AutoCanada Income Fund

Consolidated Financial Statements

December 31, 2007

(expressed in Canadian dollar thousands except unit and per unit amounts)

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March 17, 2008

Auditors' Report

To the Unitholders of
AutoCanada Income Fund

We have audited the consolidated balance sheets of **AutoCanada Income Fund** as at December 31, 2007 and 2006 and the consolidated statements of operations, comprehensive income and deficit and cash flows for the year ended December 31, 2007 and for the period from January 4, 2006, including operations from May 11, 2006 (date of commencement of operations) to December 31, 2006. 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, 2007 and 2006 and the results of its operations and its cash flows for the year ended December 31, 2007 and for the period from January 4, 2006, including operations from May 11, 2006 (date of commencement of operations) to December 31, 2006, in accordance with Canadian generally accepted accounting principles.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants

AutoCanada Income Fund

Consolidated Balance Sheet

As at December 31, 2007

(expressed in Canadian dollar thousands)

	2007	***2006***
ASSETS	$	**$**
Current assets		
Cash and cash equivalents	18,014	20,880
Restricted cash (note 5)	4,356	3,476
Accounts receivable	34,274	27,742
Inventories (note 6)	142,128	112,680
Due from related parties	28	2,640
Prepaid expenses	1,561	1,419
	200,361	168,837
Property & equipment (note 7)	11,445	11,839
Intangible assets (note 8)	79,956	79,034
Goodwill	82,501	78,744
Other assets	78	78
	374,341	338,532
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	22,488	23,521
Revolving floorplan facilities (note 9)	143,655	113,357
Distributions payable (note 14)	1,687	1,687
Current portion of long-term debt (note 10)	210	96
Current portion of obligation under capital lease	112	72
	168,152	138,733
Long-term debt (note 10)	10,394	5,535
Obligation under capital lease	395	240
Future income taxes (note 16)	17,364	-
	196,305	144,508
Contingencies (note 12)		
UNITHOLDERS' EQUITY		
Fund units (note 13(a) and (b))	105,200	105,200
Exchangeable units (note 13(c))	88,847	88,847
Contributed surplus (note 13(d))	957	455
Deficit	(16,968)	(478)
	178,036	194,024
	374,341	338,532

Approved on behalf of the Fund:

(Signed) "Gordon R. Barefoot" Trustee (Signed) "Robin Salmon" Trustee

The accompanying notes are an integral part of these consolidated financial statements.

AutoCanada Income Fund

Consolidated Statement of Operations, Comprehensive Income and Deficit

For the year ended December 31, 2007 and for the period from January 4, 2006, including operations from May 11, 2006 (date of commencement of operations) to December 31, 2006

(expressed in Canadian dollar thousands except unit and per unit amounts)

	Year ended December 31, 2007	*Period from May 11, 2006 to December 31, 2006*
	$	**$**
Revenue		
Vehicles	740,385	418,808
Parts, service and collision repair	92,140	51,766
Other	2,290	1,348
	834,815	471,932
Cost of sales	695,923	394,409
Gross profit	138,892	77,523
Expenses		
Selling, general and administrative	103,715	56,408
Interest (note 17)	10,844	5,741
Amortization	3,210	2,900
	117,769	65,049
Earnings before income taxes	21,123	12,474
Future income taxes (note 16)	17,364	-
Net earnings & comprehensive income for the year (note 2(b))	3,759	12,474
Deficit, beginning of year	(478)	-
Distributions declared (note 14)	(20,249)	(12,952)
Deficit, end of year	(16,968)	(478)
Earnings per unit		
Basic	0.186	0.616
Diluted	0.185	0.616
Weighted average units		
Basic	20,257,000	20,257,000
Diluted	20,295,943	20,323,714

The accompanying notes are an integral part of these consolidated financial statements.

AutoCanada Income Fund

Consolidated Statement of Cash Flows

For the year ended December 31, 2007 and for the period from January 4, 2006, including operations from May 11, 2006 (date of commencement of operations) to December 31, 2006

(expressed in Canadian dollar thousands)

	Year ended December 31, 2007	*Period from May 11, 2006 to December 31, 2006*
Cash provided by (used in)	**$**	**$**
Operating activities		
Net earnings for the period	3,759	12,474
Items not affecting cash		
Future income taxes (note 16)	17,364	-
Unit-based compensation (note 13(d))	502	455
Amortization	3,210	2,900
(Gain) loss on disposal of property & equipment	(9)	5
	24,826	15,834
Net change in non-cash working capital balances	(3,806)	13,479
	21,020	29,313
Investing activities		
Business acquisitions (note 3)	-	(101,662)
Investment in variable interest entity (note 4)	(4,727)	-
Purchase of property & equipment	(3,107)	(1,236)
Proceeds on sale of property & equipment	200	197
Restricted cash	(880)	1,431
Cash acquired on acquisition	-	4,925
	(8,514)	(96,345)
Financing activities		
Net proceeds from issuance of units (note 3)	-	93,572
Proceeds from long-term debt	7,293	5,674
Repayment of long-term debt	(2,320)	(43)
Repayment of obligation under capital lease	(96)	(26)
Distributions paid to Unitholders	(20,249)	(11,265)
	(15,372)	87,912
Increase (decrease) in cash	(2,866)	20,880
Cash and cash equivalents, beginning of period	20,880	-
Cash and cash equivalents, end of period	18,014	20,880
Supplementary information		
Cash interest paid	10,912	5,674
Transfer of inventory to property & equipment	1,495	1,257
Transfer of property & equipment to inventory	1,904	1,022

The accompanying notes are an integral part of these consolidated financial statements.

