This discussion should be read in conjunction with our 2005 annual MD&A and 2005 annual audited financial statements and notes. The financial information presented herein has been prepared on the basis of Canadian generally accepted accounting principles ("GAAP"). Certain amounts or percentages are calculated using numbers rounded to the decimals that appear in this MD&A. All dollar amounts are in Canadian dollars.

There have been no material changes to the information discussed in the following sections of the 2005 annual MD&A: 'Significant Accounting Policies' and 'Corporate Governance'. Accordingly, readers should refer to our 2005 annual MD&A to gain an understanding of how these matters may impact the Partnership's operating results.

The MD&A includes forward-looking statements about the Partnership. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "intends", "plans", "believes", or negative versions thereof and similar expressions. The MD&A contains forward-looking statements that are based on current expectations and projections about future events and are inherently subject to, among other things, risks and uncertainties beyond the Partnership's control. These risks and uncertainties include economic conditions, market fluctuations, interest rate and foreign exchange movements, political events, regulatory change and competitive developments. The reader is cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. We are under no obligation (and expressly disclaim any such obligation) to update or alter the forward-looking statements whether as a result of new information, future events or otherwise. Actual results could differ materially from those contemplated by the forward-looking statements.

## **FORMATION AND BUSINESS OF AGF LIMITED PARTNERSHIP 1991**

The Partnership was formed on January 14, 1991 for the purpose of arranging for the distribution of securities of certain mutual funds ("Distributed Securities"), which form part of the AGF Group of Funds, which were sold on a contingent deferred sales charge basis. The Partnership paid the selling commissions on such securities.

As at June 30, 2006, the Partnership has total issued and outstanding units of 85,000. The units do not qualify as investment for registered tax plans such as RSP, DPSP and RIF.

## **REVENUE**

The Partnership's primary sources of revenue are distribution fees and deferred sales charges earned from the Distributed Securities to which it has distribution rights. The redemption fee schedule applicable to Distributed Securities has expired. As a result, the Partnership will no longer receive any deferred sales charges. The future stream of revenues is a function of the market value of these assets and the rate and timing of the redemptions of the underlying assets.

## **DISTRIBUTION FEES**

The Partnership receives from AGF Funds Inc. ("AGFFI"), a subsidiary of AGF Management Limited ("AGF"), a monthly distribution fee calculated on an annual basis of 0.50% of the net asset value of the remaining Distributed Securities, which remain outstanding.

# AGF Limited Partnership 1991

## Management's Discussion and Analysis of Financial Condition and Results of Operations

Distribution fees amounted to \$38,974 for the three months ended June 30, 2006, a decrease of 11.2% from the comparable period in 2005. During the six months ended June 30, 2006, distribution fees declined 11.8% to \$80,304 from \$91,092 in the same period last year. The decreases were primarily attributable to the lower net asset value of Distributed Securities for the three and six months ended June 30, 2006 as compared to the respective year-ago periods.

The following is a summary of the changes in Distributed Securities during the three and six months ended June 30, 2006 and 2005, respectively:

(in thousands) (Unaudited)	Three months ended June 30		Six months ended June 30	
	2006	2005	2006	2005
Market value of Distributed Securities, beginning of period	\$ 32,918	\$ 36,788	\$ 32,931	\$ 38,684
Change in market value of Distributed Securities, including reinvested distributions	(939)	682	1,196	1,416
Redemption of Distributed Securities	(1,834)	(2,986)	(3,982)	(5,616)
Market value of Distributed Securities, end of period	\$ 30,145	\$ 34,484	\$ 30,145	\$ 34,484

The annualized redemption rate during the six months ended June 30, 2006 based on the market value of Distributed Securities at the beginning of the period was 24.2% compared to 29.0% in 2005. Redemptions accounted for \$4.0 million of the decline in the value of Distributed Securities during the six months ended June 30, 2006, offset by market appreciation and reinvested distributions totaling \$1.2 million.

### DISTRIBUTED SECURITIES COMPOSITION

The composition of Distributed Securities as at June 30, 2006 and 2005 are shown in the table below. The relative weighting of each asset class will change over time, based on performance, redemptions, and unitholder switches between funds.

#### Composition of Distributed Securities based on Market Value as at June 30:

(Unaudited)	2006	2005
	%	%
Canadian Equity Funds	40	41
Canadian Fixed Income Funds	24	20
International Equity Funds	14	16
Canadian Balanced and Asset Allocation Funds	14	14
International Fixed Income Funds and Others	5	6
U.S. Equity Funds	3	3
<b>Total</b>	<b>100</b>	<b>100</b>

# AGF Limited Partnership 1991

## Management's Discussion and Analysis of Financial Condition and Results of Operations

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### **REVENUE TERMINATION DATES**

The Partnership will continue to receive distribution fee revenue for as long as Distributed Securities remain outstanding or until the Partnership is dissolved, whichever is earlier. The distribution fee in respect of such Distributed Securities will continue to be payable to the Partnership notwithstanding the expiry or earlier termination of the Partnership's distribution right.

