AutoCanada Income Fund

Consolidated Financial Statements

December 31, 2006

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

PRICEWATERHOUSECOOPERS

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

March 21, 2007

Auditors' Report

To the Unitholders of
AutoCanada Income Fund

We have audited the consolidated balance sheet of **AutoCanada Income Fund** as at December 31, 2006 and the consolidated statements of operations and accumulated deficit and cash flows for the period from January 4, 2006, including operations from May 11, 2006 (date of commencement of operations) to December 31, 2006. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2006 and the results of its operations and its cash flows for the period from January 4, 2006, including operations from May 11, 2006 (date of commencement of operations) to December 31, 2006 in accordance with Canadian generally accepted accounting principles.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants

AutoCanada Income Fund

Consolidated Balance Sheet

As at December 31, 2006

(expressed in Canadian dollar thousands)

ASSETS	**$**
Current assets	
Cash and cash equivalents	20,880
Restricted cash (note 4)	3,476
Accounts receivable	27,742
Inventories (note 5)	112,680
Due from vendors (note 15(b))	2,640
Prepaid expenses	1,419
	168,837
Property and equipment (note 6)	11,839
Intangible assets (note 7)	79,034
Goodwill	78,744
Other assets	78
	338,532
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	23,521
Revolving floorplan facility (note 8)	113,357
Distributions payable (note 14)	1,687
Current portion of long-term debt (note 9)	96
Current portion of obligation under capital lease	72
	138,733
Long-term debt (note 9)	5,535
Obligation under capital lease	240
	144,508
Commitments and contingencies (note 10 and 11)	
UNITHOLDERS' EQUITY	
Fund units (note 13 (a) and (b))	105,200
Exchangeable units (note 13(c))	88,847
Contributed surplus (note 13(d))	455
Accumulated deficit	(478)
	194,024
	338,532

Approved on behalf of the Fund:

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

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

AutoCanada Income Fund

Consolidated Statement of Operations and Accumulated Deficit

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

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

	$
Revenue	
Vehicles	418,808
Parts, service and collision repair	51,776
Other	1,348
	471,932
Cost of sales	394,409
Gross profit	77,523
Expenses	
Selling, general and administrative	56,408
Interest (note 16)	5,741
Amortization	2,900
	65,049
Net earnings for the period	12,474
Accumulated earnings, beginning of period	-
Distributions declared (note 14)	(12,952)
Accumulated deficit, end of period	(478)
Earnings per unit	
Basic and diluted	0.616
Weighted average units	
Basic and diluted (note 13(e))	20,257,000

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

AutoCanada Income Fund

Consolidated Statement of Cash Flows

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

(expressed in Canadian dollar thousands)

	$
Cash provided by (used in)	
Operating activities	
Net earnings for the period	12,474
Items not affecting cash	
Unit-based compensation (note 13(d))	455
Amortization	2,900
Gain on disposal of property and equipment	5
	15,834
Net change in non-cash operating working capital balances	13,479
	29,313
Investing activities	
Business acquisitions (note 3)	(101,662)
Purchase of property and equipment	(1,236)
Proceeds on sale of property and equipment	197
Restricted cash (note 4)	1,431
Cash acquired on acquisition	4,925
	(96,345)
Financing activities	
Net proceeds from issuance of units	93,572
Proceeds from long-term debt	5,674
Repayment of long-term debt	(43)
Repayment of obligation under capital lease	(26)
Distributions paid to Unitholders	(11,265)
	87,912
Increase in cash	20,880
Cash and cash equivalents, beginning of period	-
Cash and cash equivalents, end of period	20,880
Supplementary information	
Cash interest paid	5,674
Transfer of inventory to property and equipment	1,257
Transfer of property and equipment to inventory	1,022

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

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

1 Nature of operations and basis of presentation

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

2 Significant accounting policies

These consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

(a) Revenue recognition

Vehicles, Parts, Service and Collision Repair

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

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

Finance and Insurance

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

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

Lease Revenue

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

(b) Business combinations

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

(c) Cash and cash equivalents

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

(d) Accounts receivable

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

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

(e) Inventories

New, used and demonstrator vehicle inventories are recorded at the lower of cost and net realizable value with cost determined on a specific item basis. Parts and accessories inventories are valued at the lower of cost and net realizable value. Inventories of parts and accessories are accounted for using the “first-in, first-out” method. Other inventories, which primarily include rental and service vehicles, are recorded on a specific item basis at the lower of cost and net realizable value.