(expressed in Canadian dollar thousands except unit and per unit amounts)

1 Nature of operations and basis of presentation

AutoCanada Income Fund (the ''Fund'') is an unincorporated, open-ended trust governed by the laws of the Province of Alberta and a Declaration of Trust dated January 4, 2006 and amended May 10, 2006. The Fund has been created to invest in the franchised automobile dealership industry through an indirect acquisition of substantially all of the assets and undertakings of Canada One Auto Group (''CAG'') and such other investments as the Trustees may determine.

The Fund is engaged in the operation of franchised automobile dealerships in British Columbia, Alberta, Manitoba, Ontario, Nova Scotia and New Brunswick. The Fund offers a diversified range of automotive products and services, including new vehicles, used vehicles, vehicle parts, vehicle maintenance and collision repair services, extended service contracts, vehicle protection products and other after market products. The Fund also arranges financing and insurance for vehicle purchases through third-party finance and insurance sources.

These consolidated financial statements include the accounts of the Fund, AutoCanada Operating Trust, AutoCanada LP, AutoCanada GP Inc., and several subsidiaries thereof. Also included are Durham Motors LP, operating as Grande Prairie Nissan, and Northern Motors LP, operating as Northland Nissan, both variable interest entities (Note 4). All inter-entity balances and transactions have been eliminated on consolidation.

2 Significant accounting policies

These consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. The preparation of consolidated 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. Actual results could differ from those estimates.

These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

(a) Revenue recognition

Vehicles, Parts, Service and Collision Repair

Revenue from the sale of new and used vehicles is recognized upon delivery, passage of title, signing of the sales contract and approval of financing or receipt of payment. Revenue from the sale of parts, service and collision repair is recognized upon delivery of parts to the customer or at the time vehicle service or repair work is completed. Manufacturer vehicle incentives and rebates are recognized as a component of new vehicle cost of sales when earned, generally at the time the related vehicles are sold. Dealer trades are recognized on a net basis upon delivery. Net revenue associated with dealer trades is nominal.

(expressed in Canadian dollar thousands except unit and per unit amounts)

Finance and Insurance

The Fund arranges financing for customers through various financial institutions and receives a commission from the lender based on the difference between the interest rate charged to the customer and the interest rate set by the financing institution, or a flat fee. This revenue is included in vehicles revenue on the statement of operations.

The Fund also receives commissions for facilitating the sale of third-party insurance products to customers, including credit and life insurance policies and extended service contracts. These commissions are recorded as revenue at the time the customer enters into the contract and the Fund is entitled to the commission. The Fund is not the obligor under any of these contracts. In the case of finance contracts, a customer may prepay or fail to pay their contract, thereby terminating the contract. Customers may also terminate extended service contracts, which are fully paid at purchase, and become eligible for refunds of unused premiums. In these circumstances, a portion of the commissions the Fund receives may be charged back to the Fund based on the terms of the contracts. The revenue the Fund records relating to commissions is net of an estimate of the amount of chargebacks the Fund will be required to pay. This estimate is based upon historical chargeback experience arising from similar contracts, including the impact of refinance and default rates on retail finance contracts and cancellation rates on extended service contracts and other insurance products.

Lease Revenue

Lease revenue is recognized on a straight-line basis over the term of the related lease agreement as amounts become due.

(b) Business combinations

Business combinations are accounted for using the purchase method of accounting. The purchase price for an acquisition is allocated to the related net identifiable assets based on their estimated fair market values at the date of acquisition.

(c) Cash and cash equivalents

Cash and cash equivalents include amounts on deposit with financial institutions and amounts with Chrysler Financial Canada (“CFC”) with a term to maturity of 90 days or less at the date of acquisition.

(d) Accounts receivable

Accounts receivable includes amounts due from contracts-in-transit, commercial service and parts, fleet vehicle and warranty and rebate receivables. Contracts-in-transit are amounts due from financing institutions, usually within ten days, on retail finance contracts from vehicle sales. Commercial service and parts receivables are due from customers that maintain fleets of vehicles. Fleet vehicle receivables are due on sales of vehicles to commercial customers. Warranty and rebate amounts are due from the manufacturer or the warranty company. The Fund evaluates receivables for collectability based on the age of the receivable, the credit history of the customer and past collection experience.

(expressed in Canadian dollar thousands except unit and per unit amounts)

(e) Inventories

New, used and demonstrator vehicle inventories are recorded at the lower of cost and net realizable value with cost determined on a specific item basis. Parts and accessories inventories are valued at the lower of cost and net realizable value. Inventories of parts and accessories are accounted for using the "first-in, first-out" method.

In determining net realizable value for new vehicles, the Fund primarily considers the age of the vehicles along with the timing of annual and model changeovers. For used vehicles, the Fund considers recent market data and trends such as loss histories along with the current age of the inventory. Parts inventories are primarily assessed considering excess quantity and continued usefulness of the part. The risk of loss in value related to parts inventories is minimized since excess or obsolete parts can generally be returned to the manufacturer.

(f) Property and equipment

Property and equipment are initially recorded at cost. Other than as noted below, amortization on the property and equipment is provided for over the estimated useful life of the assets on the declining balance basis at the following annual rates:

Machinery and equipment	20%
Furniture and fixtures	20%
Company vehicles	30%
Lease vehicles	30%
Computer equipment	30%

Leasehold improvements are amortized using the straight-line method over the lease term. The cost of lease vehicles less their estimated net realizable value at the end of the lease term is amortized on a straight-line basis over the term of the individual lease contracts.

