AutoCanada Income Fund

Interim Consolidated Financial Statements
(Unaudited)

June 30, 2009

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

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Chartered Accountants
TD Tower
10088 102 Avenue NW, Suite 1501
Edmonton, Alberta
Canada T5J 3N5
Telephone +1 780 441 6700
Facsimile +1 780 441 6776

August 7, 2009

Review Engagement Report

To the Audit Committee and the Trustees of
AutoCanada Income Fund

We have reviewed the consolidated balance sheet of AutoCanada Income Fund (the "Fund") as at June 30, 2009, the consolidated statements of operations, comprehensive income/(loss) and deficit and cash flows for the three and six-month periods ended June 30, 2009 and June 30, 2008 (the "interim financial statements"). These interim financial statements are the responsibility of the Fund's management.

We performed our review in accordance with Canadian generally accepted standards for a review of interim financial statements by an entity's auditor. Such an interim review consists principally of applying analytical procedures to financial data, and making enquiries of, and having discussions with, persons responsible for financial and accounting matters. An interim review is substantially less in scope than an audit, whose objective is the expression of an opinion regarding the financial statements; accordingly, we do not express such an opinion. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit.

Based on our review, we are not aware of any material modification that needs to be made for these interim financial statements to be in accordance with Canadian generally accepted accounting principles.

The accompanying balance sheet as at December 31, 2008 is a reproduction of the balance sheet from the complete financial statements of the Fund, as at December 31, 2008 and for the year then ended, on which we expressed an opinion without reservation in our report dated March 23, 2009. The fair reproduction of the complete balance sheet is the responsibility of management. Our responsibility is to report on the balance sheet. In our opinion, the accompanying balance sheet as at December 31, 2008 is appropriately reproduced.

This report is solely for the use of the audit committee of the Fund to assist it in discharging its regulatory obligation to review these financial statements, and should not be used for any other purpose. Any use that a third party makes of this report, or any reliance or decisions made based on it, are the responsibility of such third parties. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on this report.

PricewaterhouseCoopers LLP

Chartered Accountants

AutoCanada Income Fund

Interim Consolidated Balance Sheet

(expressed in Canadian dollar thousands)

	June 30, 2009 (unaudited)	December 31, 2008
ASSETS	$	$
Current assets		
Cash and cash equivalents	14,842	19,592
Restricted cash	925	3,238
Accounts receivable	27,034	31,195
Inventories (note 3)	90,141	139,948
Prepaid expenses	3,209	1,565
	136,151	195,538
Property & equipment	18,620	17,227
Intangible assets	43,700	43,700
Future income taxes (note 2(a) & 10)	421	585
Other assets	54	54
	198,946	257,104
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	27,164	21,990
Revolving floorplan facilities (note 4)	73,161	137,453
Distributions payable	-	1,656
Current portion of long term debt (note 5)	4,752	570
	105,077	161,669
Long term debt (note 5)	20,576	25,522
	125,653	187,191
Economic dependence (note 1)		
Contingencies (note 6)		
UNITHOLDERS' EQUITY		
Fund units (note 7(a) and (c))	101,588	101,588
Exchangeable units (note 7(d))	88,847	88,847
Contributed surplus (note 7(e))	3,883	3,822
Deficit	(121,025)	(124,344)
	73,293	69,913
	198,946	257,104

Approved on behalf of the Fund:

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

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

AutoCanada Income Fund

Interim Consolidated Statement of Operations, Comprehensive Income (Loss) and Deficit

