AutoCanada Income Fund

Interim Consolidated Financial Statements
(Unaudited)

March 31, 2007

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

AutoCanada Income Fund

Interim Consolidated Balance Sheet

(expressed in Canadian dollar thousands)

	March 31, 2007 (Unaudited)	December 31, 2006
ASSETS	$	**$**
Current assets		
Cash and cash equivalents	24,268	20,880
Restricted cash	3,667	3,476
Accounts receivable	31,200	27,742
Inventories (note 5)	117,034	112,680
Due from vendors	-	2,640
Prepaid expenses	1,278	1,419
	177,447	168,837
Property and equipment	12,129	11,839
Intangible assets	79,956	79,034
Goodwill	82,122	78,744
Other assets	78	78
	351,732	338,532
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	24,496	23,521
Revolving floorplan facility (note 6)	118,974	113,357
Distributions payable (note 10)	1,687	1,687
Due to related parties	1,001	-
Current portion of long-term debt (note 7)	189	96
Current portion of obligation under capital lease	80	72
	146,427	138,733
Long-term debt (note 7)	11,417	5,535
Obligation under capital lease	257	240
	158,101	144,508
Contingencies (note 8)		
UNITHOLDERS' EQUITY		
Fund units (note 9 (a) and (b))	105,200	105,200
Exchangeable units (note 9(c))	88,847	88,847
Contributed surplus (note 9(d))	640	455
Accumulated other comprehensive income	-	-
Accumulated deficit	(1,056)	(478)
	193,631	194,024
	351,732	338,532

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

AutoCanada Income Fund

Interim Consolidated Statement of Operations, Comprehensive Income and Accumulated Deficit
(Unaudited)
For the three months ended March 31, 2007

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

	$
Revenue	
Vehicles	171,931
Parts, service and collision repair	21,908
Other	540
	194,379
Cost of sales	163,087
Gross profit	31,292
Expenses	
Selling, general and administrative	23,634
Interest	2,385
Amortization	790
	26,809
Net earnings and comprehensive income for the period (Note 2)	4,483
Accumulated deficit, beginning of period	(478)
Distributions declared (note 10)	(5,061)
Accumulated deficit, end of period	(1,056)
Earnings per unit	
Basic and diluted	0.221
Weighted average units	
Basic and diluted (note 9(e))	20,257,000

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

AutoCanada Income Fund

Interim Consolidated Statement of Cash Flows
(Unaudited)
For the three months ended March 31, 2007

(expressed in Canadian dollar thousands)

	$
Cash provided by (used in)	
Operating activities	
Net earnings for the period	4,483
Items not affecting cash	
Unit-based compensation (note 9(d))	185
Amortization	790
Gain on disposal of property and equipment	5
	5,463
Net change in non-cash operating working capital balances	3,066
	8,529
Investing activities	
Investment in variable interest entity (note 4)	(4,727)
Purchase of property and equipment	(1,117)
Proceeds on sale of property and equipment	5
Restricted cash	(191)
	(6,030)
Financing activities	
Proceeds from long-term debt	6,030
Repayment of long-term debt	(55)
Repayment of obligation under capital lease	(25)
Distributions paid to Unitholders	(5,061)
	889
Increase in cash	3,388
Cash and cash equivalents, beginning of period	20,880
Cash and cash equivalents, end of period	24,268
Supplementary information	
Cash interest paid	2,595
Transfer of inventory to property and equipment	665
Transfer of property and equipment to inventory	763

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

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

1 Nature of operations and basis of presentation

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

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

These consolidated financial statements include the accounts of the Fund, AutoCanada Operating Trust, AutoCanada LP, AutoCanada GP Inc., several subsidiaries thereof and Durham Motors LP, operating as Grande Prairie Nissan, a variable interest entity (Note 4). All inter-entity balances and transactions have been eliminated on consolidation. Since the Fund commenced operations on May 11, 2006 (note 3), no comparative information is provided.

The accompanying unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial statements. The accounting principles and methods of computation adopted in these financial statements are the same as those for the audited financial statements for the period ended December 31, 2006, except as described in Note 2. However, the interim consolidated financial statements do not include all information and footnote disclosures required under Canadian GAAP for annual financial statements. Accordingly, these unaudited consolidated interim financial statements should be read in conjunction with the audited financial statements and notes thereto for the period ended December 31, 2006.

2 Changes in accounting policies

Effective January 1, 2007, the Fund adopted three new accounting standards related to financial instruments that were issued by the Canadian Institute of Chartered Accountants ("CICA") in 2005. These accounting policy changes were adopted on a prospective 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)

In accordance with this new standard, 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 loss.

