AUTOCANADA INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the year ended December 31, 2007

As of March 17, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

MARCH 17, 2008

The following discussion and analysis should be read in conjunction with the audited annual consolidated financial statements and accompanying notes (the "Annual Financial Statements") of AutoCanada Income Fund (the "Fund" or "AutoCanada") for the year ended December 31, 2007. These financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Results are reported in Canadian dollars unless otherwise stated. Unless otherwise indicated, certain dollar amounts have been rounded to the nearest thousand dollars. References to notes are to the notes of the Annual Financial Statements of the Fund unless otherwise stated.

To provide more meaningful information, this MD&A refers to the operating results for the three-month period and year ended December 31, 2007 of the Fund and compares these to the operating results of the Fund for the three-month period ended December 31, 2006 and the combined operating results of the Fund and Canada One Auto Group ("CAG") for similar operating accounts for the year period ended December 31, 2006 (See "Non-GAAP Measures" above) . We have also included in the MD&A certain historical information with respect to CAG from other periods. Readers should be cautioned that the results of operations of CAG for the period from January 1, 2006 to May 11, 2006 include certain expenses and contractual obligations that are not part of the Fund subsequent to May 11, 2006.

FORWARD LOOKING STATEMENTS

Certain statements contained in management's discussion and analysis include statements which contain words such as "anticipate", "expect", "estimate", "could", "should", "expect", "plan", "seek", "may", "intend", "likely", "will", "believe" and similar expressions, statements relating to matters that are not historical facts, and such statements of the beliefs, intentions and expectations of AutoCanada about development, results and events which will or may occur in the future, constitute "forward-looking information" within the meaning of applicable Canadian securities legislation and are based on certain assumptions and analysis made by AutoCanada and derived from experience and perceptions. Forward-looking information in management's discussion and analysis includes, but is not limited to: trends and developments in the automotive industry; business strategies and outlooks; expansion and growth of business and operations; and anticipated acquisitions.

All such forward-looking information is based on certain assumptions and analyses made by AutoCanada in light of management's experience and perception of historical trends, current conditions and expected future developments, as well as other factors AutoCanada believes are appropriate in the circumstances. The risks, uncertainties, and assumptions are difficult to predict and may affect operations, and may include, without limitation: foreign exchange fluctuations; equipment and labour shortages and inflationary costs; general economic conditions; industry conditions; changes in applicable environmental, taxation and other laws and regulations as well as how such laws and regulations are interpreted and enforced; operating risks; risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations; increased competition; stock market volatility; opportunities available to or pursued by AutoCanada; the ability to obtain financing as and when needed; and other factors, many of which are beyond the control of AutoCanada. The foregoing factors are not exhaustive and are further discussed in AutoCanada's final prospectus dated May 3, 2006 and the Fund's Annual Information Form for the year ended December 31, 2007 both of which are filed on SEDAR at www.sedar.com.

Actual results, performance or achievements could differ materially from those expressed in, or implied by, this forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits will be derived therefrom. Except as required by applicable law, AutoCanada disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise. The forward-looking information contained in this management's discussion and analysis are expressly qualified by this cautionary statement.

Non-GAAP Measures

References to "EBITDA" are to earnings before interest expense (other than interest expense on floorplan financing and other interest), income taxes, depreciation and amortization. Management believes that, in addition to earnings or loss, EBITDA is a useful supplemental measure of both performance and cash available for distribution before debt service, changes in working capital, capital expenditures and income taxes.

References to "standardized distributable cash" and ''adjusted distributable cash" are to cash flow provided by operating activities

available for distribution to Unitholders of the Fund (the "Unitholders") in accordance with the distribution policies of the Fund. Standardized distributable cash and adjusted distributable cash of the Fund are measures generally used by Canadian open-ended trusts as an indicator of financial performance. As two of the factors that may be considered relevant by prospective investors is the cash distributed by the Fund relative to the price of the Units, management believes that standardized distributable cash and adjusted distributable cash of the Fund are useful supplemental measures that may assist prospective investors in assessing an investment in the Fund. Standardized distributable cash is calculated as cash flows from operating activities, including the effects of changes in non-cash working capital, less total capital expenditures. Adjusted distributable cash is calculated as cash flows provided by operating activities before changes in non-cash working capital, less purchases of non-growth property and equipment.

References to "standardized payout ratio" represent a comparison of distributions declared to standardized distributable cash. References to "adjusted payout ratio" represent a comparison of distributions declared to adjusted distributable cash. Management believes that both standardized payout ratio and adjusted payout ratio are indicators of the Fund's conservatism and its ability to continue to make distributions to unitholders at current rates.

EBITDA, standardized distributable cash, adjusted distributable cash, standardized payout ratio and adjusted payout ratio are not earnings measures recognized by GAAP and do not have standardized meanings prescribed by GAAP. Investors are cautioned that EBITDA, standardized distributable cash, adjusted distributable cash, standardized payout ratio and adjusted payout ratio should not replace net earnings or loss (as determined in accordance with GAAP) as an indicator of the Fund's performance, of its cash flows from operating, investing and financing activities or as a measure of its liquidity and cash flows. The Fund's methods of calculating EBITDA, adjusted distributable cash, and adjusted payout ratio may differ from the methods used by other issuers. Therefore, the Fund's EBITDA, adjusted distributable cash, and adjusted payout ratio may not be comparable to similar measures presented by other issuers. For a reconciliation of adjusted distributable cash to standardized distributable cash, please see "Adjusted Distributable Cash" below.

References to ''absorption rate'' are to the extent to which the gross profits of a franchised automobile dealership from parts, service and collision repair cover the costs of these departments plus the fixed costs of operating the dealership, but does not include expenses pertaining to our head office. For this purpose, fixed operating costs include fixed salaries and benefits, administration costs, occupancy costs, insurance expense, utilities expense and interest expense (other than interest expense relating to floor plan financing) of the dealerships only and do not include expenses pertaining to head office. Absorption rate is an operating measure commonly used in the retail automotive industry as an indicator of the performance of the parts, service and collision repair operations of a franchised automobile dealership. Absorption rate is not a measure recognized by GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, absorption rate may not be comparable to similar measures presented by other issuers that operate in the retail automotive industry.

OVERVIEW OF THE FUND

Issuance of Fund Units and Acquisition

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.

The Fund commenced business operations on May 11, 2006, when it completed an initial public offering (the "IPO") of 10,209,500 trust units ("Fund Units"), at a price of $10 per unit, for aggregate gross proceeds of $102.095 million. The costs of issuance of the units were $8.523 million. Concurrent with the closing of the IPO, the Fund used the net cash proceeds from the IPO to acquire a 50.4% indirect interest in AutoCanada LP which used such net proceeds to acquire, through various limited partnerships, the net assets (the "Acquired Business") of Canada One Auto Group ("CAG" or the "Vendors"). In connection with this transaction, 10,047,500 Exchangeable Units were issued to the Vendors in the amount of $10 per unit for a total of $100.475 million. On May 31, 2006, the underwriters exercised their over-allotment option for 740,000 additional units for $7.400 million thereby increasing the interest of the Fund to 54.05%.

The Fund has finalized the process of determining the issuance costs and the fair value of the assets acquired and the liabilities assumed as of March 21, 2007. The purchase price allocated to the assets acquired and the liabilities assumed, based on their fair values, is as follows:

(In thousands of dollars)	**$**
Consideration	
Cash from the Offering	102,095
Issuance of Exchangeable LP Units	100,475
Issuance costs	(8,523)
Total purchase price	194,047

	$
Allocated as follows:	
Net working capital	26,382
Long-term assets	12,906
Long-term liabilities	(142)
Intangible assets	77,800
Goodwill	77,101
	194,047

Prior to December 31, 2010, income tax obligations relating to distributions from the Fund are expected to be obligations of unitholders. As a result of new tax legislation, substantively enacted on June 12, 2007, the Fund recognized non-cash future income tax expense each quarter commencing in quarters ended after June 30, 2007. It would be inappropriate for the Fund to recognize current income tax expense until the new tax becomes effective on January 1, 2011 at which point the distributions made by the Fund will be subject to the then applicable tax rate which is currently set at 29.5% for 2011 and 28.0% for 2012 and beyond. The new tax rate will apply to the taxable income of the Fund which allows the Fund claim deductions from net income for tax purposes related to balances that have accumulated in various tax pools. Until such time as the new legislated tax becomes effective in 2011 the new tax does not impact the cash earnings of the business provided that distributions will continue to exceed the taxable income of the Fund, the Fund continues to operate within the rules outlined with the SIFT legislation and the Fund does not convert into a taxable corporation prior to December 31, 2010.

Additional information concerning the Fund is contained in the final prospectus of the Fund dated May 3, 2006, at SEDAR (www.sedar.com), the Fund's Annual Information Form for the year ended December 31, 2007 and at the Fund's website (www.autocan.ca).

The Business of the Fund

The Fund is one of Canada's largest multi-location automobile dealership groups, currently operating or managing 19 franchised dealerships in British Columbia, Alberta, Manitoba, Ontario, New Brunswick and Nova Scotia. In 2007, the 19 franchised automobile dealerships owned or managed by the Fund, sold approximately 23,300 vehicles and processed approximately 232,000 service and collision repair orders in our 260 service bays. We have grown, and intend to continue to grow, our business through the acquisition of profitable franchised automobile dealerships in key markets, the organic growth of our existing dealerships, the opening of new franchised automobile dealerships, or "Open Points" and the management of franchised automobile dealerships.

Our owned and managed dealerships derive their revenue from the following four inter-related business operations: new vehicle sales; used vehicle sales; parts, service and collision repair; and finance and insurance. While new vehicle sales are the most important source of revenue, they generally result in lower gross profits than used vehicle sales, parts, service and collision repair operations and finance and insurance sales. Overall gross profit margins increase as revenues from higher margin operations increase relative to revenues from lower margin operations. We earn fees for arranging financing on new and used vehicle purchases on behalf of third parties and as a result we do not have an in-house lease program and we have eliminated our exposure to residual value risk of returned lease vehicles.

The Fund's geographical profile is illustrated below by number of dealerships owned or managed and revenues by province for the years ended December 31, 2007 and December 31, 2006.