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

	Three Months ended June 30, 2009 (unaudited)	*Three Months ended June 30, 2008 (unaudited) (Restated - Note 2(a))*	*Six Months ended June 30, 2009 (unaudited)*	*Six Months ended June 30, 2008 (unaudited) (Restated - Note 2(a))*
	$	**$**	**$**	**$**
Revenue				
Vehicles	174,549	202,177	320,495	376,269
Parts, service and collision repair	27,323	26,610	53,718	50,146
Other	398	538	856	1,026
	202,270	229,325	375,069	427,441
Cost of sales (note 3)	164,445	189,306	306,063	354,356
Gross profit	37,825	40,019	69,006	73,085
Expenses				
Selling, general and administrative	30,450	29,916	58,263	56,233
Interest	1,656	2,291	3,001	4,581
Amortization	902	758	1,774	1,529
	33,008	32,965	63,038	62,343
Earnings before income taxes	4,817	7,054	5,968	10,742
Future income taxes (note 10)	67	147	164	477
Net earnings & comprehensive income for the period	4,750	6,907	5,804	10,265
Deficit, beginning of period - as previously stated	(125,775)	(18,952)	(124,344)	(16,968)
Change in accounting policy related to future income taxes (note 2(a))	-	8,259	-	7,979
Deficit, beginning of period - as restated	(125,775)	(10,693)	(124,344)	(8,989)
Distributions declared (note 8)	-	(5,062)	(2,485)	(10,124)
Deficit, end of period	(121,025)	(8,848)	(121,025)	(8,848)
Earnings per unit				
Basic	0.239	0.341	0.292	0.507
Diluted	0.239	0.341	0.292	0.507
Weighted average units				
Basic	19,880,930	20,257,000	19,880,930	20,257,000
Diluted	19,880,930	20,257,000	19,880,930	20,257,000

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

AutoCanada Income Fund

Interim Consolidated Statement of Cash Flows

(expressed in Canadian dollar thousands)

	Three Months Ended June 30, 2009 (unaudited)	*Three Months Ended June 30, 2008 (unaudited) (Restated - Note 2(a))*	*Six Months ended June 30, 2009 (unaudited)*	*Six Months ended June 30, 2008 (unaudited) (Restated - Note 2(a))*
Cash provided by (used in)	**$**	**$**	**$**	**$**
Operating activities				
Net earnings for the period	4,750	6,907	5,804	9,859
Items not affecting cash				
Future income taxes (note 10)	67	147	164	883
Unit based compensation (note 7(e))	22	43	61	102
Amortization	902	758	1,774	1,529
(Gain) loss on disposal of property & equipment	(18)	20	(9)	14
	5,723	7,875	7,794	12,387
Net change in non-cash working capital balances	(3,112)	5,931	(8,397)	4,158
	2,611	13,806	(603)	16,545
Investing activities				
Business acquisitions	-	(12,504)	-	(12,504)
Purchase of property & equipment	(2,175)	(1,258)	(3,240)	(1,672)
Purchase of other assets	-	(12)	-	(12)
Proceeds on sale of property & equipment	11	-	55	24
Restricted cash	2,531	1,491	2,313	1,383
	367	(12,283)	(872)	(12,781)
Financing activities				
Proceeds from long term debt	-	6,858	286	7,066
Repayment of long term debt	(658)	(158)	(1,076)	(261)
Distributions paid to Unitholders	-	(5,062)	(2,485)	(10,124)
	(658)	1,638	(3,275)	(3,319)
Increase (decrease) in cash	2,320	3,161	(4,750)	445
Cash and cash equivalents, beginning of period	12,522	15,298	19,592	18,014
Cash and cash equivalents, end of period	14,842	18,459	14,842	18,459
Supplementary information				
Cash interest paid	1,306	2,191	2,792	4,609
Transfer of inventory to property & equipment	189	447	366	803
Transfer of property & equipment to inventory	168	156	420	409

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

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

1 Economic dependence and measurement uncertainty

Economic dependence

The Fund has significant commercial and economic dependence on Chrysler Canada, Chrysler Financial Canada ("CFC") and General Motors Acceptance Corporation of Canada ("GMAC Canada"). As a result, the Fund is subject to significant risk in the event of the financial distress of Chrysler Canada, one of our major vehicle manufacturers and parts suppliers, CFC, which provides the Fund with a Non-Revolving Fixed Term Facility (note 5), and GMAC Canada, which provides the Fund with a Revolving Floorplan Facility (note 4) for twenty of the twenty-two dealerships that the Fund owns or operates.

The Fund's unaudited interim consolidated financial statements include the operations of twenty-two franchised automobile dealerships, representing the product lines of seven global automobile manufacturers. The Fund's Chrysler, Dodge, Jeep ("CDJ") dealerships, which generated 72% of the Fund's revenue in the six-month period ended June 30, 2009, purchase all new vehicles, a significant portion of parts and accessories and certain used vehicles from Chrysler Canada. In addition to these inventory purchases, the Fund is eligible to receive monetary incentives from Chrysler Canada if certain sales volume targets are met and is also eligible to receive payment for warranty service work that is performed for eligible vehicles.