Leases that transfer substantially all of the benefits and risks of ownership of the property to the Fund are accounted for as capital leases. At the time a capital lease is entered into an asset is recorded together with its related long-term obligation. Equipment under capital lease is recorded at cost and is amortized using the same rates as purchased equipment.

(g) Accounting for the impairment of long-lived assets

Long-lived assets, including property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is assessed by a comparison of the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed by sale are reported at the lower of carrying amount or fair value less costs to sell.

(expressed in Canadian dollar thousands except unit and per unit amounts)

(h) Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the identifiable assets acquired, less liabilities assumed, based on their fair values at the date of acquisition. Goodwill is allocated as of the date of the business combination to the Fund's reporting units that are expected to benefit from the business combination.

Goodwill is not amortized but is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination as described in the preceding paragraph, using the fair value of the reporting unit as if it was the purchase price. The Fund has completed an evaluation of the carrying value of goodwill during the year and concluded that the goodwill associated with its reporting unit was not impaired.

(i) Intangible assets

The identifiable intangible assets are rights under franchise agreements with automobile manufacturers. Franchise agreements are expected to continue for an indefinite period. Where these agreements do not have indefinite terms, the Fund anticipates and has generally experienced routine renewals without substantial cost and material modifications. As the franchise agreements will contribute to cash flows for an indefinite period, the carrying amount of franchise rights is not amortized. The Fund assesses the carrying value of these unlimited life intangible assets for impairment annually, or more frequently, if events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recorded when it is determined that the carrying amount is not recoverable and exceeds its fair value.

(j) Future income taxes

Prior to June 12, 2007, income tax obligations relating to distributions from the Fund were obligations of the Unitholders and, accordingly, no provision for income taxes had been made in respect of the income of the Fund. As described in Note 16, the Fund has recognized future income taxes in the year ended December 31, 2007 as a result of new tax legislation substantively enacted on June 12, 2007. Current income tax will not be recognized until a new tax on the Fund is effective on January 1, 2011.

Future income tax assets and liabilities are recorded on the temporary differences that exist between the accounting and the tax values of our assets and liabilities based on substantively enacted tax rates and regulations for those differences that are expected to be realized after January 1, 2011.

The Fund reviews the value of its future income tax assets and liabilities quarterly and records adjustments, as necessary, to reflect the realizable amounts of its future income tax assets and liabilities. The Fund expects that it will realize its future income tax assets and liabilities in the normal course of operations.

(expressed in Canadian dollar thousands except unit and per unit amounts)

(k) Variable interest entities

The Fund follows CICA Accounting Guideline 15, Consolidation of Variable Interest Entities (AcG-15). AcG-15 defines a VIE as an entity which either does not have sufficient equity at risk to finance its activities without additional subordinated financial support or where the holders of equity at risk lack the characteristics of a controlling financial interest. AcG-15 defines the Primary Beneficiary as the entity that is exposed to a majority of the VIE's expected losses or is entitled to a majority of the VIE's expected residual returns, or both. The Primary Beneficiary is required to consolidate the VIE. In addition, AcG-15 prescribes certain disclosures for VIEs that are not consolidated but in which the Fund has a significant variable interest. As disclosed in Note 4, the Fund has two VIEs as at December 31, 2007 for which it has been determined to be the primary beneficiary.

(l) Unit-based compensation

The Fund uses the fair value method of accounting for unit options. The fair value of option grants are calculated using the Black-Scholes option pricing model and recognized as compensation expense over the vesting period of those grants. A corresponding adjustment is recorded through a separate account in Unitholders' Equity. On the exercise of options, the consideration paid by the employee and the related amounts in the separate account in Unitholders' Equity are credited to Fund Units.

(m) Pre-opening costs

Costs incurred to develop and start up new dealership locations are expensed as incurred.

Changes in accounting policies

Effective January 1, 2007, the Fund adopted four new accounting standards related to financial instruments that were issued by the Canadian Institute of Chartered Accountants ("CICA"). These accounting policy changes were adopted on a retroactive basis with no restatement of prior period financial statements. The new standards and accounting policy changes are as follows:

a) Financial Instruments – Recognition and Measurement (CICA Handbook Section 3855) and Disclosure and Presentation (CICA Handbook Section 3861)

In accordance with these new standards, the Fund now classifies all financial instruments as held-to-maturity, available-for-sale, held for trading, loans and receivables or other liabilities. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized on the statement of operations.

The Fund has made the following classifications:

- Cash and cash equivalents and restricted cash are classified as financial assets held for trading and are measured at fair value. Gains and losses related to subsequent revaluations are recorded in net earnings;
- Accounts receivable are classified as loans and receivables and are initially measured at fair value with subsequent measurement at amortized cost; and,

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- Accounts payable and accrued liabilities, revolving floorplan facilities, distributions payable, long-term debt and obligation under capital lease are classified as other liabilities and are initially measured at fair value with subsequent measurement at amortized cost.
- Transaction costs are expensed as incurred for financial instruments.

The estimated fair value of accounts receivable, accounts payable and accrued liabilities, revolving floorplan facilities and distributions payable approximate carrying value due to the relatively short-term nature of the instruments. The estimated fair value of the obligations under capital lease and long-term debt approximates the carrying value because interest rates are floating and approximate market rates.

Consequently, as at January 1, 2007, the impact on the consolidated balance sheet of measuring the financial assets and liabilities was $nil.