(In thousands of dollars except % of total and number of dealerships)	December 31, 2007			December 31, 2006		
	Current Number of Dealerships	Revenue	% of Total	Number of Dealerships	Revenue	% of Total
British Columbia	6	292,691	35%	5	227,160	33%
Alberta	9	397,173	48%	7	340,799	49%
All other	4	144,951	17%	4	125,753	18%
Total	19	834,815	100%	16	693,712	100%

The following table sets forth the dealerships owned or managed as at December 31, 2007 and the date opened or acquired by the Fund or CAG.

Location of Dealerships	Operating Name	Franchise	Year Opened or Acquired
Victoria, British Columbia	Victoria Hyundai	Hyundai	2006
Maple Ridge, British Columbia	Maple Ridge Chrysler Jeep Dodge	Chrysler	2005
Prince George, British Columbia	Northland Chrysler Jeep Dodge	Chrysler	2002
Prince George, British Columbia	Northland Hyundai	Hyundai	2005
Prince George, British Columbia	Northland Nissan (managed)	Nissan	2007
Kelowna, British Columbia	Okanagan Chrysler Jeep Dodge	Chrysler	2003
Grande Prairie, Alberta	Grande Prairie Chrysler Jeep Dodge	Chrysler	1998
Grande Prairie, Alberta	Grande Prairie Hyundai	Hyundai	2005
Grande Prairie, Alberta	Grande Prairie Subaru	Subaru	1998
Grande Prairie, Alberta	Grande Prairie Mitsubishi	Mitsubishi	2007
Grande Prairie, Alberta	Grande Prairie Nissan (managed)	Nissan	2007
Edmonton, Alberta	Crosstown Chrysler Jeep Dodge	Chrysler	1994
Edmonton, Alberta	Capital Chrysler Jeep Dodge	Chrysler	2003
Sherwood Park, Alberta	Sherwood Park Hyundai	Hyundai	2006
Ponoka, Alberta	Ponoka Chrysler Jeep Dodge	Chrysler	1998
Thompson, Manitoba	Thompson Chrysler Jeep Dodge	Chrysler	2003
Woodbridge, Ontario	Colombo Chrysler Jeep Dodge	Chrysler	2005
Moncton, New Brunswick	Moncton Chrysler Jeep Dodge	Chrysler	2001
Dartmouth, Nova Scotia	Dartmouth Chrysler Jeep Dodge [(1)]	Chrysler	2006

(1) We have owned 50% of Dartmouth Chrysler Jeep Dodge since 2002 and we purchased the remaining 50% in February, 2006.

Seasonality

We have leveled the Fund’s monthly distributions to provide a steady stream of cash to Unitholders, although revenues are subject to seasonal fluctuations. The following table illustrates the quarterly variation per year in the sales of new and used vehicles, based on the results of the Fund for 2007, the combined results of the Fund and CAG for 2006 and the 2005, 2004 and 2003 results of CAG.

	New Vehicle Sales					Used Vehicle Sales					Total Vehicles Sold				
	2003	**2004**	**2005**	**2006**	**2007**	**2003**	**2004**	**2005**	**2006**	**2007**	**2003**	**2004**	**2005**	**2006**	**2007**
1st Quarter	21%	20%	19%	20%	23%	24%	25%	23%	24%	23%	23%	23%	22%	22%	23%
2nd Quarter	29%	28%	27%	26%	25%	28%	27%	26%	26%	28%	30%	28%	27%	26%	26%
3rd Quarter	28%	30%	32%	29%	29%	27%	26%	25%	27%	26%	26%	27%	28%	28%	28%
4th Quarter	22%	22%	22%	25%	23%	21%	22%	26%	23%	23%	21%	22%	23%	24%	23%

The results from operations 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 operating results are generally not as strong 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.

For 2007, sales of new vehicles in Canada were up 2.4%[1] when compared to 2006. The Fund’s same store sales of new vehicles have increased by 14.5% in 2007. In the fourth quarter of 2007, sales of new vehicles in Canada were down 2.7%[1] when compared to 2006. The Fund’s same store sales of new vehicles have increased by 14.1% for the same period.

[1] Canadian Vehicle Manufacturers’ Association

Distributions to Unitholders

The Fund's policy is to distribute annually to Unitholders available cash provided by operations after cash required for capital expenditures, working capital reserves, growth capital reserves and other reserves considered advisable by the Trustees of the Fund. The policy allows the Fund to make stable monthly distributions to its Unitholders based on the Fund's estimate of distributable cash for the year. The Fund pays cash distributions on or about the 15th of each month to Unitholders of record on the last business day of the previous month.

The following table summarizes the distributions declared by the Fund for the period from January 1, 2007 to December 31, 2007.

(In thousands of dollars)

		Fund Units		**Exchangeable Units**		**Total**	
Record date	**Payment date**	**Declared**	**Paid**	**Declared**	**Paid**	**Declared**	**Paid**
		$	**$**	**$**	**$**	**$**	**$**
January 31, 2007	February 15, 2007	912	912	775	775	1,687	1,687
February 28, 2007	March 15, 2007	912	912	775	775	1,687	1,687
March 31, 2007	April 16, 2007	912	912	775	775	1,687	1,687
April 30, 2007	May 15, 2007	912	912	775	775	1,687	1,687
May 31, 2007	June 15, 2007	912	912	775	775	1,687	1,687
June 29, 2007	July 16, 2007	912	912	775	775	1,687	1,687
July 31, 2007	August 15, 2007	912	912	776	776	1,688	1,688
August 31, 2007	September 17, 2007	912	912	776	776	1,688	1,688
September 28, 2007	October 15, 2007	912	912	776	776	1,688	1,688
October 31, 2007	November 15, 2007	913	913	775	775	1,688	1,688
November 30, 2007	December 17, 2007	912	912	776	776	1,688	1,688
December 31, 2007	January 15, 2008 (1)	912	-	775	-	1,687	-
		10,945	10,033	9,304	8,529	20,249	18,562

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

Distributions are paid on Fund Units and Exchangeable Units. As of December 31, 2007 the following numbers of units were outstanding:

Fund Units	10,949,500
Exchangeable Units	9,307,500
	20,257,000

During the year ended December 31, 2007, the Fund declared distributions of $1.00 per Fund Unit to Unitholders and holders of Exchangeable Units. The distributions in the period ended December 31, 2007 were funded from cash flow generated from operations. The Fund reviews its distribution policy on a periodic basis.

As of December 31, 2007, there are 894,318 options outstanding under the Fund's Incentive Unit Option 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 dates granted. At December 31, 2007, 1,519,275 units remained reserved for issuance under the option plan.

Standardized Distributable Cash

On July 18, 2007, the Canadian Institute of Chartered Accountants [CICA] issued a revised interpretive release regarding the standardized preparation and disclosure of distributable cash for income trusts and other flow-through entities. The CICA calculation of standardized distributable cash is based on cash flows from operating activities, including the effects of changes in non-cash working capital, less total capital expenditures. The table below uses this calculation method to present standardized distributable cash for each quarter since the Fund's inception.

(In thousands of dollars except unit and per unit amounts)	**Q4 2007**	**Q3 2007**	**Q2 2007**	**Q1 2007**	**Q4 2006**	**Q3 2006**	**Q2 2006**
Cash provided by operating activities	3,637	6,486	2,368	8,529	8,125	4,234	16,954
Less: Amounts related to expansion of sales and service capacity	(180)	(399)	(225)	(596)	(499)	(192)	(26)
Less: Purchase of non-growth property and equipment	(298)	(126)	(762)	(521)	(197)	(225)	(97)
Standardized distributable cash	3,159	5,961	1,381	7,412	7,429	3,817	16,831
Weighted average units outstanding at end of period (1)	20,257,000	20,257,000	20,257,000	20,257,000	20,257,000	20,257,000	20,257,000
Standardized distributable cash per unit	0.156	0.294	0.068	0.366	0.367	0.188	0.831
Distributions declared to unitholders	5,062	5,062	5,062	5,062	5,062	5,062	2,830
Distributions declared per unit	0.250	0.250	0.250	0.250	0.250	0.250	0.140
Standardized distributable cash less distributions declared	(1,903)	900	(3,680)	2,351	2,368	(1,244)	14,001
Standardized distributable cash less distributions declared per unit	(0.094)	0.044	(0.182)	0.116	0.117	(0.061)	0.691
Standardized payout ratio	160.2%	84.9%	366.5%	68.3%	68.1%	132.6%	16.8%
Basic earnings (loss) per unit	0.056	0.305	(0.660)	0.221	0.179	0.257	0.179
Diluted earnings (loss) per unit	0.056	0.303	(0.660)	0.221	0.179	0.257	0.179
12 month trailing							
Standardized distributable cash	17,913	22,183	20,039				
Distributions declared to unitholders	20,249	20,249	20,249				
Standardized payout ratio	113.0%	91.3%	101.0%				
Year-to-date							
Standardized distributable cash	17,913						
Distributions declared to unitholders	20,249						
Standardized payout ratio	113.0%						
From inception since January 4, 2006 to December 31, 2007 (including operations from May 11, 2006 to December 31, 2007)							
Standardized distributable cash	45,990						
Distributions declared to unitholders	33,202						
Standardized payout ratio	72.2%						

(1) Includes Fund Units and Exchangeable Units.

Management believes that the standardized distributable cash calculation distorts the Fund's quarter-to-quarter distributable cash and payout ratios, as our non-cash working capital can fluctuate significantly as a result of historical fluctuations in our business operations that occur on a quarterly basis as well as the resulting fluctuations in our accounts receivable and inventory levels and the timing of the payments of accounts payable and revolving floorplan facilities.

On a year-to-date basis, using the standardized distributable cash calculation, our standardized payout ratio of 113.0% at December 31, 2007 is higher than when calculated using the method we have historically used, as described below which results in a year-to-date payout ratio of 87.6%. The main difference between the two methods is the inclusion of the Fund's growth capital expenditures as a reduction in the amount of cash available for distribution in the standardized calculation and adjusting for changes in non-cash working capital as provided in the table below.