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

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 periodical revaluation are recorded in net earnings;
- Accounts receivable are classified as loans and receivables and are initially measured at fair value and subsequent period revaluations are recorded at amortized cost; and,
- Accounts payable and accrued liabilities, revolving floorplan facility, distributions payable, long-term debt, and obligation under capital lease are classified as other liabilities and are initially measured at fair value and subsequent periodical revaluations are recorded at amortized cost.

The estimated fair value of receivables, payables and revolving floorplan facility approximate carrying value due to the relatively short-term nature of the instruments and/or floating interest rates on the instruments. The estimated fair value of the long-term debt approximates the carrying value because interest rates are floating.

Consequently, as at January 1, 2007 and March 31, 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 embedded derivatives. An embedded derivative is a component of a financial instrument or other contract of 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 consolidated statement of 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 three month period ended March 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)

The new standards 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.

3 Business acquisitions

a) On May 10, 2006, the Fund completed an initial public offering for aggregate cash proceeds of $102,095. The Fund used the net proceeds from the initial public offering to acquire an indirect 50.4% interest in AutoCanada LP, represented by 10,209,500 AutoCanada LP Units. AutoCanada LP, through a series of

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

transactions, including the issuance of 10,047,500 Exchangeable Units, acquired 100% of the net business assets of CAG. The costs of issuance of the Fund Units and Exchangeable Units were $8,523. The acquisition of the Fund's interest in the acquired business has been accounted for using the purchase method.

On May 31, 2006, 740,000 Exchangeable Units were exchanged and 740,000 additional Fund Units were issued pursuant to the over-allotment option granted to underwriters (note 9(c)).

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

	$
Cash	102,095
Issuance of Exchangeable Units	100,475
Issuance costs	(8,523)
Total purchase price	194,047
Current assets (including cash acquired of $4,925)	168,879
Property and equipment	12,828
Other assets	78
Current liabilities	(142,184)
Long-term liabilities	(142)
Intangible assets	77,800
Net identifiable assets acquired	117,259
Goodwill	76,788
	194,047

(b) On October 31, 2006, the Fund purchased substantially all of the net operating assets of 500672 BC Ltd. operating as Victoria Hyundai ("Victoria Hyundai") for total cash consideration of $8,090. The acquisition was funded by drawing on the Fund's Revolving Floorplan Facility (note 6) in the amount of $3,520 and on the Revolving Term Facility (note 7) in the amount of $4,570. The acquisition has been accounted for using the purchase method and the consolidated financial statements include operating results of Victoria Hyundai subsequent to October 31, 2006.

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

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

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

4 Variable interest entity

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

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

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

	$
Current assets	3,611
Property and equipment	19
Intangible assets	922
Current liabilities	(3,203)
Net identifiable assets acquired	1,349
Goodwill	3,378
	4,727

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

5 Inventories

	$
New vehicles	84,413
Demonstrator vehicles	5,541
Used vehicles	20,782
Parts and accessories	6,298
	117,034

6 Revolving floorplan facility

	$
New vehicles	106,534
Demonstrator vehicles	4,321
Used vehicles	8,119
	118,974

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

A separate Revolving Floorplan Facility from the Bank of Nova Scotia (“BNS”) is available to a dealership managed by the Fund. This Facility is available to finance new and demonstrator vehicles, is $5,000, bears interest at Bank of Nova Scotia prime rate (6.00% at March 31, 2007) and is payable monthly in arrears. The BNS Revolving Floorplan Facility requires maintenance of certain financial covenants and is collateralized by a general security agreement consisting of first security interest on all present and future property of the managed dealership, a $1,000 guarantee from CAG to the Fund, and the managed dealership’s new and demonstrator vehicle inventory. The individual notes payable of the BNS Revolving Floorplan are due when the related vehicle is sold. The balance outstanding on the BNS Revolving Floorplan Facility as of March 31, 2007 is $4,365 and is included in the “New vehicles” balance above.

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

7 Long-term debt

	$
Revolving Term Facility, due May 10, 2009 bearing interest from RBC prime to RBC prime plus 0.75% (i)	11,000
CFC lease contracts, repayable over 24 months bearing interest from 7.35% to 7.75% (ii)	606
	11,606
Less: Current portion	(189)
	11,417

(i) CFC provides the Fund a Revolving Term Facility. The amount of the Revolving Term Facility available is based on certain assets (the ‘‘borrowing base’’) and a percentage of EBITDA of AutoCanada LP, up to a maximum amount of $50,000, and is available to finance working capital and the acquisition of automobile dealerships. The Revolving Term Facility matures May 10, 2009 and bears interest at RBC prime rate for amounts borrowed not exceeding the borrowing base and RBC prime rate plus 0.75% for amounts borrowed in excess of the borrowing base. RBC prime as at March 31, 2007 was 6.0%. This Revolving Term Facility provides for a commitment fee of 0.25% of any unused portion and a draw fee of 1.5% of any amount borrowed, both payable quarterly in arrears and requires maintenance of certain financial covenants and is collateralized by a general security agreement consisting of a first security interest on all present and future property. The Revolving Term Facility may in certain circumstances restrict the ability of AutoCanada LP and the Fund to pay distributions if the payment would result in a default.