The Fund selected January 1, 2003 as its transition date for identifying embedded derivatives. An embedded derivative is a component of a financial instrument or other contract for which the characteristics are similar to a derivative. This had no impact on the consolidated financial statements.

b) Comprehensive income (CICA Handbook Section 1530)

Comprehensive income is the change in unitholders' equity during a period from transactions and other events and circumstances from non-owner sources. In accordance with this new standard, the Fund now reports a measure for comprehensive income and a new category, accumulated other comprehensive income, has been added to the unitholders' equity section of the consolidated balance sheet. The components of this new category will include unrealized gains and losses on financial assets classified as available-for-sale and the effective portion of cash flow hedges, if any. There were no such components to be recognized in comprehensive income for the year ended December 31, 2007. As the Fund has no items of other comprehensive income, net earnings for the period is equivalent to comprehensive income.

c) Hedges (CICA Handbook Section 3865)

This new standard specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed. The Fund does not have any hedging items.

d) Accounting changes (CICA Handbook Section 1506)

This new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retroactively unless doing so is impracticable, requires prior period errors to be corrected retroactively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact that the adoption of Section 1506 will have on the Fund's results of operations and financial condition will depend on the nature of future accounting changes. The adoption of Section 1506 effective January 1, 2007 had no impact on these audited consolidated financial statements.

(expressed in Canadian dollar thousands except unit and per unit amounts)

Recent Canadian accounting pronouncements

a) Capital disclosures

In December 2006, the CICA issued Handbook Section 1535, "Capital Disclosures". This standard requires that an entity disclose information that enables users of its financial statements to evaluate an entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. The new standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, specifically January 1, 2008 for the Fund. The Fund is currently evaluating the impact of this standard.

b) Financial instruments – presentation and disclosure

In October, 2006, the CICA issued Handbook Sections 3862 and 3863 to replace Section 3861, "Financial Instruments – Disclosure and Presentation." These standards require an increased emphasis on disclosures about the nature and extent of risk arising from financial instruments and how an entity manages those risks. These new standards apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, specifically January 1, 2008 for the Fund. The Fund is currently evaluating the impact of adopting these standards.

c) Inventories

In June 2007, the CICA issued Handbook Section 3031, "Inventories" to harmonize accounting for inventories under Canadian GAAP with International Financial Reporting Standards. This standard requires the measurement of inventories at the lower of cost and net realizable value and includes guidance on the determination of cost, including allocation of overheads and other costs to inventory. The standard also requires the consistent use of either first-in, first out (FIFO) or weighted average cost formula to measure the cost of inventories and requires the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. The new standard applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008,. The Fund is currently evaluating the impact of adopting this standard.

d) Goodwill and intangible assets

In February, 2008, the CICA issued Handbook Section 3064, "Goodwill and Intangible Assets", replacing Handbook Section 3062, "Goodwill and Other Intangible Assets" and Handbook Section 3450, "Research and Development Costs". The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in previous Handbook Section 3062. The new standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008, specifically January 1, 2009 for the Fund. The Fund is currently evaluating the impact of adopting this standard.

e) Convergence with International Financial Reporting Standards

In 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian generally accepted accounting principles (GAAP), as used by public companies, being evolved and converged with International Financial Reporting Standards (IFRS) over a transitional period to be complete by 2011. The official changeover date from Canadian GAAP to IFRS is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. IFRS uses a conceptual

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framework similar to GAAP, but there could be significant differences on recognition, measurement and disclosures that will need to be addressed. The impact of the transition to IFRS on the Fund's consolidated financial statements has not yet been determined.

3 Business acquisitions

(a) On May 10, 2006, the Fund completed an initial public offering for aggregate cash proceeds of $102,095. The Fund used the net proceeds from the initial public offering to acquire an indirect 50.4% interest in AutoCanada LP, represented by 10,209,500 AutoCanada LP Units. AutoCanada LP, through a series of transactions, including the issuance of 10,047,500 Exchangeable Units, acquired 100% of the net business assets of CAG. The costs of issuance of the Fund Units and Exchangeable Units were $8,523. The acquisition of the Fund's interest in the acquired business has been accounted for using the purchase method.

On May 31, 2006, 740,000 Exchangeable Units were exchanged and 740,000 additional Fund Units were issued pursuant to the over-allotment option granted to underwriters (note 13(b)).

The purchase price allocated to the assets acquired and the liabilities assumed, based on their estimated fair values, is as follows:

	$
Cash	102,095
Issuance of Exchangeable Units	100,475
Issuance costs	(8,523)
Total purchase price	194,047
Current assets (including cash acquired of $4,925)	168,566
Property and equipment	12,828
Other assets	78
Current liabilities	(142,184)
Long-term liabilities	(142)
Intangible assets	77,800
Net identifiable assets acquired	116,946
Goodwill	77,101
	194,047

(b) On October 31, 2006, the Fund purchased substantially all of the net operating assets of 500672 BC Ltd. operating as Victoria Hyundai ("Victoria Hyundai") for total cash consideration of $8,090. The acquisition was funded by drawing on the Fund's Revolving Floorplan Facility (note 9) in the amount of $3,520 and on the Revolving Term Facility (note 10) in the amount of $4,570. The acquisition has been accounted for using the purchase method and the consolidated financial statements include operating results of Victoria Hyundai subsequent to October 31, 2006.