At June 30, 2009, the Fund had recorded the following assets that relate to transactions it has entered into with Chrysler Canada:

Accounts receivable	$ 2,340
New vehicle inventory	$30,904
Demonstrator vehicle inventory	$ 4,291
Parts and accessories inventory	$ 4,721

The Fund also maintains cash on deposit, a Non-Revolving Fixed Term Facility (Note 5), and certain lease contracts (Note 5) with CFC. At June 30, 2009, the balances of these accounts are:

Cash on deposit	$ 925
Non-revolving fixed term loan	$21,086
Lease contracts	$ 774

The $925 of cash on deposit is held with CFC and is commonly referred to as a cash management account ("CMA") which allows CDJ dealerships to earn interest on excess cash at an interest rate equal to CFC's wholesale floor plan financing rate. Subsequent to June 30, 2009 the Fund applied the $925 of cash on deposit to pay the full value remaining on lease contracts and applied the remainder of cash on deposit against the Non-Revolving Fixed Term Facility.

The Fund also maintains the majority of its revolving floorplan facility (Note 4) with GMAC Canada. At June 30, 2009, the balance of the liability is:

Revolving floorplan facility	$69,889

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Chrysler Canada is a subsidiary of Chrysler Group LLC ("New Chrysler") in the United States. CFC is a subsidiary of Chrysler Financial ("CF") in the United States. As well, GMAC Canada is a subsidiary of General Motors Acceptance Corporation ("GMAC") in the United States. The viability of Chrysler Canada is directly dependent on the viability of Chrysler Group LLC. Under the terms of the Fund's credit agreement with CFC all of the Fund's assets are pledged as collateral for the Fund's debts to CFC, other than new, demonstrator and used vehicle inventory that is floor plan financed by GMAC Canada and the Bank of Nova Scotia.

Use of estimates and measurement uncertainty

These unaudited interim consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. The preparation of unaudited interim consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In preparing these unaudited interim consolidated financial statements, management has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. We base our estimates and judgments on historical experience and other assumptions that we believe are reasonable. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ materially from these estimates. We periodically evaluate estimates and assumptions used in the preparation of the financial statements and make changes on a prospective basis when adjustments are necessary.

On April 30, 2009, an announcement was made by the United States government with respect to the intentions of Chrysler LLC ("Old Chrysler") to file for Chapter 11 creditor protection. Later that day, an official filing was completed by Old Chrysler. As part of the announcement, the U.S. government also announced its acceptance of the long-term viability plan for Chrysler to form a strategic alliance with FIAT SpA, a European auto manufacturer. Through its acceptance of the plan, over $10 billion was committed to the Chrysler/FIAT alliance in the form of debtor-in-possession financing in order to allow Old Chrysler to fulfill its obligations under Chapter 11 creditor protection and emerge as a financially viable company.

On June 10, 2009, a new company emerged from creditor protection under the name of Chrysler Group LLC ("New Chrysler"). New Chrysler was formed under a strategic alliance with FIAT SpA and resumed production of vehicles on June 29, 2009.

The following significant estimates have been made by the Fund in the accompanying unaudited interim consolidated financial statements, which given recent events as described above, could require a material change in future periods.

Inventories

Inventories are recorded at the lower of cost and net realizable value with cost determined on a specific item basis. In determining net realizable value for new vehicles, the Fund primarily considers the age of the vehicles along with the timing of annual and model changeovers. For used vehicles, the Fund considers recent market data and trends such as loss histories along with the current age of the inventory.

Intangible assets

The Fund's identifiable intangible assets are rights under franchise agreements with automobile manufacturers. The Fund assesses the carrying value of these unlimited life intangible assets for impairment annually, or more

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frequently, if events or changes in circumstances indicate that their carrying value may not be recoverable.

Allowance for doubtful accounts

The Fund evaluates receivables for collectability based on the age of the receivable, the credit history of the customer and past collection experience.