Adjusted Distributable Cash

Historically, the Fund has defined distributable cash to be cash flows provided by operating activities before changes in non-cash working capital; less purchases of non-growth property and equipment (see "Non-GAAP Measures" above).

(In thousands of dollars except unit and per unit amounts)	**Q4 2007**	**Q3 2007**	**Q2 2007**	**Q1 2007**	**Q4 2006**	**Q3 2006**	**Q2 2006**
Net earnings (loss) for the period	6,470	6,168	(13,362)	4,483	3,623	5,220	3,631
Items not affecting cash:							
Future income taxes	(2,186)	443	19,107	-	-	-	-
Unit-based compensation	62	120	135	185	163	188	104
Amortization	856	794	770	790	1,136	1,146	618
Loss (gain) on disposal of property & equipment	(6)	(13)	5	5	39	(29)	(5)
Cash provided by operating activities – before changes in non-cash working capital	5,196	7,512	6,655	5,463	4,961	6,525	4,348
Less: Purchase of non-growth property and equipment (1)	(298)	(126)	(762)	(521)	(197)	(225)	(97)
Adjusted distributable cash	4,898	7,386	5,893	4,942	4,764	6,300	4,251
Adjusted distributable cash per unit	0.242	0.365	0.291	0.244	0.235	0.311	0.210
Distributions declared to unitholders	5,062	5,062	5,062	5,062	5,062	5,062	2,830
Distributions declared per unit	0.250	0.250	0.250	0.250	0.250	0.250	0.140
Adjusted distributable cash less distributions declared	(164)	2,324	831	(120)	(298)	1,238	1,421
Adjusted distributable cash less distributions declared per unit	(0.008)	0.115	0.041	(0.006)	(0.015)	0.061	0.070
Adjusted payout ratio	103.3%	68.5%	85.9%	102.4%	106.3%	80.3%	66.6%
12 month trailing							
Adjusted distributable cash	23,119	22,985	21,899				
Distributions declared to unitholders	20,248	20,248	20,248				
Adjusted payout ratio	87.6%	88.1%	92.5%				
From inception since January 4, 2006 to December 31, 2007 (including operations from May 11, 2006 to December 31, 2007)							
Adjusted distributable cash	38,434						
Distributions declared to unitholders	33,202						
Adjusted payout ratio	86.4%						

(1) Purchase of non-growth property and equipment is necessary to maintain and sustain the current productive capacity of the Fund's operations and distributable cash (see "Capital Expenditures" in the table below for details). Management believes that maintenance capital expenditures should be funded by cash flow provided by operating activities. Capital spending for the expansion of sales and service capacity is expected to improve future distributable cash and as such is not deducted from cash flow provided by operating activities in arriving at adjusted distributable cash.

The Fund's adjusted payout ratio varies throughout the year due to the seasonality of the Fund's business as discussed above. Distributions to unitholders have been leveled to provide a regular stream of income to unitholders. We expect that the historically less profitable first and fourth quarters to be offset by higher earnings in the second and third quarters.

For 2007, the Fund generated adjusted distributable cash of $1.141 per unit and declared distributions of $1.00 per unit, for an adjusted payout ratio of 87.6%. For the fourth quarter of 2007, the Fund generated adjusted distributable cash of $0.242 per unit and declared distributions of $0.250 per unit, for an adjusted payout ratio of 103.3%.

From the Fund's inception at January 4, 2006 (including operations from May 11, 2006 to December 31, 2007), our adjusted payout ratio is 86.4%.

The following table reconciles standardized distributable cash to our adjusted distributable cash.

(In thousands of dollars except unit and per unit amounts)	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006
Standardized distributable cash	3,159	5,961	1,381	7,412	7,429	3,817	16,831
Change in non-cash working capital	1,559	1,026	4,287	(3,066)	(3,164)	2,291	(12,606)
Amounts related to expansion of sales and service capacity	180	399	225	596	499	192	26
Adjusted distributable cash	4,898	7,386	5,893	4,942	4,764	6,300	4,251

Capital Expenditures

The following table provides a reconciliation of the purchase of property and equipment as reported on the Statement of Cash Flows to the purchase of property and equipment as calculated in the standardized distributable cash table on page 8:

(In thousands of dollars)	October 1, 2007 to December 31, 2007	January 1, 2007 to December 31, 2007
	$	$
Purchase of property and equipment from the Statement of Cash Flows	478	3,107
Less: Amounts related to the expansion of sales and service capacity	(180)	(1,400)
Purchase of non-growth property and equipment	298	1,707

Amounts relating to the expansion of sales and service capacity are considered growth expenditures. Growth expenditures are discretionary, represent cash outlays intended to provide additional future cash flows and are expected to provide benefit in future periods and thus they have been excluded from the calculation of distributable cash. Additional details on the components of non-growth property and equipment purchases are as follows:

(In thousands of dollars)	October 1, 2007 to December 31, 2007	January 1, 2007 to December 31, 2007
	$	$
Leasehold improvements	22	168
Machinery and equipment	81	335
Furniture and fixtures	43	281
Computer equipment	41	346
Company & lease vehicles	111	577
	298	1,707

During the three-month period and year ended December 31, 2007 growth capital expenditures of $0.180 million and $1.400 million respectively were incurred. These expenditures related primarily to purchases of additional equipment for our Sherwood Park Hyundai location which opened in November of 2006, our Northland Hyundai location in Prince George, BC which was relocated in April of 2007 to a new dealership facility with an additional five service bays, our Grande Prairie Mitsubishi location which opened in June 2007, and our Northland Nissan location in Prince George, BC which opened in August of 2007. Repairs and maintenance expenditures are expensed as incurred and have been deducted from earnings for the period. Repairs and maintenance expense incurred during the three-month period and year ended December 31, 2007, were $0.404 million and $1.592 million respectively.

SELECTED ANNUAL FINANCIAL INFORMATION AND RESULTS FROM OPERATIONS

The following table shows: the audited results of the Fund from May 11, 2006 to December 31, 2006, the combined unaudited results of CAG and the Fund for the year ended December 31, 2006 and the audited results of the Fund for the year ended December 31, 2007. The results of operations for these periods are not necessarily indicative of the results of operations to be expected in any given comparable period.

(In thousands of dollars except Operating Data and gross profit %)	The Fund (Audited)	The Fund & CAG Combined (Unaudited)	The Fund (Audited)
	May 11, 2006 to December 31, 2006	January 1 to December 31, 2006	2007
Income Statement Data			
Revenue	471,932	693,712	834,815
New vehicles	264,438	378,124	472,602
Used vehicles	130,809	201,639	224,991
Parts, service & collision repair	51,776	77,861	92,140
Finance, insurance & other	24,909	36,088	45,082
Gross profit	77,523	113,113	138,892
New vehicles	17,980	25,964	32,512
Used vehicles	12,471	18,101	19,685
Parts, service & collision repair	23,249	34,875	44,289
Finance, insurance & other	23,823	34,173	42,406
Gross profit %	16.4%	16.3%	16.6%
Sales, general & admin expenses	56,408	84,125	103,715
Floorplan interest expense	5,195	7,745	9,594
Other interest & bank charges	546	949	1,250
Future income taxes	-	-	17,364
Net earnings (1) (5)	12,474	16,700	3,759
EBITDA (2) (5)	15,521	20,979	25,077
Basic earnings (loss) per unit	0.616	n/a	0.186
Diluted earnings (loss) per unit	0.616	n/a	0.185
Operating Data			
Vehicles (new and used) sold	13,082	19,350	23,296
New retail vehicles sold	6,455	9,141	11,135
New fleet vehicles sold	1,107	1,708	2,521
Used retail vehicles sold	5,520	8,501	9,640
Number of service & collision repair orders completed	142,303	215,232	231,723
Absorption rate (3)	94%	92%	98%
# of dealerships	16	16	19
# of same store dealerships (4)	9	9	11
# of service bays at period end	245	245	260
Same store revenue growth(4)	n/a	4.4%	11.3%
Same store gross profit growth(4)	n/a	10.6%	12.1%

(1) Net earnings for CAG from January 1, 2006 to May 10, 2006 are net earnings as defined by GAAP plus income taxes, stock-based compensation and shareholder bonuses (including the performance component related to dealership management's compensation) to be consistent with the results of the Fund from May 11, 2006 to December 31, 2006.

(2) EBITDA has been calculated as described under "Non-GAAP Measures" above. EBITDA for CAG is defined under "Non-GAAP Measures" with the exception that to facilitate comparison to the Fund we have added stock-based compensation and shareholder bonuses (including the performance component related to dealership management's compensation) expensed by CAG.

(3) Absorption has been calculated as described under "Non-GAAP Measures" above.

(4) Same store revenue growth & same store gross profit growth is calculated using franchised automobile dealerships that we have owned for at least 2 full years.

(5) The results from operations 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 not as strong 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.

SELECTED QUARTERLY FINANCIAL INFORMATION AND RESULTS FROM OPERATIONS

The following table shows the unaudited results of the Fund: For the 51-day period ended June 30, 2006, the three-month period ended September 30, 2006, the three-month period ended December 31, 2006, the three-month period ended March 31, 2007, the three-month period ended June 30, 2007, the three-month period ended September 30, 2007, and the three-month period ended December 31, 2007. The results of operations for these periods are not necessarily indicative of the results of operations to be expected in any given comparable period.