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

(f) Property and equipment

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

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

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

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

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

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

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

(h) Goodwill

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

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

(i) Intangible assets

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

(j) Future income taxes

Incorporated subsidiaries of the Fund use the asset and liability method of accounting for future income taxes. Under this method, future income tax assets and liabilities are recorded based on temporary differences between the carrying amount of balance sheet items and their corresponding tax bases. In addition, the future benefits of income tax assets, including unused tax losses, are recognized, subject to a valuation allowance, to the extent that it is more likely than not that such future benefits will ultimately be realized. Future income tax assets and liabilities are measured using enacted tax rates and laws expected to apply when the tax liabilities or assets are to be either settled or realized. Income tax obligations relating to distributions of the Fund are the obligations of the Unitholders and, accordingly, no provision for income taxes has been made in respect of the assets and liabilities of the Fund.

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

(k) Variable interest entities

The Fund follows CICA Accounting Guideline 15, Consolidation of Variable Interest Entities (AcG-15) which provides guidance for applying the principles in CICA 1590, Subsidiaries, and CICA 3055, Interests in Joint Ventures to Variable Interest Entities ("VIEs"). AcG-15 defines a VIE as an entity which either does not have sufficient equity at risk to finance its activities without additional subordinated financial support or where the holders of equity at risk lack the characteristics of a controlling financial interest. AcG-15 defines the Primary Beneficiary as the entity that is exposed to a majority of the VIE's expected losses or is entitled to a majority of the VIE's expected residual returns, or both. The Primary Beneficiary is required to consolidate the VIE. In addition, AcG-15 prescribes certain disclosures for VIEs that are not consolidated but in which the Fund has a significant variable interest. The Fund does not have any VIEs as at December 31, 2006.

(l) Unit-based compensation

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

(m) Pre-opening costs

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

(n) Future accounting standard changes

The Accounting Standards Board has issued three new standards dealing with financial instruments that the Fund will be required to adopt on January 1, 2007: (i) Financial Instruments — Recognition and Measurement (ii) Hedges and (iii) Comprehensive Income. The key principles under these standards are that all financial instruments, including derivatives, are to be included on a entity's balance sheet and measured, either at their fair values or, in limited circumstances when fair value may not be considered most relevant, at cost or amortized cost. Financial instruments intended to be held-to-maturity should be measured at amortized cost. Existing requirements for hedge accounting are extended to specify how hedge accounting should be performed. Also, a new location for recognizing certain unrealized gains and losses — other comprehensive income — has been introduced. This provides the ability for certain unrealized gains and losses arising from changes in fair value to be temporarily recorded outside the income statement but in a transparent manner. The standards do not permit restatement of prior years' financial statements however the standards have detailed transition provisions. Management is in the process of evaluating the effect of the adoption of the new standards on the Fund's financial statements. Based on a preliminary analysis, it is not expected to have a material effect on the financial position and results of operations.

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

3 Business acquisitions

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

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

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

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

The Fund has finalized the process of determining the issuance costs and the fair value of assets acquired and the liabilities assumed as of March 21, 2007.

(b) On October 31, 2006, the Fund purchased substantially all of the 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 8) in the amount of $3,520 and on the Revolving Term Facility (note 9) in the amount of $4,570. The acquisition has been accounted for using the purchase method and the consolidated financial statements include operating results of Victoria Hyundai subsequent to October 31, 2006.