Other

In addition to the above, the significant estimates made by the Fund in the accompanying interim consolidated financial statements include certain assumptions related to accruals for chargebacks against revenue recognized from the sale of finance and insurance products and the accrual of potential contingencies.

2 Nature of operations and basis of presentation

Nature of operations

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

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

Basis of presentation

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

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 year ended December 31, 2008. 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 interim consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2008.

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

Changes in accounting policies and recent Canadian accounting pronouncements

The Fund adopted new accounting standards that were issued by the Canadian Institute of Chartered Accountants ("CICA"). The new standards and accounting policy changes are as follows:

a) Future Income Taxes (Emerging Issues Committee ("EIC") Abstract No 171)

On September 1, 2008, the Fund adopted EIC-171, "Future Income Tax Consequences of Exchangeable Interests in an Income Trust or Specified Investment Flow-Through." This abstract requires that future income taxes related to temporary differences associated with the assets and liabilities attributable to exchangeable interests presented as part of unitholders' equity, should be accounted for as a capital transaction at the time of conversion. Application should be retrospective with restatement of prior periods commencing with the period that includes the date of substantive enactment of the changes to the Income Tax Act (June 30, 2007). The adoption of this abstract resulted in the following adjustments to the consolidated balance sheet and income statement {increase (decrease)}:

	Three Months Ended June 30, 2009	*Three Months Ended June 30, 2008*	*Six Months Ended June 30, 2009*	*Six Months Ended June 30, 2008*
Long-term future income tax liability	-	(8,385)	-	(8,385)
Future income tax expense	-	(126)	-	(406)
Opening retained earnings (deficit)	-	(8,259)	-	(7,979)

b) Goodwill and intangible assets

In February, 2008, the CICA issued Handbook Section 3064, "Goodwill and Intangible Assets", replacing Handbook Section 3062, "Goodwill and Other Intangible Assets" and Handbook Section 3450, "Research and Development Costs". The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in previous Handbook Section 3062. The new standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008, specifically January 1, 2009 for the Fund. The adoption of this Section did not have any impact on our financial position or results from operations.

c) Credit risk and the fair value of financial assets and financial liabilities

On January 20, 2009, the Emerging Issues Committee ("EIC") issued a new abstract EIC 173 "Credit risk and the fair value of financial assets and financial liabilities". This abstract concludes that an entity's own credit risk and the credit risk of the counterparty should be taken into account when determining the fair value of financial assets and financial liabilities, including derivative instruments. This abstract is to apply to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of this abstract did not impact the Fund's financial statements.

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

d) Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the CICA issued three new standards:

Business combinations, Section 1582
This section replaces the former Section 1581 "Business combinations" and provides the Canadian equivalent to International Financial Reporting Standard IFRS 3 "Business Combinations" (January 2008). The new standard requires the acquiring entity in a business combination to recognize most of the assets acquired and liabilities assumed in the transaction at fair value including contingent assets and liabilities; and recognize and measure the goodwill required in the business combination or a gain from a bargain purchase. Acquisition-related costs are also to be expensed.

Consolidated financial statements, Section 1601 and Non-controlling interests, Section 1602
These two sections replace Section 1600 "Consolidated financial statements". Section 1601 "Consolidated financial statements" carries forward guidance from Section 1600 "Consolidated financial statements" with the exception of non-controlling interests which are addressed in a separate section. Section 1602 "Non-controlling interests" is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27 "Consolidated and Separate Financial Statement" (January 2008). This standard requires the Fund to report non-controlling interest within equity, separately from the equity of the owners of the parent, and transactions between an entity and non-controlling interests as equity transactions.

All three standards are effective January 1, 2011, at which time Canadian public companies will have adopted either IFRS or, for certain public companies, U.S. GAAP, as permitted by Canadian securities regulations. As such, adoption of these standards by the Fund is not expected unless they are early adopted. Early adoption is permitted; however, the early adoption of one of the three standards would require adoption of the other two standards. Should the Fund engage in a business combination prior to 2011, consideration will be given to the potential impact of the early adoption of these standards.

e) Convergence with International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed the mandatory changeover date from GAAP to IFRS. The change will take effect January 1, 2011. The Fund will prepare IFRS compliant financial information beginning January 1, 2010 to produce comparable information for the first IFRS consolidated financial statements published for 2011.