(In thousands of dollars except Operating Data and gross profit %)	The Fund	The Fund	The Fund	The Fund	The Fund	The Fund	The Fund
	Q2 2006 (51 days)	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007
Income Statement Data							
Revenue	105,992	189,861	176,079	194,379	214,711	229,014	196,711
New vehicles	59,044	106,424	98,970	109,862	117,204	133,853	111,683
Used vehicles	30,487	53,897	46,425	53,020	62,389	59,114	50,468
Parts, service & collision repair	10,734	19,632	21,410	21,908	23,228	23,142	23,863
Finance, insurance & other	5,727	9,908	9,274	9,590	11,890	12,905	10,697
Gross profit	17,775	30,818	28,930	31,292	36,777	37,301	33,522
New vehicles	4,190	6,792	6,998	7,000	8,312	9,024	8,176
Used vehicles	3,294	5,563	3,614	4,914	6,082	4,943	3,746
Parts, service & collision repair	5,014	8,721	9,514	10,223	11,305	11,267	11,494
Finance, insurance & other	5,277	9,742	8,804	9,155	11,078	12,067	10,106
Gross profit %	16.8%	16.2%	16.4%	16.1%	17.1%	16.3%	17.0%
Sales, general & admin expenses	12,245	22,481	21,682	23,634	27,522	26,905	25,654
Floorplan interest expense	1,256	1,854	2,085	2,069	2,414	2,679	2,432
Other interest & bank charges	24	117	405	316	326	312	296
Future income taxes	-	-	-	-	19,107	443	(2,186)
Net earnings (1) (5)	3,631	5,220	3,623	4,483	(13,362)	6,168	6,470
EBITDA (2) (5)	4,249	6,366	4,906	5,424	6,743	7,600	5,310
Operating Data							
Vehicles (new and used) sold	3,023	5,369	4,690	5,440	6,089	6,404	5,363
New retail vehicles sold	1,515	2,741	2,199	2,295	2,866	3,344	2,630
New fleet vehicles sold	211	371	525	886	535	543	557
Used retail vehicles sold	1,297	2,257	1,966	2,259	2,688	2,517	2,176
Number of service & collision repair orders completed	32,565	54,345	55,393	57,876	58,157	58,138	57,552
Absorption rate (3)	n/a	97%	96%	92%	94%	104%	93%
# of dealerships	14	14	16	17	18	19	19
# of same store dealerships (4)	9	9	9	9	9	11	11
# of service bays at period end	223	223	245	250	256	260	260
Same store revenue growth(4)	n/a	3.8%	10.4%	24.1%	6.6%	8.2%	5.3%
Same store gross profit growth(4)	n/a	12.5%	6.3%	20.1%	13.4%	7.2%	6.5%
Balance Sheet Data							
Cash and cash equivalents	20,271	20,265	20,880	24,268	21,077	20,179	18,014
Accounts receivable	25,875	30,562	27,742	31,200	35,980	39,940	34,274
Inventories	145,888	101,252	112,680	117,034	132,814	147,419	142,128
Revolving floorplan facilities	146,283	103,297	113,357	118,974	133,731	152,390	143,655

(1) Net earnings for CAG from January 1, 2006 to May 10, 2006 are net earnings as defined by GAAP plus income taxes, stock-based compensation and shareholder bonuses (including the performance component related to dealership management's compensation) to be consistent with the results of the Fund from May 11, 2006 to December 31, 2006.

(2) EBITDA has been calculated as described under "Non-GAAP Measures" above. EBITDA for CAG is defined under "Non-GAAP Measures" with the exception that to facilitate comparison to the Fund we have added stock-based compensation and shareholder bonuses (including the performance component related to dealership management's compensation) expensed by CAG.

(3) Absorption has been calculated as described under "Non-GAAP Measures" above.

(4) Same store revenue growth & same store gross profit growth is calculated using franchised automobile dealerships that we have owned for at least 2 full years.

(5) The results from operations 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 not as strong 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.

Annual Operating Results

The year ended December 31, 2007 showed an increase over 2006 in terms of EBITDA and a decrease in net earnings. EBITDA for the year ended December 31, 2007 increased by 19.5% to $25.077 million, from $20.979 million when compared to the combined results of the Fund and CAG for the prior year. Net earnings decreased by 77.5% to $3.759 million, from $16.700 million when compared to the prior year. This decrease was primarily due to the recognition of a non-cash adjustment for future income taxes of $17.364 million as a result of new tax legislation enacted on June 12, 2007 which is explained in the "Outlook" section below.

The following tables summarize the results for the year ended December 31, 2007 on a same store basis by revenue source and compare these results to the same period in 2006. An acquired or open point dealership may take as long as two years in order to reach normalized operating results. As a result, in order for an acquired or open point dealership to be included in our same store analysis, the dealership must be owned and operated by us for eight complete quarters. For example, if a dealership was acquired on December 1, 2005, the results of the acquired entity would be included in quarterly same store comparisons beginning with the quarter ended March 31, 2008 and in annual same store comparisons beginning with the year ended December 31, 2008.

Revenues

Revenues for the year ended December 31, 2007 increased to $834.8 million from $693.7 million in the prior year. The 20.3% year-over-year increase in revenue for the periods arose from a $57.5 million increase in same store revenue and an $83.6 million increase in revenue from acquired or opened dealerships. For the year ended December 31, 2007, the two new dealerships that were acquired or opened during the fourth quarter of 2005, the three dealerships that were opened or acquired in 2006, and the three dealerships that were opened or acquired in 2007 accounted for approximately 59.2% of the increase in revenue when compared to the prior year.

Same Store Revenue and Vehicles Sold

	For the Year Ended		
(In thousands of dollars except % change and vehicle data)	**December 31, 2007**	**December 31, 2006**	**% Change**
Revenue Source			
New vehicles	322,964	282,755	14.2%
Used vehicles	145,912	138,177	5.6%
Parts, service and collision repair	64,486	57,855	11.5%
Finance, insurance and other	31,614	28,714	10.1%
Total	564,976	507,501	11.3%
New vehicles sold	9,055	7,908	14.5%
Used vehicles sold	6,254	6,003	4.2%
Total	15,309	13,911	10.0%

Same Store Analysis

Same store revenue increased by 11.3% in the year ended December 31, 2007 when compared to 2006. New vehicle revenues increased by $40.2 million or 14.2% for the year ended December 31, 2007 over the prior year due in part to a net increase in new vehicle sales of 1,147 units consisting of an increase of 842 retail units and an increase of 305 low margin fleet unit sales. Offsetting the increase in new vehicle revenues for the year ended December 31, 2007 was a decrease in the average selling price per new vehicle retailed ("PNVR") of $89 over the prior year largely as a result of a change in vehicle sales mix between vehicle types in both retail and fleet sales and higher manufacturer incentives introduced in the fourth quarter of 2007.

Used vehicle revenues increased by $7.7 million or 5.6% for the year ended December 31, 2007 over the prior year. This increase was due to both an increase in the number of used vehicles sold of 251 units and an increase in the average selling price per used vehicle retailed of $313.

The increase in parts, service and collision repair revenue of $6.6 million or 11.5% in the year ended December 31, 2007 compared to the prior year was primarily a result of a combination of a 13.0% increase in the average revenue per service and collision repair order completed and was offset by a decrease of 1.4% in the number of service and collision repair orders completed for the year ended December 31, 2007.

Finance, insurance and other revenue increased by 10.1% for the year ended December 31, 2007 over the prior year. This increase was due to both an increase in the number of units sold of 1,093 and an increase in the average revenue per unit retailed of $32.

Gross profit

During the year ended December 31, 2007, gross profit increased by 22.8% to $138.9 million when compared to 2006. Approximately 60% of this increase in year ended December 31, 2007 was the result of the two new dealerships that were acquired or opened during the fourth quarter of 2005, the three dealerships that were opened or acquired in 2006, and the three dealerships that were opened or acquired in 2007.

The following table summarizes the results for the year ended December 31, 2007 on a same store basis by revenue source and compares these results to the same period in 2006.

Same Store Gross Profit and Gross Profit Percentage

	For the Year Ended					
	Gross Profit			Gross Profit %		
(In thousands of dollars except % change and gross profit %)	**Dec. 31, 2007**	**Dec. 31, 2006**	**% Change**	**Dec. 31, 2007**	**Dec. 31, 2006**	**% Change**
Revenue Source						
New vehicles	22,703	19,536	16.2%	7.0%	6.9%	0.1%
Used vehicles	11,883	11,897	(0.1)%	8.1%	8.6%	(0.5)%
Parts, service and collision repair	30,865	26,115	18.2%	47.9%	45.1%	2.8%
Finance, insurance and other	29,826	27,408	8.8%	94.4%	95.5%	(1.1)%
Total	95,277	84,956	12.1%	16.9%	16.7%	0.2%

Same Store Analysis

Same store gross profit increased by 12.1% for the year ended December 31, 2007 when compared to the prior year. New vehicle gross profit increased by $3.2 million or 16.2% in the year ended December 31, 2007 when compared to 2006 as a result of the previously discussed net increase in new vehicle sales of 1,147 units largely as a result of robust operating performance in a continuing strong Canadian new vehicle retail market, increased fleet sales to take advantage of manufacturer volume incentive programs, and newly redesigned and refreshed products from the manufacturers.

Used vehicle gross profit decreased by $0.01 million or 0.1% in the year ended December 31, 2007 over the prior year. The decrease was primarily due to a decrease in the average gross per used vehicle retailed of $82 offset by an increase in the number of used vehicles sold of 251 units.

The increase in parts, service and collision repair gross profit of $4.7 million or 18.2% in the year ended December 31, 2007 was the result of a combination of an increase in the average gross profit earned per service and collision repair order completed as a result of the previously discussed 11.5% increase in average revenue earned per service and repair order completed offset by a decrease in the number of service and collision repair orders completed for the year ended December 31, 2007.

Finance, insurance & other gross profit increased by 8.8% in the year ended December 31, 2007 as a result of both an increase in units sold of 8.6% and an increase in the average gross per unit sold of 0.3%.

Selling, general and administrative expenses

During the year ended December 31, 2007, SG&A expenses increased by 23.3% to $103.7 million from $84.1 million in 2006 primarily as a result of the two dealerships that were opened or acquired in the fourth quarter of 2006 and three dealerships opened or acquired in 2007 as well as planned increases in staffing at head office and various public company costs that were not incurred for a full year in 2006. During the year ended December 31, 2007, SG&A as a percentage of gross profit increased from 74.4% to 74.7%.

Amortization expense

During the year ended December 31, 2007, amortization was $3.2 million while it was $3.8 million for the prior year. The decrease is due primarily to the decrease in the amortization of leasehold improvements, which are amortized over the remaining lease term that in some cases was less than two years from May 11, 2006.