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

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

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

4 Restricted cash

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

5 Inventories

	$
New vehicles	82,103
Demonstrator vehicles	5,374
Used vehicles	19,166
Parts and accessories	6,037
	112,680

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

6 Property and equipment

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

During the period, excluding property and equipment acquired as part of business combinations (note 3), property and equipment was acquired at an aggregate cost of $1,433. Of this total, $197 of property and equipment was acquired by means of capital leases, and the remaining $1,236 was paid in cash.

Included in lease vehicles above are vehicles earning rental income. Rental income for the period ended December 31, 2006 totalled $544.

7 Intangible assets

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

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

8 Revolving floorplan facility

	$
New vehicles	102,963
Demonstrator vehicles	4,404
Used vehicles	5,990
	113,357

The Revolving Floorplan Facility available to the Fund from CFC to finance new, demonstrator and used vehicles is $183,125 and bears interest at Royal Bank of Canada ("RBC") prime rate less 0.25%, (5.75% at December 31, 2006) and is payable monthly in arrears. The 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 Revolving Floorplan are due when the related vehicle is sold. The 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 Revolving Floorplan Facility.

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

9 Long-term debt

	$
Revolving Term Facility, due May 10, 2009 bearing interest from RBC prime to RBC prime plus 0.75% (i)	5,300
CFC lease contracts, repayable over 24 months bearing interest from 7.35% to7.75% (ii)	331
	5,631
Less: Current portion	(96)
	5,535

(i) CFC provides the Fund a Revolving Term Facility. The amount of the Revolving Term Facility available is based on certain assets (the ‘‘borrowing base’’) and a percentage of 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 December 31, 2006 was 6.0%. It 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 $1,921.

Principal payments for the next three years are as follows:

	$
2007	96
2008	235
2009	5,300
	5,631

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

10 Commitments

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

	$
2007	4,501
2008	3,971
2009	3,712
2010	3,431
2011	2,001
Thereafter	1,200
Total	18,816

11 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 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.

12 Future Income Taxes

The Fund does not record income taxes relating to temporary differences nor income earned by the Fund. Unitholders of the Fund and limited partners of AutoCanada LP will be responsible for these income taxes. At December 31, 2006, the financial statement carrying amounts of the Fund's assets and liabilities exceeded their tax bases by approximately $68,112. Of this difference, $35,187 relates to goodwill that is not deductible for income tax purposes.

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

13 Unitholders' equity

(a) Authorized

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

(b) Issued

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

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

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

(c) Exchangeable LP units

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

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

Fund Special Voting Units

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

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

(d) Contributed surplus

The Fund has an Incentive Unit Option Plan (the "Plan") for certain employees, officers, directors and trustees. Options issued under the Plan vest at a rate of one third on the three subsequent award date anniversaries. All the options must be exercised over specified periods not to exceed five years from the date granted. The options may be exercised by purchasing the Fund Units for the exercise price or the Plan also provides that an optionee may, at their discretion, elect, subject to the approval of the Trustees, in lieu of exercising any options, to surrender the options to the Fund, which will pay the optionee the difference between the current market price of the Fund Units on the date of surrender and the exercise price for the Units under the options being surrendered. In addition, the options may be exercised by an optionee only if, at the time of exercise, the total amount of the cash available for distributions per Unit for the 12 month period ended immediately preceding the time of exercise is at least $1.20 per Unit on a fully-diluted basis, subject to adjustment in the event of any increase or decrease in the number of issued Units and Exchangeable Units resulting from a subdivision, consolidation, reclassification, capital reorganization or similar change in Units (other than a consolidation of our Units immediately following a distribution in Units in lieu of a cash distribution). At December 31, 2006, 1,519,275 units remained reserved for issuance under the option plan. During the period ended December 31, 2006, 759,638 options were granted to purchase Fund Units and of these options, 39,671 were cancelled. No options were exercisable as at December 31, 2006 and all options have a remaining life of 4.36 years.