The Fund has completed the diagnostic phase of its transition plan and major differences identified which may have the most significant impact on the Fund are property and equipment, intangible assets, and unitholders' equity. The impact of these differences and the complete conversion to IFRS are currently being evaluated by the Fund.

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

3 Inventories

	June 30, 2009 $	**December 31, 2008 $**
New vehicles	55,181	107,379
Demonstrator vehicles	6,598	7,305
Used vehicles	20,996	17,946
Parts and accessories	7,366	7,318
	90,141	139,948

During the three months ended June 30, 2009, $164,445 of inventory was expensed as cost of goods sold which included a net increase of inventory write downs on used vehicles of $83. During the three months ended June 30, 2009, $375 of demonstrator expense was included in selling, general, and administration expense.

During the six months ended June 30, 2009, $306,063 of inventory was expensed as cost of goods sold which included a net decrease of inventory write downs on used vehicles of $103. During the six months ended June 30, 2009, $767 of demonstrator expense was included in selling, general, and administration expense.

As at June 30, 2009 and December 31, 2008, the Fund had recorded reserves for inventory write downs of $1,038 and $1,282 respectively.

4 Revolving floorplan facilities

	June 30, 2009 $	**December 31, 2008 $**
CFC and BNS facilities:		
New vehicles	-	127,796
Demonstrator vehicles	-	5,267
Used vehicles	-	4,390
	-	137,453
GMAC and BNS facilities:		
New vehicles	64,044	-
Demonstrator vehicles	4,023	-
Used vehicles	5,094	-
	73,161	137,453

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The Revolving Floorplan Facility ("GMAC facility") available to the Fund from General Motors Acceptance Corporation of Canada ("GMAC Canada") to finance new, demonstrator and used vehicles bears interest at the Prime Rate plus 1.00% (5.00% at June 30, 2009) and is payable monthly in arrears. Prime Rate is defined as the greater of the Royal Bank of Canada ("RBC") prime rate (2.25% at June 30, 2009) or 4.00%. The maximum amount of financing provided by the GMAC facility is based on a maximum number of new, used and demonstrator vehicles to be financed on an individual dealership basis and approximates $90,000 on an aggregate basis. The GMAC facility is collateralized by all of the owned dealerships' new, used and demonstrator inventory financed by the GMAC facility and a general security agreement and cross guarantee from each of the Fund's owned dealerships. The individual notes payable of the GMAC facility are due when the related vehicle is sold or according to an aging based repayment policy as mandated by GMAC Canada.

A separate Revolving Floorplan Facility from the Bank of Nova Scotia ("BNS") is available to the two dealerships managed by the Fund. This Facility is available to finance new, used and demonstrator vehicles, is $9,250, bears interest at Bank of Nova Scotia prime rate plus 0.75% (3.00% at June 30, 2009) for new and demonstrator vehicles and bears interest at Bank of Nova Scotia prime rate plus 1.75% (4.00% at June 30, 2009) for used vehicles 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 dealerships, a $1,000 guarantee from the Fund, and the managed dealerships' new, used and demonstrator vehicle inventory. The individual notes payable of the BNS Revolving Floorplan are due when the related vehicle is sold. The balance outstanding on the BNS Revolving Floorplan Facility as of June 30, 2009 is $3,139 included in the "New vehicles" balance above, $59 included in the "Demonstrator vehicles" balance above and $74 included in the "Used vehicles" balance above.

5 Long term debt

	June 30, 2009 $	December 31, 2008 $
Non-Revolving Fixed Term Facility, due June 30, 2014 bearing interest at 11.36% until June 30, 2012 (i)	21,086	21,600
Fixed Rate Term Facility, due September 30, 2012 bearing interest at 5.11% per annum (ii)	2,928	2,977
CFC lease contracts, repayable over 24 months bearing interest from 8.15% to 15.95% (iii)	774	946
Obligations under capital lease	540	569
	25,328	26,092
Less: Current portion	(4,752)	(570)
	20,576	25,522

(i) CFC provides the Fund with a Non-Revolving Fixed Term Facility ("Term Facility") in the amount of $21,600. The Term Facility matures June 30, 2014 and bears interest at 11.36% until June 30, 2012, subject to an interest adjustment at the discretion of the lender on June 30, 2012 and June 30, 2013. Repayments consist of fixed monthly principal payments of $351 plus applicable interest on the outstanding balance. The Term 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

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future property, excluding all new, used and demonstrator inventory financed with the Revolving floorplan facilities (Note 4). The 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.