Floorplan interest expense

During the year ended December 31, 2007, floorplan interest expense increased by 23.4% to $9,594 over 2006. The increase in interest expense was caused by an increase in the overall number of dealerships over the periods, an increase in average prime lending rate interest rates for the year ended December 31, 2007 when compared to 2006, and a general inventory increase related to higher inventory levels and the addition of new dealerships. In early March of 2008, the Bank of Canada announced a reduction of 50 basis points to the prime lending rate that will assist in reducing inventory carrying costs.

Some of our manufacturers provide non-refundable credits on the floorplan interest to offset the dealership's cost of inventory that, on average, effectively provide the dealerships with interest-free floorplan financing for the first 45 to 60 days of ownership. During the year ended December 31, 2007, the net floorplan credits were $4,874. GAAP requires the floorplan credits to be accounted for as a reduction in the cost of new vehicle inventory and subsequently a reduction in the cost of sales as vehicles are sold.

The following table summarizes the net floorplan credits that were received in 2007.

(In thousands of dollars)	**Q1 2007**	**Q2 2007**	**Q3 2007**	**Q4 2007**	**For the year ended December 31, 2007**
Net Floorplan Credits	1,117	1,343	1,282	1,132	4,874

Fourth Quarter Operating Results

The three-month period ended December 31, 2007 showed an increase over the comparable period in 2006 in terms of earnings and EBITDA. EBITDA for the three months ended December 31, 2007 increased by 8.2% to $5.310 million, from $4.906 million when compared to the prior period in 2006. Net earnings increased by 78.6% to $6.470 million, from $3.623 million when compared to the same period in prior year. The majority of this increase was due to the recognition of a future income tax recovery of $2.186 million in the three-month period ended December 31, 2007 caused by a legislative change in the tax rate applicable to the Fund. The fourth quarter, along with the first quarter, is historically the industry's weakest in terms of revenues, earnings and EBITDA and the results of the Fund for the fourth quarter of 2007 follows this pattern.

Revenues

Revenues for the three-month period ended December 31, 2007 increased to $196.7 million, from $176.1 million for the same period in the prior year. The 11.7% year-over-year increases in revenue for the period results from a $6.5 million increase in same store revenue and a $14.1 million increase in revenue from acquired or opened dealerships. For the three-month period ended December 31, 2007, the two new dealerships that were acquired or opened during the fourth quarter of 2005, the three dealerships that were opened or acquired in 2006, and the three dealerships that were opened or acquired in 2007 accounted for approximately 68% of the increase in revenues for the same period in the prior year.

The following table summarizes the results for the three-month period ended December 31, 2007 on a same store basis by revenue source and compares these results to the same period in 2006.

Same Store Revenue and Vehicles Sold

	For the Three-Month Period Ended		
(In thousands of dollars except % change and vehicle data)	**December 31, 2007**	**December 31, 2006**	**% Change**
Revenue Source			
New vehicles	76,029	72,157	5.4%
Used vehicles	31,178	29,458	5.8%
Parts, service and collision repair	16,354	15,634	4.6%
Finance, insurance and other	7,345	7,116	3.2%
Total	130,906	124,365	5.3%
New vehicles sold	2,150	1,885	14.1%
Used vehicles sold	1,369	1,311	4.4%
Total	3,519	3,196	10.1%

Same Store Analysis

Same store revenue increased by $6.5 million or 5.3% in the three-month period ended December 31, 2007. New vehicle revenues increased by $3.8 million or 5.4% for the quarter ended December 31, 2007 over the same period in the prior year due in part to a net increase in new vehicle sales of 265 units consisting of an increase of 289 retail units and decrease of 24 low margin fleet unit sales. Offsetting the increase in new vehicle revenues for the three-month period ended December 31, 2007 was a decrease in the average selling price PNVR of $2,918 over the prior year largely as a result of a change in vehicle sales mix between vehicle types in both retail and fleet sales and higher manufacturer incentives introduced in the fourth quarter of 2007 as a result of the appreciation of the Canadian dollar. The decline in the average selling price per new vehicle retailed did not significantly impact the new vehicle gross margin percentages as they increased to 7.3% from 7.0% on a same store basis during the comparable period. It should be noted that although the gross margin percentage increased, gross margins per new vehicle retailed did decrease by

$118 to $2,577 PNVR.

Used vehicle revenues increased by $1.7 million or 5.8% in the three-month period ended December 31, 2007 over the comparable period in the prior year. The increase was due to both an increase in the number of used vehicles sold of 58 and an increase in the average selling price per used vehicle retailed of $305 for the three-month period ended December 31, 2007.

The increase in parts, service and collision repair revenue of $0.7 million or 4.6% in the three-month period ended December 31, 2007 compared to the same period in the prior year was primarily a result of a combination of a 5.9% increase in the average revenue per service and collision repair order completed offset by a decrease of 1.2% in the number of service and collision repair orders completed for the three-month period ended December 31, 2007.

Finance and insurance and other revenue increased by $0.2 million or 3.2% in the three-month period ended December 31, 2007 over the same period in the prior year. This increase was due to an increase in the number of units sold of 347 and offset by a decrease in the average revenue per unit retailed of $212 and decreased interest income associated with the lower average cash balances during the three-month period ended December 31, 2007 compared to the prior period in 2006.

Gross profit

During the three-month period ended December 31, 2007, gross profit increased by 15.9% to $33.5 million. Approximately 70% of this increase in the three-month period ended December 31, 2007 was the result of the two new dealerships that were acquired or opened during Q4 2005, the three dealerships that were opened or acquired in 2006, and the three dealerships that were opened or acquired in 2007.

The following table summarizes the results for the three-month period ended December 31, 2007 on a same store basis by revenue source and compares these results to the same period in 2006.

Same Store Gross Profit and Gross Profit Percentage

	For the Three-Month Period Ended					
	Gross Profit			Gross Profit %		
(In thousands of dollars except % change and gross profit %)	**Dec. 31, 2007**	**Dec. 31, 2006**	**% Change**	**Dec. 31, 2007**	**Dec. 31, 2006**	**% Change**
Revenue Source						
New vehicles	5,542	5,081	9.1%	7.3%	7.0%	0.3%
Used vehicles	2,059	2,198	(6.3)%	6.6%	7.5%	(0.9)%
Parts, service and collision repair	7,930	6,939	14.3%	48.5%	44.4%	4.1%
Finance, insurance and other	6,878	6,830	0.7%	93.6%	96.0%	(2.3)%
Total	22,409	21,048	6.5%	17.1%	16.9%	0.2%

Same Store Analysis

Same store gross profit increased by $1.4 million or 6.5% in the three-month period ended December 31, 2007. New vehicle gross profit increased by $0.5 million or 9.1% in the three-month period ended December 31, 2007 compared to the same period in the prior year as a result of an increase in vehicles sold of 265 units offset by a decrease in the average gross margin PNVR of $118 largely as a result of a change in vehicle sales mix between vehicle types and a reduction in consumer demand experienced in the fourth quarter across the Canadian new vehicle retail industry.

Used vehicle gross profit decreased by $0.1 million or 6.3% in the three-month period ended December 31, 2007 over the same period in the prior year. When compared to 2006, the decrease in used vehicle gross was due to the average gross profit per used vehicle retailed decreasing by $173. The decline in the gross profit earned per used vehicle retailed during the quarter was largely

as a result of the effect of the appreciation of the Canadian dollar to the US dollar. During the quarter there was a significant adjustment to new vehicle retail prices that resulted in downward pressure on used vehicle prices and subsequently lower margins were earned on these vehicles when they were sold than are historically earned. The decline in gross margins earned per vehicle retailed was offset by an increase of 58 used vehicles retailed for the three-month period ended December 31, 2007.

The increase in parts, service and collision repair gross profit of $1.0 million or 14.3% in the three-month period ended December 31, 2007 was primarily a result of the increase in the average gross profit per service and collision repair order completed of 16% and was offset by a 1.2% decrease in the number of service and collision repair orders completed for the three-month period ended December 31, 2007.

Finance and insurance and other gross profit increased by $0.05 million or 0.7% in three-month period ended December 31, 2007.

Selling, general and administrative expenses

During the three-month period ended December 31, 2007, SG&A expenses increased by 18.3% to $25.7 million from $21.7 million over the same period in the prior year primarily as a result of the two dealerships that were opened or acquired in the 4th quarter of 2006 and three dealerships opened or acquired in 2007. During the three-month period ended December 31, 2007, SG&A as a percentage of gross profit increased from 74.9% to 76.5%. SG&A as a percentage of gross profit increased primarily due to an increase in dealership advertising in local markets, and planned increase in administrative costs at head office associated with potential acquisitions and open points.

Amortization expense

During the three-month period ended December 31, 2007, amortization was $856 while it was $1,136 for the prior period in 2006. The decrease is due primarily to the previously discussed decrease in the amortization of leasehold improvements, which are amortized over the remaining lease term that in some cases was less than two years from May 11, 2006.

Floorplan interest expense

During the three-month period ended December 31, 2007, floorplan interest expense increased by 16.6% to $2,432 over the same periods in 2006. The increase in interest expense was caused by an increase in the overall number of dealerships over the period, an increase in average prime lending rate interest rates for the three-month period ended December 31, 2007 when compared to the same periods in 2006, and a general inventory increase of approximately $29.5 million related to higher inventory levels and the addition of new dealerships. New inventory increased at our Chrysler dealerships due to management's decision to carry higher than normal levels of 2008 mini-vans that are no longer produced by Chrysler and as a result will not be available later in the year as well as a decision to carry higher than normal levels of RAM Heavy Duty trucks to meet retail demand when these vehicles will be unavailable due to scheduled plant closures. In early March of 2008, the Bank of Canada announced a reduction of 50 basis points to the Bank of Canada prime lending rate which will result in lower inventory carrying costs.

Some of our manufacturers provide non-refundable credits on the floorplan interest to offset the dealership's cost of inventory that, on average, effectively provide the dealerships with interest-free floorplan financing for the first 45 to 60 days of ownership. During the three-month period December 31, 2007, the net floorplan credits were $1,132. GAAP requires the floorplan credits to be accounted for as a reduction in the cost of new vehicle inventory and subsequently a reduction in the cost of sales as vehicles are sold.