The redemption fee schedule applicable to the Distributed Securities has expired.

### **OPERATING EXPENSES**

Total operating expenses for the three months ended June 30, 2006 were \$14,694, a decrease of 1.9% from \$14,983 in 2005. During the six months ended June 30, 2006, total operating expenses amounted to \$28,630, a decrease of 3.6% from \$29,688 in the same period in 2005. The decreases were primarily attributable to the decrease in administration fees.

### **FINANCIAL CONDITION AND LIQUIDITY**

Total assets were \$96,198 as at June 30, 2006 as compared to \$80,837, as at December 31, 2005. Assets as at June 30, 2006 consisted of cash and term-deposit totaling \$83,637 and receivables of \$12,561. These assets were used primarily to finance the quarterly distributions payable to limited partners.

As at June 30, 2006, the total amount of uncashed distribution cheques included in cash and distributions payable was \$40,448.

The Partnership was formed to finance selling commissions during a fixed period of time, after which the Partnership collects the fees to which they are entitled with no significant ongoing financial obligation other than the ordinary operating expenses. The Partnership distributes its income to limited partners on a quarterly basis and does not retain permanent investment assets.

### **FINANCIAL INSTRUMENTS**

The Partnership's financial instruments consist of cash and term-deposit, distribution fees and interest receivable, accounts payable and accrued liabilities and distributions payable. Unless otherwise noted, it is management's opinion that the Partnership is not exposed to significant interest rate, credit or currency risks arising from these financial instruments.

### **CASH DISTRIBUTIONS AND TAXABLE INCOME**

The Partnership itself is not directly subject to income tax. Instead, the Partnership's income or loss for tax purposes is calculated and flowed through to limited partners. Limited partners who beneficially hold the Partnership units on December 31 of any year are allocated income or loss for tax purposes based on the entire year's income or loss. This means that any limited partner who purchases units part way through the year and holds these units at year end is allocated taxable income or loss for the entire year, regardless of the cash distributions actually paid to them. In other words, taxable investors who purchase the Partnership units that generate taxable income part way through the year and hold these units at year-end would have a tax liability based on the taxable income of the entire year and not just on the cash distributions they have received.

Cash distributions are paid quarterly to limited partners of record on March 31, June 30, September 30 and December 31.

# AGF Limited Partnership 1991

## Management's Discussion and Analysis of Financial Condition and Results of Operations

Cash distributions and estimated taxable income for the three months ended June 30, 2006 were \$0.29 per limited partnership unit as compared to \$0.34 per limited partnership unit for the same period in 2005. Cash distributions for the six months ended June 30, 2006 amounted to \$0.62 per unit and \$0.72 per unit for the same period in 2005. Cash distributions per limited partnership unit for the eight most recent quarters are shown on page 5.

### RELATED PARTY TRANSACTIONS

AGF Partners No. Two Limited is the general partner and is responsible for the management of the Partnership on a day-to-day basis. In consideration for its services, the general partner is entitled to 0.01% of the net distributable income of the partnership. It also receives a fee equal to 15% of the operating expenses of the partnership and has engaged AGF Management Limited ("AGF"), its parent company, to assist it in carrying out its management obligations to the partnership. These services are in the normal course of operations and are recorded at the amount of consideration agreed to by the parties. Administration fees for the three months ended June 30, 2006 amounted to \$4,820 as compared to \$6,021 in the comparable period in 2005. During the six months ended June 30, 2006, administration fees amounted to \$9,638, a decrease of 20.0% from \$12,043 for the same period in 2005.

### REGULATORY FILINGS

On June 9, 2006, the Ontario Securities Commission granted the Partnership an exemption under section 13.1 of National Instrument 51-102 – *Continuous Disclosure Obligations* from filing the first and third quarter MD&A and financial statements effective for the third quarter ended September 30, 2006. A similar relief was also granted by the Toronto Stock Exchange.

### SELECTED QUARTERLY INFORMATION

Three months ended (Unaudited)	Jun. 30, 2006	Mar. 31, 2006	Dec. 31, 2005	Sep. 30, 2005
Revenue	\$ 39,329	\$ 41,580	\$ 41,112	\$ 43,268
Net income for the period	24,635	27,645	25,733	28,248
Net income and cash distribution per Limited partnership unit	0.29	0.33	0.31	0.33

Three months ended (Unaudited)	Jun. 30, 2005	Mar. 31, 2005	Dec. 31, 2004	Sep. 30, 2004
Revenue	\$ 44,047	\$ 47,357	\$ 48,752	\$ 50,515
Net income for the period	29,064	32,652	32,083	33,748
Net income and cash distribution per limited partnership unit	0.34	0.38	0.38	0.40

### ADDITIONAL INFORMATION

The Partnership's annual and interim financial statements are available at the AGF website, [www.agf.com](http://www.agf.com) and at the Canadian Securities Administrators' website, [www.sedar.com](http://www.sedar.com).