The Fund has determined that there is potential to breach the Fixed Charge Ratio covenant associated with the Non-Revolving Fixed Term Facility provided by CFC in the first quarter of 2010. The Fixed Charge Ratio is calculated on a rolling four quarter basis. The current downturn in the Canadian automotive market has resulted in lower operating results than historically achieved. The operating performance of the 2009 fiscal year is a key factor in determining whether the Fund may satisfy this covenant. Based on the current year-to-date performance, management anticipates that the Fund may breach this covenant in the first quarter of 2010. This could cause the Fund’s Term Facility to become immediately due and payable. In the event of such circumstance, the Fund anticipates it may need to obtain a waiver, renegotiate the terms of the facility with the lender, refinance the facility with another lender, or raise additional capital in the form of equity or debt to supplement or replace the Term Facility in order to have sufficient liquidity to meet its obligations in 2010.

(ii) Bank of Montreal provides the Fund a Fixed Rate Term Loan (the “Term Loan”). The Term Loan matures September 30, 2012 and bears interest at a fixed rate of 5.11%. Repayments consist of fixed monthly payments totaling $20 per month. The Term Loan requires maintenance of certain financial covenants and is collateralized by a general security agreement consisting of a first fixed charge in the amount of $3,450 registered over the Cambridge Hyundai property. At June 30, 2009, the carrying amount of the Cambridge Hyundai property was $4,024.

(iii) CFC lease contracts are collateralized by the related lease contract and lease vehicles with a carrying value of $713. Subsequent to June 30, 2009 the Fund repaid CFC the outstanding balance of the lease contracts.

Principal payments for the next five years are as follows:

	$
2009	4,752
2010	4,985
2011	4,460
2012	6,898
2013	4,233
	25,328

6 Contingencies

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

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

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

(c) As of June 30, 2009, the Fund had $40 outstanding in letters of credit with financial institutions. These letters expire at different points in 2010. These letters of credit are being maintained as security for premium payments to an insurance company and to fulfill legislative requirements of the Motor Dealer Act in the province of British Columbia.

7 Unitholders' equity

(a) Authorized

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

(b) Normal course issuer bid

On August 19, 2008, the Fund received approval from the Toronto Stock Exchange (“TSX”) on its notice of intention to make a normal course issuer bid for its units from August 21, 2008 to August 20, 2009, in accordance with the applicable rules of the TSX.

Under its normal course issuer bid, the Fund intends to repurchase for cancellation up to 547,475 of its outstanding units. As at June 30, 2009, the Fund has repurchased 376,070 units for a total cost of $926, including brokerage commissions, and has returned all repurchased Units to treasury. The difference between the repurchase price and the carrying value of the Units returned to treasury has been credited to contributed surplus.

(c) Issued

	Units #	**Amount** $
Balance at December 31, 2007	10,949,500	105,200
Repurchase of units returned to treasury	(376,070)	(3,612)
Balance at December 31, 2008 and June 30, 2009	10,573,430	101,588

(d) Exchangeable LP units

The Exchangeable LP Units issued by AutoCanada LP have economic and voting rights equivalent to the

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Fund Units except in connection with the exchangeability terms as described below. They are exchangeable, directly or indirectly, on a one-for-one basis for Fund Units at the option of the holder, under the terms of the Exchange Agreement. The Exchangeable LP Units are required to be exchanged for Fund Units before transferring to third parties. As a result, they have been treated as equity in accordance with the CICA Emerging Issues Committee Abstract #151. Each Exchangeable LP Unit entitles the holder to receive distributions from AutoCanada LP pro rata with distributions made by AutoCanada LP on Fund Units.