Sensitivity

Our financial performance is dependent in part upon new vehicle sales. Based on our historical financial data, management estimates that an increase or decrease of one new retail vehicle sold (and the associated finance and insurance income on the sale) would result in a corresponding increase or decrease in our estimated cash available for distribution of approximately $1,500 per vehicle. This analysis does not take into account any operating strategies which we may employ in response to changing trends in vehicle sales.

New Dealerships

The Fund currently owns or manages 19 franchised automotive dealerships. At the time of the Fund's initial public offering ("IPO") in May of 2006 the Fund owned 14 franchised automotive dealerships. Since this time the Fund has acquired or opened three additional dealerships and has entered into agreements to finance and provide management services to two dealerships. The nature of the agreements between the Fund and CAG regarding its managed dealerships are such that their results are fully consolidated with the Fund as required under GAAP. The managed dealerships are owned by a subsidiary of CAG which owns 46% of the Fund on a fully diluted basis.

The Fund is continuing to pursue opportunities to acquire additional franchised automotive dealerships and to be awarded additional open points. We are in active discussions with several potential vendors as well as OEMs that the Fund currently does not have relationships with.

Typically, it is a term of dealership franchise agreements that the manufacturer ("OEM") has a right to match any purchase and sale agreement that the Fund, or any other proposed purchaser, enters into. In addition, such franchise agreements typically provide that the OEM has the right to not approve a proposed purchaser, provided the OEM can justify its refusal on reasonable grounds. The Fund is regularly in discussions with OEMs with whom it hopes to partner with the intention of best ensuring a favorable approval process, prior to the Fund entering into a specific agreement of purchase and sale. Although the Fund believes that it has established itself as an acceptable purchaser generally with the majority of OEMs with whom it intends to partner, and, further, that the Fund's dealership performance provides justification for the Fund's belief that it is, in respect to any particular proposed acquisition, a party whom it would be difficult to refuse on reasonable grounds, the Fund has no assurance that all OEMs will approve each, or indeed, any, specific dealership purchase proposal.

As of November 2007, there were 3,455 franchised automotive dealers in Canada representing 24 different brands of vehicles. The Fund estimates that the average age of the dealer ownership body is approximately 58 years old and as a result there are significant opportunities to acquire dealerships in Canada from vendors who prefer cash transactions on the sale of their dealerships. The capital investment required to operate a dealership and upgrade dealership facilities has increased significantly over the last several years and there are a limited number of potential buyers that have the necessary retail automotive experience and required capital to acquire franchised dealerships and the related dealership facility. As a result we believe the Fund is well positioned to be the exit strategy of choice for both vendors and OEMs which value professional management, market share and upgraded dealership facilities.

Acquisitions and Open Points

- On October 31, 2006, the Fund acquired the net operating assets of Victoria Hyundai located in Victoria, British Columbia. On April 27, 2007, we announced that the renovation of this dealership was substantially completed. The new renovated dealership facilities expand the dealership from approximately 6,000 sq. ft. to 18,296 sq. ft., and offers an incremental six service bays, and a larger new car show room amongst other enhancements.

- On February 7, 2007, the Fund entered into credit and management agreements with CAG to finance the acquisition of a Grande Prairie Nissan dealership called Grande Prairie Nissan. The dealership will be relocating in July 2008 to an approximately 24,000 sq. ft. new dealership facility in Grande Prairie that has been approved by Nissan Canada Inc. and is anticipated to have an 8 vehicle new car show room and 16 service bays.

- On July 13, 2007, the Fund announced that it had entered into credit and management agreements with CAG to finance the opening of a Nissan Open Point dealership in Prince George, British Columbia called "Northland Nissan". Northland Nissan commenced operations on August 31, 2007 in a temporary facility with a two vehicle showroom and four service bays. The dealership is anticipated to be relocated to a new facility which shall be designed to Nissan Canada Inc. image standards and shall provide for an eight vehicle showroom and ten service bays. Land had been acquired by a party related to the Fund in order to facilitate the relocation of Northland Nissan. Subsequent to this land being secured, an alternate location has become available that is being considered by management and the manufacturer. If this location is determined to be superior, and can be secured, Northland Nissan will be located at the new location. The potential change in the planned location may result in construction delays.

- On May 3, 2007, the Fund announced that it entered into a Letter of Intent with Mitsubishi Motor Sales of Canada Inc. which awarded to the Fund a Mitsubishi Open Point dealership in Grande Prairie, Alberta called "Grande Prairie Mitsubishi". The dealership, owned by the Fund, operates out of temporary premises pending completion of a new facility anticipated in the

second quarter of 2008, and which shall be designed to Mitsubishi Motor Sales of Canada Inc. image design standards and shall provide for a 4 car showroom, and 5 service bays. The temporary facility has one service bay.

- On November 5, 2007, the Fund announced that it entered into a Letter of Understanding with Mitsubishi Motor Sales of Canada Inc. regarding the granting to the Fund of a Mitsubishi Open Point in Prince George, British Columbia to be called Northland Mitsubishi. The new dealership shall operate out of an approximately 7,000 sq. ft. new facility designed to Mitsubishi Motor Sales of Canada Inc. image design standards, and shall provide for a three car showroom and five service bays. Land had been acquired by a party related to the Fund in order to facilitate the construction of Northland Mitsubishi. Subsequent to this land being secured, an alternate location has become available that is being considered by management. If this location is determined to be superior, and can be secured, Northland Mitsubishi will be located at the new location. The potential change in the planned location may result in construction delays.

- The Fund has entered into a letter of intent to open a new franchised automobile dealership with Chrysler Canada Inc. ("Chrysler Canada") to be located in Calgary, Alberta. The Fund had entered into a letter of intent securing land in Calgary, but, after due diligence, decided not to proceed with the transaction. The Fund continues to work with Chrysler Canada to secure suitable land.

- The Fund had entered into a letter of intent to open a new franchised automobile dealership with Hyundai Auto Canada Corp. ("Hyundai") to be located in Burnaby, British Columbia. The Fund had been awaiting the closing of the acquisition of suitable land on which to construct the dealership, but has determined that such land is not appropriate and is in the process of reviewing alternate potential sites. The Fund is working with Hyundai to find a suitable location for the dealership.

- The managed dealership arrangement marks an expansion of our business structure. In addition to owning franchised automobile dealerships, we have the opportunity to earn interest and fees from managing and financing the acquisition of franchised automobile dealerships offered by select manufacturers where there is not an arrangement in place with the manufacturer that would allow the franchised automobile dealership to be owned directly by us. These arrangements can serve to enhance our relationships with these manufacturers. To facilitate these transactions, we granted consents to CAG and its affiliates under the terms of the Non-Competition Agreement. Pursuant to these arrangements, a substantial portion of the operating cashflow from the Grande Prairie Nissan and Northland Nissan dealerships are paid to us in the form of interest and fees. The Grande Prairie Nissan and Northland Nissan dealerships have arranged their own lines of credit to finance its new and used vehicle inventories. The terms of the transactions between CAG and us in respect of the Grande Prairie and Northland Nissan dealerships were reviewed and approved by our Trustees and the independent directors of AutoCanada GP. This managed dealership model may be utilized in the future in respect to other dealership opportunities where warranted

Other

On February 7, 2007, the Fund granted consents to permit Patrick Priestner to open a new Toyota automobile dealership in exchange for an annual fee. Mr. Priestner is the majority shareholder of CAG and is the Chief Executive Officer of the Fund. The Fund's action follows its previously announced strategic intent to enhance its relationships with a wider range of manufacturers in order to develop its long-term growth prospects. The new dealership, "Sherwood Park Toyota", consists of a 55,000-square foot showroom, sales and repair facility building containing 22 service bays located on six acres of land in a suburb of Edmonton. Although discussions between Toyota Canada and Mr. Priestner began prior to the Fund's IPO in May 2006, consents are required under the terms of the non-competition agreements entered into between the Fund and CAG and its shareholders at the time of the Fund's IPO. The Fund intends to work towards obtaining the approval of Toyota Canada Inc. to permit Sherwood Park Toyota to be owned by the Fund under arrangements approved by the automobile manufacturer. There can be no assurance that the Fund will be granted such permission.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow from Operating Activities

Cash flow from operating activities (including changes in non-cash working capital) of the Fund for the year ended December 31, 2007 was $21.020 million. The Fund generates sufficient cash flow from operations to fund capital expenditures, distributions, working capital requirements and to service its debt obligations.

Credit Facilities

Our Credit Facilities with Chrysler Financial Corporation ("CFC") provide for a Revolving Floorplan Facility of up to $183.1 million to finance our inventories and a Revolving Term Facility of up to $50 million to assist in the financing of our working capital and the acquisition of franchised automobile dealerships.

Amounts drawn on the Revolving Term Facility to assist in the financing of our working capital will be primarily for used vehicles, parts inventory and general corporate purposes, including financing the costs incurred in equipping our Open Points, or in purchasing new equipment for our existing dealerships. Amounts drawn on the Revolving Term Facility to assist in acquisitions will be available to finance acquisitions of franchised automobile dealerships. We expect to repay the amounts drawn on the Revolving Term Facility to finance acquisitions through the issuance of Units, subject to market conditions. These facilities are available on a revolving basis. $10 million of the $50 million Revolving Term Facility has been drawn on as at December 31, 2007 in connection with the acquisition of Victoria Hyundai, financing the acquisition of Grande Prairie Nissan and to meet working capital requirements. During the year ended December 31, 2007, $2 million was repaid to the Revolving Term Facility from excess cash flows. The Fund has not drawn on the Revolving Term Facility to finance the start-up costs associated with Grande Prairie Mitsubishi or Northland Nissan which have instead been financed with cash from operations.

The Revolving Term Facility has a term of three years from May 11, 2006 with annual one year extensions at the discretion of CFC. The term of the Revolving Term Facility was extended by CFC by one year to May 10, 2010. Advances under this portion of the Credit Facilities are repayable without any pre-payment penalties or bonus (subject to normal breakage costs) and will bear interest at a floating rate plus an applicable spread.