(expressed in Canadian dollar thousands except unit and per unit amounts)

The purchase price allocated to the assets acquired and the liabilities assumed, based on their estimated fair values, is as follows:

	$
Current assets	4,499
Property and equipment	448
Intangible assets	1,234
Current liabilities	(47)
Net identifiable assets acquired	6,134
Goodwill	1,956
	8,090

4 Variable interest entities

On February 7, 2007, the Fund entered into a credit agreement with CAG to finance the acquisition of substantially all of the net operating assets of a Nissan dealership (the "Nissan Dealership") by CAG for total cash consideration of $4,727. In addition, the Fund entered into a management agreement to provide the Nissan Dealership with management services. The Nissan Dealership is owned and operated by a subsidiary of CAG which owns 46% of the Fund on a fully diluted basis. The Fund obtained the funds to finance the acquisition of the Nissan dealership through its existing Revolving Term Facility (note 10) in the amount of $4,727. In connection with this arrangement, the Fund has granted consents to CAG and its subsidiary under the terms of the non-competition agreements entered into at the time of the Fund's IPO.

As a result of the Fund's financing of the purchase and the related agreements, the Fund has determined that the Nissan Dealership is a variable interest entity [VIE] and it is the primary beneficiary as defined by AcG-15. Accordingly, the Fund has consolidated the operating results of the Nissan Dealership subsequent to February 7, 2007.

The purchase price allocated to the assets acquired and the liabilities assumed, based on their fair values, is as follows:

	$
Current assets	3,546
Property and equipment	18
Intangible assets	922
Current liabilities	(3,203)
Net identifiable assets acquired	1,283
Goodwill	3,444
	4,727

On July 13, 2007, the Fund announced that it has entered into a credit agreement with CAG to finance the opening of a Nissan Dealership Open Point by CAG and enter into a management agreement to provide it with

(expressed in Canadian dollar thousands except unit and per unit amounts)

management services. The Nissan Dealership Open Point is located in Prince George, British Columbia, and commenced operations on August 31, 2007 under the name Northland Nissan, and will be owned and operated by a subsidiary of CAG which owns 46% of the Fund on a fully diluted basis. In connection with this arrangement, the Fund obtained Board approval to grant consents to CAG and its subsidiary under the terms of the non-competition agreements entered into at the time of the Fund's IPO.

As a result of the Fund's financing of the purchase and the related agreements, the Fund has determined that the Nissan Dealership Open Point is a VIE and it is the primary beneficiary as defined by AcG-15. Accordingly, the Fund has consolidated the operating results of the Nissan Dealership Open Point subsequent to July 13, 2007.

5 Restricted cash

Restricted cash must be maintained with CFC by the Fund to be sufficient to remit the Goods and Services Tax and Harmonized Sales Tax ("GST/HST") associated with the new vehicle inventory financed by CFC.

6 Inventories

	December 31, 2007 $	**December 31, 2006 $**
New vehicles	107,472	82,103
Demonstrator vehicles	6,484	5,374
Used vehicles	20,917	19,166
Parts and accessories	7,255	6,037
	142,128	112,680

(expressed in Canadian dollar thousands except unit and per unit amounts)

7 Property and equipment

	December 31, 2007		
	Cost	**Accumulated Amortization**	**Net**
	$	**$**	**$**
Leasehold improvements	4,686	2,174	2,512
Machinery and equipment	5,096	1,310	3,786
Furniture and fixtures	2,188	550	1,638
Company vehicles	1,430	347	1,083
Lease vehicles	1,628	425	1,203
Computer equipment	1,717	530	1,187
Other property and equipment	36	-	36
	16,781	5,336	11,445

	December 31, 2006		
	Cost	**Accumulated Amortization**	**Net**
	$	**$**	**$**
Leasehold improvements	4,428	1,394	3,034
Machinery and equipment	3,890	476	3,414
Furniture and fixtures	1,756	220	1,536
Company vehicles	1,314	221	1,093
Lease vehicles	2,266	345	1,921
Computer equipment	976	171	805
Other property and equipment	36	-	36
	14,666	2,827	11,839

During the year, excluding property and equipment acquired as part of the variable interest entities (note 4), property and equipment was acquired at an aggregate cost of $3,397 (2006 - $1,433). Of this total, $291 (2006 - $197) of property and equipment was acquired by means of capital leases, and the remaining $3,106 (2006 - $1,236) was paid in cash.

Included in lease vehicles above are vehicles earning rental income. Rental income for the period ended December 31, 2007 totaled $782 (2006 - $544).

(expressed in Canadian dollar thousands except unit and per unit amounts)

8 Intangible assets

Intangible assets are unlimited life manufacturer franchise rights acquired on business combinations.

9 Revolving floorplan facilities

	December 31, 2007 $	December 31, 2006 $
New vehicles	133,622	102,963
Demonstrator vehicles	5,451	4,404
Used vehicles	4,582	5,990
	143,655	113,357

The Revolving Floorplan Facility available to the Fund from Chrysler Financial Canada ("CFC") to finance new, demonstrator and used vehicles is $183,125, bears interest at Royal Bank of Canada ("RBC") prime rate less 0.25%, (5.75% at December 31, 2007) and is payable monthly in arrears. The CFC Revolving Floorplan Facility requires maintenance of certain financial covenants and is collateralized by a general security agreement consisting of a first security interest on all present and future property, the Fund's accounts receivable, and new, used and demonstrator vehicle inventory. The individual notes payable of the CFC Revolving Floorplan are due when the related vehicle is sold. The CFC Revolving Floorplan Facility may in certain circumstances restrict the ability of AutoCanada LP and the Fund to pay distributions if the payment would result in a default under the CFC Revolving Floorplan Facility.