	Units #	**Weighted average exercise price** $
Options outstanding, beginning of period	-	-
Granted	759,638	10
Cancelled	(39,671)	10
Options outstanding, end of period	719,967	10

The fair value of the units were equal to the weighted average exercise price as at the grant date. The fair value of the options were estimated as at the grant date using the Black-Scholes option pricing model, at $1.61 per option, using the following assumptions:

Risk free interest rate	4.3 %
Expected life in years	5.0 years
Expected volatility	41.0 %
Expected dividends	$1

The impact of expensing the unit options for the period ended December 31, 2006 was $455, with a corresponding increase to contributed surplus. Subsequent to December 31, 2006, 120,000 options were granted to employees of the Fund at an exercise price of $9.90 per Fund Unit.

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

(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.

14 Distributions

Distributions are discretionary and are determined based on earnings, before amortization, but reduced by capital expenditures, subject to approval of the Trustees. Distributions totalling $0.250 and $0.390 were declared per Fund Unit and the Exchangeable LP Unit respectively by the Fund for the period ended December 31, 2006.

	Declared	Paid
	$	$
Fund Units	7,002	6,090
Exchangeable Units	5,950	5,175
	12,952	11,265

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

15 Related party transactions and balances

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

	$
Management fees received from companies with common directors	72
Rent paid to companies with common directors	1,344

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) The amount due from the Vendors initially arose as a result of the difference between the preliminary estimate and the current estimate of the amount of working capital that would be purchased from CAG by the Fund as of May 10, 2006. The balance as at December 31, 2006 reflects cash transfers between the Vendors and the Fund from May 10, 2006 to December 31, 2006. The amounts are unsecured and bear interest at 4% per annum. The balance as at December 31, 2006 was repaid to the Fund by the Vendors subsequent to the balance sheet date.

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

16 Interest

	$
Revolving floorplan facility	5,195
Long-term debt	148
Other	398
	5,741

17 Economic dependence

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

18 Financial instruments

The Fund's financial instruments include cash and cash equivalents, accounts receivable, due from vendors, accounts payable and accrued liabilities, Revolving Floorplan Facility, distributions payable, long-term debt and obligation under capital lease. It is management's opinion that the Fund is not exposed to significant interest, currency or credit risk arising from these financial instruments.

Interest rate risk

The Fund's Revolving Floorplan Facility as described in note 8 and the Revolving Term Facility as described in note 9, bear interest with floating rates over prime, thus exposing the Fund to interest rate fluctuations. As at December 31, 2006, the increase or decrease in net earnings on an annualized basis, before income taxes for each one percent change in interest rates on floating rate debt amounts to $1,187.

Credit risk

Concentration of cash equivalents exists due to the significant amount of cash held with CFC. Concentrations of credit risk with respect to contracts-in-transit and accounts receivable are limited primarily to automakers 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.

Fair values

The carrying amount of cash and cash equivalents, accounts receivable, due from vendors, accounts payable and accrued liabilities, Revolving Floorplan Facility, distributions payable, long-term debt and obligation under capital lease approximate their fair value either due to their relatively short-term maturities or interest rates which approximate market rates.

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

19 Segment information

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

20 Seasonal nature of the business

The Fund's results from operations for the period ended December 31, 2006 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.

21 Subsequent events

(a) 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 and entered into a management agreement to provide it 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 9). 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 will consolidate the results of the Nissan Dealership subsequent to February 7, 2007. The Fund is in the process of finalizing its measurement and valuation of the net assets of the Nissan Dealership, including the identification of goodwill and intangible assets. This determination of the final purchase price and its allocation is subject to the completion of this process.

(b) On February 7, 2007 the Fund granted consents to permit Patrick Priestner to open a new Toyota automobile dealership. Mr. Priestner is the majority shareholder of CAG and is the Chief Executive Officer of the Fund.