Both the Revolving Floorplan Facility and the Revolving Term Facility require maintenance of certain financial covenants and are collateralized by a general security agreement consisting of a first security interest on all present and future property. The Credit Facilities may in certain circumstances restrict the ability of the Fund to pay distributions if the payment would result in a default under the Credit Facilities. At December 31, 2007, the Fund was in compliance with these covenants.

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.

(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.

Capital Expenditures

Our capital expenditures consist primarily of leasehold improvements, the purchase of furniture and fixtures, service vehicles, computer hardware and computer software. Management expects that our annual capital expenditures will increase in the future, as a function of increases in the number of locations requiring maintenance capital expenditures, the cost of opening new locations and increased spending on information systems. Our future growth is dependent on our ability to acquire and integrate additional dealerships and to successfully operate existing dealerships. Management expects that our cash flow generated from operations, together with working capital availability under our Revolving Term Facility, is sufficient to fund our debt service, working capital requirements and capital spending for the next year.

In 2006 the Fund announced that it was undertaking to convert its dealerships to a common upgraded software platform and had entered into a contract with ADP to work with the Fund to install and train the dealership staff to utilize ADP's next generation of dealership accounting software. During the first quarter of 2008, the Fund will continue its upgrade of existing dealership management software supplied by ADP by converting two remaining locations that are currently supplied by Reynolds and Reynolds to ADP. This will be another key enabler in supporting efforts to standardize processes and share best practices across all dealerships.

Costs related to the Open Points will be treated as growth capital when incurred (see Acquisitions and Open Points above).

The Fund plans to relocate eight dealerships over the next eighteen months that will result in additional capital expenditures for leasehold improvements, furniture and fixtures, service vehicles, computer hardware, and computer software. The relocation plan is being undertaken in order to expand service capacity and sales opportunities in key markets which in turn should lead to increased profitability. Five of these dealerships are currently under construction including: Grande Prairie Mitsubishi (Grande Prairie, Alberta) and Grande Prairie Subaru (Grande Prairie, Alberta) which are anticipated to open during the second quarter of 2008, Grande Prairie Nissan (Grande Prairie, Alberta) which is anticipated to open during the third quarter of 2008, Capital Chrysler Jeep Dodge (Edmonton, Alberta) which is anticipated to open during the fourth quarter of 2008 and Crosstown Chrysler Jeep Dodge (Edmonton, Alberta) which is anticipated to open during the third quarter of 2009.

The Fund previously announced that Northland Mitsubishi, Northland Dodge and Northland Nissan all located in Prince George, British Columbia would be constructed or relocated during the fourth quarter of 2008. As discussed in "Acquisitions and Open Points" above, land had been acquired by a party related to the Fund for the construction and relocation of these dealerships, however management is exploring the possibility of relocating these dealerships to an alternate location that should further enhance the expected profits from these dealerships. If a decision is made to select the new location the relocation date for these dealerships may be later than previously reported.

As discussed in "Acquisitions and Open Points" above, the Fund had entered into a letter of intent to open a new franchised automobile dealership with Hyundai Auto Canada Corp. ("Hyundai") to be located in Burnaby, British Columbia. The Fund had been awaiting the closing of the acquisition of suitable land on which to construct the dealership, but has determined that such land is not appropriate and is in the process of reviewing alternate potential sites. The Fund is working with Hyundai to find a suitable location for the dealership.

The relocation dates indicated above are based on management estimates and are dependent on numerous factors such as weather conditions and the availability of construction labour and equipment. Some of these factors are beyond management's control.

Upon completion of the above relocations, the Fund's dealerships will operate approximately 35 additional service bays. The relocated dealerships will operate from state of the art facilities, thereby increasing efficiencies and offering an enhanced customer sales and service experience. Although the Mitsubishi dealership facilities are significantly smaller than our group average, management considers its Mitsubishi dealerships to be attractive value added opportunities within the Fund's multi-dealer platform operating philosophy where the operating performance of such dealerships can be further enhanced through operating efficiencies. Currently, the Fund rents its dealership facilities from third parties which in some cases include CAG. Consideration is being given by the Fund to own dealership facilities as deemed appropriate. The acquisition of these facilities would be financed with cash flow generated from operations, third party mortgages, and existing credit facilities.

Contractual Obligations

The table below sets forth, as at December 31, 2007, the material contractual obligations of the Fund, due in the years indicated, which relate to various premises and equipment leases.

(In thousands of dollars)	**Leases**	**Long-term Debt**	**Total**
	$	**$**	**$**
Less than one year	5,653	210	5,863
One to three years	10,292	10,394	20,686
Four to five years	5,529	-	5,529
Thereafter	990	-	990
	22,464	10,604	33,068

Financial Position

The following table shows selected audited balances of the Fund for December 31, 2007 and December 31, 2006 as well as unaudited balances of the Fund at September 30, 2007, June 30, 2007 and March 31, 2007, September 30, 2006 and June 30, 2006.

	The Fund						
	December 31, 2007	September 30, 2007	June 30, 2007	March 31, 2007	December 31, 2006	September 30, 2006	June 30, 2006
Balance Sheet Data							
Cash and cash equivalents	18,014	20,179	21,077	24,268	20,880	20,265	20,271
Accounts receivable	34,274	39,940	35,980	31,200	27,742	30,562	25,875
Inventories	142,128	147,419	132,814	117,034	112,680	101,252	145,888
Total assets	374,341	387,263	369,678	351,732	338,532	325,017	364,939
Revolving floorplan facilities	143,655	152,390	133,731	118,974	113,357	103,297	146,283
Total long term liabilities	28,153	30,228	30,795	11,674	5,775	294	105

Net Working Capital

The automobile manufacturers represented by the Fund require the Fund to maintain an aggregate minimum net working capital of approximately $28.4 million. At December 31, 2007, net working capital was approximately $32.2 million.

Off Balance Sheet Arrangements

The Fund has not entered into any off balance sheet arrangements.

Related Party Transactions

Note 15 to the audited annual consolidated financial statements of the Fund summarizes the transactions between the Fund and its related parties. These transactions are management and non-competition fees received and rents paid to companies with common ownership, management and directors. In addition, there are consulting fees paid to a company controlled by a trustee. The total management and non-competition fees received from CAG for the year ended December 31, 2007 was $586. We lease twelve of our existing nineteen locations from related parties to the Fund. The total rent paid by us to the related parties for the year ended December 31, 2007 was $3,604. We have received advice from a national real estate appraisal company that the market rents at each of our facilities leased from related parties of the Fund are at fair market value rates when the leases were entered into.

Changes in Accounting Policies and Initial Adoption

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 either 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
- 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.

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.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in conformity with GAAP, which requires management to make estimates, judgments and assumptions that management believes are reasonable based upon the information available. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Management bases its estimates on historical experience and other assumptions which it believes to be reasonable under the circumstances. Management also evaluates its estimates on an ongoing basis.

Our significant accounting policies are described in Note 2 ("Significant Accounting Policies") of the December 31, 2007 audited consolidated financial statements of the Fund. The policies which management believes are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

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.

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 and other insurance products, 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 chargeback's 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.

Inventory Valuation

Inventory is valued at the lower of cost and net realizable value. The value of our inventory is dependent upon our ability to plan and manage our inventory so as to avoid miscalculation in brand or model popularity. Any such miscalculation could adversely affect the value of our inventory. Our planning procedures and our supply chain structure are designed to minimize inventory write downs.

Finance and Insurance Commission Reserve

As discussed above we may be required to pay back a portion of the commissions earned from the sale of third party finance and insurance products in the event of early contract termination by customers. A reserve for future repayments is established at the time the sale is made. Our process for establishing the reserve carefully considers our historical repayment percentages and the timing of such repayments.

Income Taxes

As an income trust we are currently not subject to income taxes to the extent our taxable income in a year is paid or payable to our unit holders.

Enacted tax changes for Canadian income trusts

On June 12, 2007, the Government of Canada enacted legislation to impose additional income taxes on Specified Investment Flow-Through ("SIFT") trusts and SIFT partnerships, including AutoCanada, effective January 1, 2011. Prior to June 2007, we estimated the future income tax on certain temporary differences between amounts recorded on our balance sheet for book and tax purposes at a nil effective tax rate.

In December 2007, the Government of Canada substantively enacted rate reductions which lowered corporate tax rates for the years 2008 to 2012 and beyond. The federal corporate tax rates were reduced from 19.5 percent in 2008 to 15 percent in 2012 and future years. These rate reductions resulted in rate reductions to the trust taxation from 31.5 percent as enacted by the Government of Canada in second quarter 2007 for years commencing 2011, to 29.5 percent in 2011 and 28.0 percent thereafter.

The Fund currently has unused tax deductions of approximately $60 million which can be utilized in the future to reduce the Fund's taxable income. We plan to maximize the amount of the tax pools that can be carried forward to reduce and defer, as much as possible, our income tax exposure beginning in 2011. To achieve this objective, we plan to maximize the taxable component of all distributions declared in 2007 through 2010.

The SIFT rules provide that, while there is no intention to prevent "normal growth" during the transitional period, any "undue expansion" could result in the transition period being "revisited", presumably with the loss of the benefit to the Fund of that transitional period. As a result, the adverse tax consequences result from the SIFT Rules could be realized sooner than January 1, 2011. On December 15, 2006, the Government of Canada issued guidelines with respect to what is meant by "normal growth" in this context. Specifically, the Government of Canada stated that "normal growth" would include equity growth within certain "safe harbour" limits, measure by reference to a SIFT's market capitalization as of the end of trading on October 31, 2006 (which would include only the market value of the SIFT's issued and outstanding publicly-traded units, and not any convertible debt, options, or other interests convertible into or exchangeable for trust units). These guidelines have been incorporated into the SIFT Rules. Those safe harbour limits are the greater of $50 million of 40 percent of the market capitalization benchmark for the period from November 1, 2006 to December 31, 2007, and 20 percent each for calendar 2008, 2009, and 2010. Moreover, these limits are cumulative (other than the $50 million annual limit), so that any unused limit for a period carries over into the subsequent period.