## AGF Limited Partnership 1991

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The following interim financial statements of AGF Limited Partnership 1991 for the three and six months ended June 30, 2006 are unaudited and have not been reviewed by our auditors.

# AGF Limited Partnership 1991 Balance Sheets

	As at <b>June 30, 2006</b> (Unaudited)	As at <b>December 31, 2005</b>
<b>Assets</b>		
Current assets:		
Cash and term-deposit	\$ 83,637	\$ 67,116
Distribution fees and interest receivable	12,561	13,721
<b>Total assets</b>	<b>\$ 96,198</b>	<b>\$ 80,837</b>
<b>Liabilities and Partners' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 31,115	\$ 15,338
Distributions payable (note 1)	65,083	65,499
	96,198	80,837
Partners' equity:		
General partner	100	100
Limited partners – 85,000 units	8,500,000	8,500,000
Less: Issue expenses	(963,034)	(963,034)
	7,537,066	7,537,066
Deficit	(7,537,066)	(7,537,066)
	-	-
<b>Total liabilities and partners' equity</b>	<b>\$ 96,198</b>	<b>\$ 80,837</b>

*The accompanying notes are an integral part of the financial statements.*

Approved by the Board of Directors of  
AGF Partners No. Two Limited, as General Partner

<W. Robert Farquharson>  
W. Robert Farquharson, Director

<Blake C. Goldring>  
Blake C. Goldring, Director



AGF Limited Partnership 1991  
 Statements of Operations and Deficit  
 (Unaudited)

	Three months ended June 30			Six months ended June 30	
	2006	2005	2006	2005	
<b>Operations</b>					
Revenue:					
Distribution fees	\$ 38,974	\$ 43,873	\$ 80,304	\$ 91,092	
Interest	355	174	606	312	
	39,329	44,047	80,910	91,404	
Expenses:					
Administration	4,820	6,021	9,638	12,043	
Legal and audit fees	4,743	4,925	9,486	9,394	
Transfer agent fees	2,337	2,419	4,673	5,012	
Printing, reporting and mailing	1,555	1,618	3,100	3,239	
Consulting fees	1,239	-	1,733	-	
	14,694	14,983	28,630	29,688	
Net income for the period	\$ 24,635	\$ 29,064	\$ 52,280	\$ 61,716	
Net income per limited partnership unit	\$ 0.29	\$ 0.34	\$ 0.62	\$ 0.72	
<b>Deficit</b>					
Balance beginning of period	\$ (7,537,066)	\$ (7,537,066)	\$ (7,537,066)	\$ (7,537,066)	
Net income for the period	24,635	29,064	52,280	61,716	
Distributions to partners	(24,635)	(29,064)	(52,280)	(61,716)	
Balance end of period	\$ (7,537,066)	\$ (7,537,066)	\$ (7,537,066)	\$ (7,537,066)	

The accompanying notes are an integral part of the financial statements.

AGF Limited Partnership 1991  
 Statements of Cash Flow  
 (Unaudited)

	Three months ended		Six months ended	
	June 30		June 30	
	2006	2005	2006	2005
<b>Operating Activities:</b>				
Net income for the period	\$ 24,635	\$ 29,064	\$ 52,280	\$ 61,716
Net decrease in non-cash balances related to operations	7,857	2,726	16,937	16,481
	32,492	31,790	69,217	78,197
<b>Financing Activities:</b>				
Uncashed distribution cheques (note 1)	383	193	681	417
Distribution paid to partners	(27,645)	(32,652)	(53,377)	(64,734)
	(27,262)	(32,459)	(52,696)	(64,317)
<b>Increase (decrease) in cash</b>				
<b>during the period</b>	5,230	(669)	16,521	13,880
Cash beginning of period	78,407	80,403	67,116	65,854
Cash end of period	\$ 83,637	\$ 79,734	\$ 83,637	\$ 79,734

*Note: Cash is defined as cash and term-deposit.  
 The accompanying notes are an integral part of the financial statements.*

# AGF Limited Partnership 1991

## Notes to Financial Statements

### (Unaudited)

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For the three and six months ended June 30, 2006 and 2005

These unaudited interim financial statements of AGF Limited Partnership 1991 ("the Partnership") have been prepared in accordance with Canadian generally accepted accounting principles using the same significant accounting policies as the Partnership's financial statements for the year ended December 31, 2005. These financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles for annual financial statements and should be read in conjunction with the financial statements for the year ended December 31, 2005, as set out in the Partnership's 2005 Annual Report.

#### **1. Uncashed Distribution Cheques**

Uncashed distribution cheques as at June 30, 2006 were \$40,448 (December 31, 2005 - \$39,767). For accounting purposes, this amount has been classified as cash and distributions payable on the balance sheet.



What are you doing after work?

**AGF Limited Partnership 1991**

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