A separate Revolving Floorplan Facility from the Bank of Nova Scotia ("BNS") is available to the two dealerships managed by the Fund. This Facility is available to finance new, used and demonstrator vehicles, is $11,750, bears interest at Bank of Nova Scotia prime rate (6.00% at December 31, 2007) and is payable monthly in arrears. The BNS Revolving Floorplan Facility requires maintenance of certain financial covenants and is collateralized by a general security agreement consisting of first security interest on all present and future property of the managed dealership, a $1,000 guarantee from the Fund, and the managed dealerships' new, used and demonstrator vehicle inventory. The individual notes payable of the BNS Revolving Floorplan are due when the related vehicle is sold. The balance outstanding on the BNS Revolving Floorplan Facility as of December 31, 2007 is $6,985 included in the "New vehicles" balance above, $178 included in the "Demonstrator vehicles" balance above and $489 included in the "Used vehicles" balance above.

(expressed in Canadian dollar thousands except unit and per unit amounts)

10 Long-term debt

	December 31, 2007 $	December 31, 2006 $
Revolving Term Facility, due May 10, 2010 bearing interest from RBC prime to RBC prime plus 0.75% (i)	10,000	5,300
CFC lease contracts, repayable over 24 months bearing interest from 7.35% to 7.75% (ii)	604	331
	10,604	5,631
Less: Current portion	(210)	(96)
	10,394	5,535

(i) CFC provides the Fund a Revolving Term Facility. The amount of the Revolving Term Facility available is based on certain assets (the ''borrowing base'') and a percentage of earnings before interest expense (other than interest expense on floorplan financing and other interest), income taxes, depreciation and amortization ("EBITDA") of AutoCanada LP, up to a maximum amount of $50,000, and is available to finance working capital and the acquisition of automobile dealerships. The Revolving Term Facility matures May 10, 2010 and bears interest at RBC prime rate for amounts borrowed not exceeding the borrowing base and RBC prime rate plus 0.75% for amounts borrowed in excess of the borrowing base. RBC prime as at December 31, 2007 was 6.00%. This Revolving Term Facility provides for a commitment fee of 0.30% of any unused portion payable quarterly in arrears, requires maintenance of certain financial covenants and is collateralized by a general security agreement consisting of a first security interest on all present and future property. The Revolving Term Facility may in certain circumstances restrict the ability of AutoCanada LP and the Fund to pay distributions if the payment would result in a default.

(ii) CFC lease contracts are collateralized by the related lease contract and lease vehicles with a carrying value of $644.

Principal payments for the next three years are as follows:

	$
2008	210
2009	394
2010	10,000
	10,604

(expressed in Canadian dollar thousands except unit and per unit amounts)

11 Commitments

The Fund leases all of the lands and buildings used in its franchised automobile dealership operations from related parties (note 15), Chrysler Canada Inc. and other third parties. The Fund also leases various office equipment. The minimum annual lease payments for the next five years and thereafter are as follows:

	$
2008	5,653
2009	5,221
2010	5,071
2011	3,763
2012	1,766
Thereafter	990
Total	22,464

12 Contingencies

(a) The Fund is party to a number of disputes and lawsuits in the normal course of business. Management believes that the ultimate liability arising from these matters will not have a material impact on the financial statements.

(b) The Fund's operations are subject to federal, provincial and local environmental laws and regulations in Canada. While the Fund has not identified any costs likely to be incurred in the next several years, based on known information for environmental matters, the Fund's ongoing efforts to identify potential environmental concerns in connection with the properties it leases may result in the identification of additional environmental costs and liabilities. The magnitude of such additional liabilities and the costs of complying with environmental laws or remediating contamination cannot be reasonably estimated at the balance sheet date due to lack of technical information, absence of third party claims, the potential for new or revised laws and regulations and the ability to recover costs from any third parties. Thus the likelihood of any such costs or whether such costs would be material cannot be determined at this time.

(c) As of December 31, 2007, the Fund had $200 outstanding in letter of credit with financial institutions. These letters expire at different points in 2008. These letters of credit are being maintained as security for premium payments to an insurance company and to fulfill legislative requirements of the Motor Dealer Act in the province of British Columbia.

(expressed in Canadian dollar thousands except unit and per unit amounts)

13 Unitholders' equity

(a) Authorized

An unlimited number of Fund Units may be created and issued pursuant to the Declaration of Trust. Each Fund unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund, whether of net earnings, net realized capital gains or other amounts and in the net assets of the Fund in the event of a termination or winding up of the Fund. All Fund Units entitle the holder thereof to one vote and each Fund Unit has equal voting rights and privileges.

(b) Issued

	Units #	**Amount $**
Units issued on initial public offering (note 3)	10,209,500	102,095
Issuance costs	-	(4,295)
Units issued in connection with over-allotment option exercised	740,000	7,400
Balance at December 31, 2006 and 2007	10,949,500	105,200

The Fund granted an over-allotment option to the underwriters to purchase up to 765,615 additional Units on the same terms as the initial public offering exercisable no later than June 10, 2006. On May 31, 2006, the underwriters exercised the over-allotment option, resulting in the exchange by the Fund of 740,000 Exchangeable LP Units and issuance of 740,000 additional Fund Units with carrying amount of $7,400.

(expressed in Canadian dollar thousands except unit and per unit amounts)

(c) Exchangeable LP units

The Exchangeable LP Units issued by AutoCanada LP have economic and voting rights equivalent to the Fund Units except in connection with the exchangeability terms as described below. They are exchangeable, directly or indirectly, on a one-for-one basis for Fund Units at the option of the holder, under the terms of the Exchange Agreement. The Exchangeable LP Units are required to be exchanged for Fund Units before transferring to third parties. As a result, they have been treated as equity in accordance with the CICA Emerging Issues Committee Abstract #151. Each Exchangeable LP Unit entitles the holder to receive distributions from AutoCanada LP pro rata with distributions made by AutoCanada LP on Fund Units. On May 31, 2006, 740,000 Exchangeable LP Units were exchanged and cancelled (note 13(b)).