AutoCanada's market capitalization as of the close of trading on October 31, 2006, having regard only to issued and outstanding publicly-traded units, was approximately $133 million, which means AutoCanada's "safe harbour" equity growth amount for the period ending December 31, 2007 is approximately $53 million. For 2008, the available amount is $103 million including the $52 million carried over from 2007. As a consequence, the Fund could issue new units for proceeds of $103 million in 2008 and remain within the "safe harbour" guidelines. There is $50 million available for each 2009 and 2010.

AutoCanada's management will continue to review and consider alternatives for the most efficient organizational structure for AutoCanada. The Fund is established in Alberta where a corporation is subject to lower overall tax rates than the rate that will apply to SIFT's in 2011.

The Government of Canada has indicated that it will allow corporate conversions to occur on a tax deferred basis but the specific rules have not yet been established. AutoCanada expects to take advantage of the flow-through mechanism of the trust structure until 2011, unless there are more compelling reasons for converting prior to 2011. Management believes that similar to American public companies which own and operate franchised automotive dealerships, AutoCanada continues to be a long-term value investment in the automotive industry in Canada and does not rely on the tax efficiency of a flow-through trust model to sustain our business. Our business model and growth prospects provide a solid foundation for future distributions and our ability to generate value for our unitholders.

Disclosure Controls & Procedures

Management of the Fund has evaluated the effectiveness of the Fund's disclosure controls and procedures (as defined in Multilateral Instrument 52-109 of the Canadian Securities Administrators) as of December 31, 2007. Based on that evaluation, we concluded that the design and operation of these disclosure controls and procedures are effective.

Internal Controls Over Financial Reporting

Management is responsible for designing such internal controls over financial reporting, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. No changes were made in the Fund's internal control over financial reporting during the year ended December 31, 2007, that have materially affected, or are reasonably likely to materially affect, the Fund's internal control over financial reporting. The Fund's financial reporting procedures and practices have enabled the certification of the Fund's interim filings in compliance with Multilateral Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings". Management has designed such internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements and other annual and interim filings in accordance with Canadian Generally Accepted Accounting Principles.

CEO and CFO Certifications

The Fund files certifications, signed by the CEO and CFO, with the Canadian Securities Regulatory Authorities upon filing of the Fund's annual financial statements and MD&A. In those filings, the CEO and CFO certify, as required by Multilateral Instrument 52-109, the appropriateness of the financial disclosures, the design and evaluation of the Fund's disclosure controls and procedures, and the design of internal controls over financial reporting. The Fund's CEO and CFO also certify the appropriateness of the financial disclosures in its interim filings with Canadian Securities Regulatory Authorities, and that they have designed disclosure controls and procedures, and internal controls over financial reporting. The Audit Committee reviewed this MD&A, and the interim consolidated financial statements, and the Board of Directors and Trustees approved these documents prior to their release.

Outlook

Canadian vehicle sales were very strong in 2007 and are predicted to continue robust growth as illustrated in the following chart:

Vehicle Sales Outlook by Province*

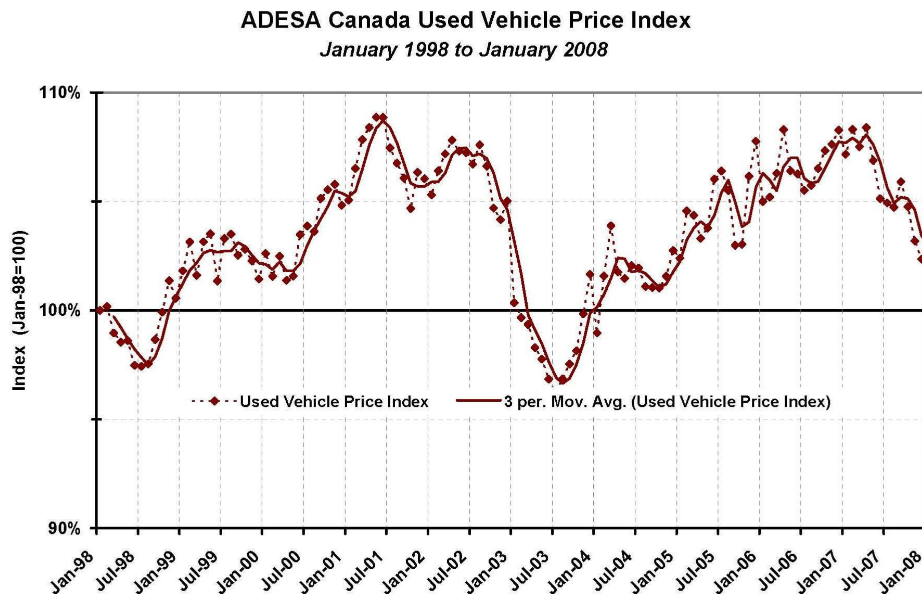
(thousands of units, annual rates)

	1994-2004 Average	2005	2006	2007	2008f	2009f
Canada	**1,434**	**1,583**	**1,614**	**1,654**	**1,610**	**1,625**
Atlantic	**102**	**108**	**110**	**118**	**115**	**116**
Central	**931**	**998**	**997**	**1,001**	**959**	**967**
Quebec	363	399	396	408	393	396
Ontario	568	599	601	593	566	571
West	**401**	**477**	**507**	**535**	**536**	**542**
Manitoba	41	44	44	45	44	45
Saskatchewan	36	38	38	44	45	46
Alberta	162	213	236	249	251	253
British Columbia	162	182	189	197	196	198

* Includes cars and light trucks

Source: Scotia Economics - Global Auto Report, February 29, 2008

However, we are seeing a period of increased used vehicle price volatility as evidenced by the chart below:



Source: ADESA Canada

As previously reported the volatility in used car pricing is being driven largely by two factors:

- The strength of the Canadian dollar relative to the US dollar resulting in an increase in the number of vehicles entering Canada from the United States. There are barriers to entry with respect to importing some of these vehicles for resale into Canada which may include the transferability of new vehicle warranties, inadmissibility for import due to failure to meet Canadian safety standards, modifications required to meet Canadian safety standards, and transportation costs. To date, most of these vehicles have been limited to high value luxury vehicles, however recent trends include an increase in non-luxury vehicles. Management has also observed that some manufacturers have implemented significant price reductions which may or may not be matched by the rest of the industry that management believes should stimulate demand and lessen the risk from imported vehicles from the United States.

- Significant lease returns to manufacturers resulting in an increased supply of used vehicles and future downward pricing pressure.

This has several implications for the Fund including:

- Increased emphasis on maintaining used vehicle inventory levels within corporate guidelines.

- The need to quickly make any used vehicles received on trade either available for resale or wholesale.

During the last quarter management addressed these changing market conditions by:

- Adding head office staff to take advantage of buying opportunities in the used vehicle market. As per the terms of Fund's dealership franchise agreements, the Fund is restricted to purchasing only those vehicles that meet the definition of being considered "used" vehicles.

- Increase contact and monitoring of used vehicle inventory at the dealership level.

- Continuing with the Fund's practice to not participate in in-house lease programs thereby eliminating its exposure to residual value risk of returned lease vehicles.

- Continuing with the Fund's policy of writing down used vehicle inventory values based on aging. Management has reviewed the policy and has determined that current amounts reserved are adequate. During the period from January 1, 2007 to December 31, 2007, the amount reserved has increased by $404 to $1,109. Any increases in the reserve

reduce income in the period which the reserve is increased.

In 2007, the new vehicle sales market in Canada was 1.654 million units and the used vehicle sales market was 2.591 million units for a total market of approximately 4.245 million units. 189,738 (4.5%) of these units were imported from the United States. Management estimates that for 2008 that this trend will continue. Although this represents a small fraction of the total market, these imported vehicles can have a significant impact on Canadian used vehicle residual values. Manufacturers have responded to these increased pressures from imported vehicles with incentives and price reductions that have significantly reduced the cost of new vehicle ownership in Canada.

The Fund typically experiences higher sales in the second and third quarter of the year. Weather and the timing with which holidays fall can impact sales. For example, March of 2008 may not be as strong as March of 2007 due to Easter falling in March, 2008 and thus there are three less selling days.

We intend to continue to grow our cash flow through continued growth in same store gross profit and operating results, acquisitions, the planned opening of Open Points and the addition of franchised automobile dealerships managed by the Fund. Management intends to increase same store sales growth and realize further operating efficiencies and synergies by continuing to implement standardized operating policies. We have identified potential acquisitions that would be accretive to our existing operations and complement our growth model and strategies.. We plan to take advantage of Open Points if and when they are offered by manufacturers and when suitable land can be acquired. The achievement of this outlook is subject to various risks as described in the "Risk Factors" below. Some of these risks are beyond management's control.

Risk Factors

- Uncertainty in the capital markets caused by the volatility of U.S. sub prime markets may result in limited access capital, as well as potentially higher interest rates is an additional risk in the Fund's activities. Notwithstanding same, the Fund believes that its strong balance sheet provides a strategic advantage by allowing it better access to capital than some of its competitors.

- As a result of the rapid appreciation of the Canadian dollar when compared to the U.S. dollar, certain used and new vehicles, as well as vehicle parts, are less expensive in the U.S. when compared to Canadian prices and as a result increases the risk related to some of the Fund's operations. In response to the rapid change in the value of the Canadian dollar when compared U.S. dollar certain manufacturers have just recently begun to offer new vehicle sales incentives that result in new car prices being comparable from Canada to the United States once currency exchange rates have been taken into account. These manufacturer incentives could be amended or discontinued at any time. In addition, such currency appreciation could have a negative impact on businesses that operate in the communities in which our dealerships are located which could in turn, negatively impact our dealerships' performance.

- The Easter holiday falls in the month of March in 2008 which reduces the number of selling days available in what is traditionally the largest volume month of the first quarter. This could negatively impact the financial results of the Fund in the first quarter of 2008, but should result in improved results during the second quarter of 2008.

For a discussion of these risks and other risks associated with the Fund Units, see "Risk Factors" detailed in the Fund's final prospectus dated May 3, 2006 and the Fund's Annual Information Form for the year ended December 31, 2007 both of which are available at www.sedar.com.

Additional information

Additional information relating to the Fund, including all public filings, is available on SEDAR (www.sedar.com). The Fund's Units trade on the Toronto Stock Exchange under the symbol ACQ.UN.