(ii) CFC lease contracts are collateralized by the related lease contract and lease vehicles with a carrying value of $681.

Principal payments for the next three years are as follows:

	$
2007	189
2008	417
2009	11,000
	11,606

8 Contingencies

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

(b) The Fund’s operations are subject to federal, provincial and local environmental laws and regulations in Canada. While the Fund has not identified any costs likely to be incurred in the next several years, based on known information for environmental matters, the Fund’s ongoing efforts to identify potential

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

environmental concerns in connection with the properties it leases may result in the identification of additional environmental costs and liabilities. The magnitude of such additional liabilities and the costs of complying with environmental laws or remediating contamination cannot be reasonably estimated at the balance sheet date due to lack of technical information, absence of third party claims, the potential for new or revised laws and regulations and the ability to recover costs from any third parties. Thus the likelihood of any such costs or whether such costs would be material cannot be determined at this time.

9 Unitholders' equity

(a) Authorized

An unlimited number of Fund Units may be created and issued pursuant to the Declaration of Trust. All Fund Units entitle the holder thereof to one vote and each Fund Unit has equal voting rights and privileges.

(b) Issued

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

(c) Exchangeable LP units

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

(d) Contributed surplus

The Fund has an Incentive Unit Option Plan (the "Plan") for certain employees, officers, directors and trustees. Options issued under the Plan vest at a rate of one third on the three subsequent award date anniversaries. All the options must be exercised over specified periods not to exceed five years from the date granted. At March 31, 2007, 1,519,275 units remained reserved for issuance under the option plan. During the three-month period ended March 31, 2007, 120,000 options were granted to purchase Fund Units. No options were exercisable as at March 31, 2007.

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

	Weighted average remaining contractual life Yrs	**Units #**	**Weighted average exercise price $**
Options outstanding, beginning of period	4.11	719,967	10
Granted	4.78	120,000	9.90
Cancelled	4.78	(60,000)	9.90
Options outstanding, end of period		779,967	9.99

The fair value of the units were equal to the exercise price as at the grant date. The fair value of the options granted during the period ended March 31, 2007 were estimated as at the grant date using the Black-Scholes option pricing model, using the following assumptions:

Risk free interest rate	3.97 %
Expected life in years	5.0 years
Expected volatility	36.0 %
Expected dividends	$1
Fair value per option	$1.56

The impact of expensing the unit options for the period ended March 31, 2007 was $185, with a corresponding increase to contributed surplus.

(e) Weighted average number of units outstanding

The weighted average number of units outstanding used in computing diluted earnings per unit was calculated and there was no significant difference between this and the weighted average number of units outstanding used in computing basic earnings per unit.

10 Distributions

Distributions are discretionary and are determined based on earnings, before amortization, but reduced by capital expenditures, subject to approval of the Trustees. Distributions totaling $0.250 were declared per Fund Unit and the Exchangeable LP Unit respectively by the Fund for the three-month period ended March 31, 2007.

	Declared $	**Paid $**
Fund Units	2,736	1,824
Exchangeable Units	2,325	1,550
	5,061	3,374

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

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

Distributions payable to all Unitholders in the amount of $1,687 as at March 31, 2007 were paid in April, 2007.

11 Related party transactions and balances

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

	$
Management fees and non-competition fees received from a director and companies with common directors	66
Rent paid to companies with common directors	724

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

(b) In accordance with a credit agreement in place between the Fund and a related party, there is a guarantee in place to the Fund from the related party for $1,000.

12 Economic dependence

The Fund purchases substantially all new vehicles and parts and accessories from DaimlerChrysler Canada Ltd.

13 Seasonal nature of the business

The Fund's results from operations for the period ended March 31, 2007 are not necessarily indicative of the results that may be expected for the full year due to seasonal variations in sales levels. The results from operations of the Fund (CAG prior to May 10, 2006) have been lower in the first and fourth quarters of each year, largely due to consumer purchasing patterns during the holiday season, inclement weather and the reduced number of business days during the holiday season. As a result, our financial performance is generally less 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.

14 Subsequent events

On May 3, 2007, the Fund was awarded by Mitsubishi Motor Sales of Canada, Inc., an Open Point in Grande Prairie, Alberta. The new dealership will be owned by the Fund and carry on business under the name of Grande Prairie Mitsubishi.