	Units #	**Amount** $
Units issued on initial public offering (note 3)	10,047,500	100,475
Issuance costs	-	(4,228)
Exchanges in connection with the over-allotment option (note 13(b))	(740,000)	(7,400)
Balance at December 31, 2006 and 2007	9,307,500	88,847

Fund Special Voting Units

Fund Special Voting Units are non-participating and are used solely for providing voting rights to persons holding Exchangeable LP Units. Fund Special Voting Units are not transferable separately from Exchangeable LP Units to which they relate. Fund Special Voting Units will automatically be cancelled upon the exchange and cancellation of the Exchangeable LP Units to which they relate. The Fund Special Voting Units are not entitled to any beneficial interest in any distribution from the Fund or in the net assets of the Fund in the event of a termination or winding up of the Fund. Each Fund Special Voting Unit entitles the holder thereof to one vote at all meetings of Unitholders. If the Exchangeable LP Units are purchased in accordance with the Exchange Agreement, a like number of Fund Special Voting Units will be redeemed by the Fund for a nominal amount. The Fund issued 10,047,500 Fund Special Voting Units relating to the 10,047,500 Exchangeable LP Units that were issued at the time of the initial public offering. On May 31, 2006, 740,000 Fund Special Voting Units were cancelled (note 13(b)).

(expressed in Canadian dollar thousands except unit and per unit amounts)

(d) Contributed surplus

The Fund has an Incentive Unit Option Plan (the "Plan") for certain employees, officers, directors and trustees. Options issued under the Plan vest at a rate of one third on the three subsequent award date anniversaries. All the options must be exercised over specified periods not to exceed five years from the date granted. The options may be exercised by purchasing the Fund Units for the exercise price or the Plan also provides that an optionee may, at their discretion, elect, subject to the approval of the Trustees, in lieu of exercising any options, to surrender the options to the Fund, which will pay the optionee the difference between the current market price of the Fund Units on the date of surrender and the exercise price for the Units under the options being surrendered. In addition, the options may be exercised by an optionee only if, at the time of exercise, the total amount of the cash available for distributions per Unit for the 12 month period ended immediately preceding the time of exercise is at least $1.20 per Unit on a fully-diluted basis, subject to adjustment in the event of any increase or decrease in the number of issued Units and Exchangeable Units resulting from a subdivision, consolidation, reclassification, capital reorganization or similar change in Units (other than a consolidation of our Units immediately following a distribution in Units in lieu of a cash distribution). At December 31, 2007, 1,519,275 units remained reserved for issuance under the option plan. During the year ended December 31, 2007, 374,340 options (2006 – 759,638) were granted to purchase Fund Units and 199,989 options (2006 – 39,671) were cancelled. At December 31, 2007, 235,716 options were exercisable at a weighted average exercise price of $10.00.

	Weighted average remaining contractual life Yrs	Units #	Weighted average exercise price $
Balance, December 31, 2006	3.35	719,967	10.00
Granted	4.51	374,340	10.37
Cancelled	4.20	(199,989)	10.29
Options outstanding, December 31, 2007	3.61	894,318	10.03

	Weighted average remaining contractual life Yrs	Units #	Weighted average exercise price $
Options outstanding, beginning of period	-	-	-
Granted	4.36	759,638	10.00
Cancelled	4.36	(39,671)	10.00
Options outstanding, December 31, 2006	4.36	719,967	10.00

(expressed in Canadian dollar thousands except unit and per unit amounts)

On January 10, 2007, the Fund granted 120,000 options to employees of the Fund. The exercise price of the units was equal to the fair value as at the grant date. The fair value of the options granted was estimated as at the grant date using the Black-Scholes option pricing model, using the following assumptions:

Risk free interest rate	3.97%
Expected life in years	5.0 years
Expected volatility	36.0%
Expected dividends	$1
Fair value per option	$1.27

On May 14, 2007, the Fund granted 127,170 options to employees and directors of the Fund. The exercise price of the units was equal to the fair value as at the grant date. The fair value of the options granted was estimated as at the grant date using the Black-Scholes option pricing model, using the following assumptions:

Risk free interest rate	4.19%
Expected life in years	5.0 years
Expected volatility	36.0%
Expected dividends	$1
Fair value per option	$1.47

On November 16, 2007, the Fund cancelled 127,170 options that were originally granted on May 14, 2007 and regranted 127,170 options to employees and directors of the Fund. The exercise price of the units was equal to the fair value as at the original grant date of May 14, 2007. The fair value of the options granted was estimated as at the grant date using the Black-Scholes option pricing model, using the following assumptions:

Risk free interest rate	3.99%
Expected life in years	5.0 years
Expected volatility	36.0%
Expected dividends	$1
Fair value per option	$1.45

Contributed surplus

	Year ended December 31, 2007 $	**Period ended December 31, 2006 $**
Opening balance	455	-
Unit-based compensation expense	502	455
Closing balance	957	455

(expressed in Canadian dollar thousands except unit and per unit amounts)

14 Distributions

Distributions are discretionary and are determined based on earnings, before amortization, but reduced by capital expenditures, subject to approval of the Trustees. Distributions totaling $1.00 were declared per Fund Unit and Exchangeable LP Unit by the Fund for the year ended December 31, 2007.