	Units #	**Amount** $
Balance at June 30, 2009 and December 31, 2008	9,307,500	88,847

Fund Special Voting Units

Fund Special Voting Units are non-participating and are used solely for providing voting rights to persons holding Exchangeable LP Units. Fund Special Voting Units are not transferable separately from Exchangeable LP Units to which they relate. Fund Special Voting Units will automatically be cancelled upon the exchange and cancellation of the Exchangeable LP Units to which they relate. The Fund Special Voting Units are not entitled to any beneficial interest in any distribution from the Fund or in the net assets of the Fund in the event of a termination or winding up of the Fund. Each Fund Special Voting Unit entitles the holder thereof to one vote at all meetings of Unitholders. If the Exchangeable LP Units are purchased in accordance with the Exchange Agreement, a like number of Fund Special Voting Units will be redeemed by the Fund for a nominal amount.

(e) Contributed surplus

Incentive Unit Option Plan

The Fund has an Incentive Unit Option Plan (the "Plan") for certain employees, officers, directors and trustees. Options issued under the Plan vest at a rate of one third on the three subsequent award date anniversaries. All the options must be exercised over specified periods not to exceed five years from the date granted. The options may be exercised by purchasing the Fund Units for the exercise price or the Plan also provides that an optionee may, at their discretion, elect, subject to the approval of the Trustees, in lieu of exercising any options, to surrender the options to the Fund, which will pay the optionee the difference between the current market price of the Fund Units on the date of surrender and the exercise price for the Units under the options being surrendered. In addition, the options may be exercised by an optionee only if, at the time of exercise, the total amount of the cash available for distributions per Unit for the 12 month period ended immediately preceding the time of exercise is at least $1.20 per Unit on a fully-diluted basis, subject to adjustment in the event of any increase or decrease in the number of issued Units and Exchangeable Units resulting from a subdivision, consolidation, reclassification, capital reorganization or similar change in Units (other than a consolidation of our Units immediately following a distribution in Units in lieu of a cash distribution).

At June 30, 2009, 1,519,275 units remained reserved for issuance under the option plan. During the three months ended June 30, 2009, nil options (2008 – nil) were granted to purchase Fund Units and nil options (2008 – 55,000) were cancelled. At June 30, 2009, 708,977 options were exercisable at a weighted average exercise price of $9.88.

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

	Weighted average remaining contractual life Yrs	Units #	Weighted average exercise price $
Options outstanding, June 30, 2009 and December 31, 2008	2.11	798,424	9.95

Contributed surplus

	Six Months Ended June 30, 2009 $	Year Ended December 31, 2008 $
Opening balance	3,822	957
Cancellation of repurchased units	-	2,696
Unit-based compensation expense	61	169
Closing balance	3,883	3,822

The impact of expensing the unit options for the three months ended June 30, 2009 was $22 (2008 - $44), with a corresponding increase to contributed surplus.

8 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 $nil were declared per Fund Unit and Exchangeable LP Unit by the Fund for the three months ended June 30, 2009.

On March 13, 2009, the Fund announced a temporary suspension of distributions for an indefinite future period.

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

9 Related party transactions and balances

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

	Three Months Ended June 30, 2009 $	**Six Months Ended June 30, 2009 $**
Management fees and non-competition fees received from a director and companies with common directors	40	218
Rent paid to companies with common directors	1,868	3,801
Consulting fees paid to company controlled by a trustee	6	25

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.

10 Future income taxes

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

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

While the Fund will not be liable for current taxes until January 1, 2011, it provides for future income taxes arising from those temporary tax differences expected to reverse after January 1, 2011, at the tax rates applicable to the Fund (25% to 31%).

In August 2008, the CICA issued Emerging Issues Committee Abstract No. 171, "Future Income Tax Consequences of Exchangeable Interests in an Income Trust or Specified Investment Flow-Through" (EIC-171). This abstract requires that future income taxes related to temporary differences associated with the assets and liabilities attributable exchangeable interests presented in equity, should not be recorded prior to the conversion of the exchangeable interest.

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

Future income tax assets and (liabilities) are recognized on temporary differences between the accounting and tax bases of existing assets and liabilities, and not attributable to the exchangeable interests, as follows:

	June 30, 2009 $	**December 31, 2008 $**
Property and equipment	(50)	(38)
Intangible assets	(3,191)	(3,092)
Goodwill	3,662	3,715
	421	585

11 Seasonal nature of the business

The Fund's results from operations for the period ended June 30, 2009 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 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 number of business days during the period. 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.