	Declared	**Paid**
	$	**$**
Fund Units	10,945	10,033
Exchangeable Units	9,304	8,529
	20,249	18,562

Distributions payable to all Unitholders in the amount of $1,687 as at December 31, 2007 were paid in January 2008 (2006 - $1,687).

15 Related party transactions and balances

(a) The following summarizes the Fund’s related party transactions not disclosed elsewhere:

	Year ended December 31, 2007	**Period ended December 31, 2006**
	$	**$**
Management fees and non-competition fees received from a director and companies with common directors	586	72
Rent paid to companies with common directors	3,604	1,344
Consulting fees paid to company controlled by a trustee	32	-

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(b) In accordance with a credit agreement in place between the Fund and a related party, there is a guarantee in place to the Fund from the related party for $1,000. The Grande Prairie Nissan Dealership has a non-interest bearing loan, payable on demand to this related party of $1,000.

(expressed in Canadian dollar thousands except unit and per unit amounts)

16 Future income taxes

On October 31, 2006, the Department of Finance Canada announced proposed legislation in connection with the taxation of income trusts and other flow-through entities ("trust legislation") that will apply beginning with the taxation year ended December 31, 2011 for those income trusts that are already publicly traded. In 2011, when the Fund becomes a taxable entity, current income taxes payable will reduce net earnings and will affect distributable cash by an equal amount.

The October 31, 2006 trust legislation was substantively enacted into law on June 12, 2007, at which time the Fund gave accounting recognition to these new taxation rules.

While the Fund will not be liable for current taxes until January 1, 2011, it provides for future income taxes arising from those temporary tax differences expected to reverse after January 1, 2011, at the 28% tax rate applicable to the Fund.

Future income tax assets and liabilities are recognized on temporary differences between the accounting and tax bases of existing assets and liabilities as follows:

	$
Property and equipment	416
Intangible assets	16,058
Goodwill	890
	17,364

Future income taxes are not recorded on $43,900 of non-tax deductible goodwill.

17 Interest

	December 31, 2007 $	**December 31, 2006 $**
Revolving floorplan facility	9,594	5,195
Long-term debt	744	148
Other	506	398
	10,844	5,741

18 Economic dependence

The Fund purchases substantially all new vehicles and parts and accessories from Chrysler Canada Inc.

19 Financial instruments

The Fund's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, revolving floorplan facilities, distributions payable, long-term debt and obligation under capital lease.

(expressed in Canadian dollar thousands except unit and per unit amounts)

(a) Financial risk management

The Fund's activities are exposed to a variety of financial risks: price risk, credit risk, liquidity risk and cash flow risk. The Fund's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Fund's financial performance. Risk management is carried out by financial management in conjunction with overall Fund governance.

(b) Price risk – There are three types of price risk that affect the valuation of financial instruments.

i. Currency risk: Foreign currency risk arises from the fluctuations in foreign exchange rates and the degree of volatility of these rates relative to the Canadian dollar. The Fund is not significantly exposed to foreign currency risk.

ii. Interest rate risk: The Fund's exposure to interest rate risk is limited since the Fund does not hold any significant fixed rate financial instruments.

iii. Market risk: The Fund's exposure to financial market risk is limited since there are no significant financial instruments which will fluctuate as a result of changes in market prices.

(c) Credit risk

Concentration of cash and cash equivalents exists due to the significant amount of cash held with CFC. Concentration of credit risk with respect to contracts-in-transit and accounts receivable is limited primarily to automobile manufacturers and financial institutions. Credit risk arising from receivables from commercial customers is not significant due to the large number of customers comprising our customer base.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through adequate amount of committed credit facilities. Due to the dynamic nature of the business, the Fund aims to maintain flexibility in funding by keeping committed credit facilities available (note 9 & 10).

(e) Cash flow risk

The Fund's Revolving Floorplan Facilities and Revolving Term Facility bear interest at floating rates, thus exposing the Fund to interest rate fluctuations. At December 31, 2007, the increase or decrease in annual interest for each one percent change in interest rates on floating rate debt amounted to approximately $1,543.

(f) Fair value

The estimated fair value of accounts receivable, accounts payable and accrued liabilities, revolving floorplan facilities and distributions payable approximate carrying value due to the relatively short-term nature of the instruments. The estimated fair value of the obligations under capital lease and long-term debt approximates the carrying value because interest rates are floating and approximate market rates.

(expressed in Canadian dollar thousands except unit and per unit amounts)

20 Segment information

The Fund's management evaluates performance and allocates resources based on the operating results of the individual dealerships. All of the individual dealerships sell new and used vehicles, arrange financing, vehicle service, and insurance contracts, provide maintenance and repair services and sell replacement parts. The dealerships are similar in that they deliver the same products and services to a common customer group, their customers are generally individuals, they follow the same procedures and methods in managing their operations, and they operate in similar regulatory environments. Each dealership has sufficiently similar economic characteristics to allow the Fund to aggregate dealerships into one reportable segment.

21 Seasonal nature of the business

The Fund’s results from operations for the year ended December 31, 2007 are not necessarily indicative of the results that may be expected for the full year due to seasonal variations in sales levels. The results from operations of the Fund (CAG prior to May 10, 2006) have been lower in the first and fourth quarters of each year, largely due to consumer purchasing patterns during the holiday season, inclement weather and the reduced number of business days during the holiday season. As a result, our financial performance is generally lower during the first and fourth quarters than during the other quarters of each fiscal year. The timing of acquisitions may also cause substantial fluctuations in operating results from quarter to quarter.