AutoCanada Income Fund

Consolidated Financial Statements

December 31, 2008

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

PRICEWATERHOUSECOOPERS

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March 23, 2009

Auditors' Report

To the Unitholders of
AutoCanada Income Fund

We have audited the consolidated balance sheets of **AutoCanada Income Fund** as at December 31, 2008 and 2007 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years ended December 31, 2008 and 2007 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

"PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate and independent legal entity.

AutoCanada Income Fund

Consolidated Balance Sheet

As at December 31, 2008

(expressed in Canadian dollar thousands)

	2008	2007 (Restated - Note 2(d))
ASSETS	$	$
Current assets		
Cash and cash equivalents	19,592	18,014
Restricted cash (note 5)	3,238	4,384
Accounts receivable	31,195	34,274
Inventories (note 6)	139,948	142,128
Prepaid expenses	1,565	1,561
	195,538	200,361
Property & equipment (note 7)	17,227	11,445
Intangible assets (note 8)	43,700	79,956
Goodwill (note 9)	-	82,501
Future income taxes (note 2(d) & 17)	585	-
Other assets	54	78
	257,104	374,341
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	21,990	22,488
Revolving floorplan facilities (note 10)	137,453	143,655
Distributions payable (note 15)	1,656	1,687
Current portion of long-term debt (note 11)	570	322
	161,669	168,152
Long-term debt (note 11)	25,522	10,789
Future income taxes (note 2(d) & 17)	-	9,385
	187,191	188,326
Economic dependence (note 1)		
Contingencies (note 13)		
UNITHOLDERS' EQUITY		
Fund units (note 14(a) and (c))	101,588	105,200
Exchangeable units (note 14(d))	88,847	88,847
Contributed surplus (note 14(e))	3,822	957
Deficit	(124,344)	(8,989)
	69,913	186,015
	257,104	374,341

Approved on behalf of the Fund:

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

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

AutoCanada Income Fund

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

For the years ended December 31, 2008 and December 31, 2007

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

	Year ended December 31, 2008	*Year ended December 31, 2007 (Restated - Note 2(d))*
	$	**$**
Revenue		
Vehicles	720,541	740,385
Parts, service and collision repair	103,743	92,140
Other	2,210	2,290
	826,494	834,815
Cost of sales (note 6)	679,442	695,923
Gross profit	147,052	138,892
Expenses		
Selling, general and administrative	114,881	103,715
Interest (note 18)	8,615	10,844
Amortization	3,319	3,210
Asset impairments (notes 8 & 9)	125,382	-
	252,197	117,769
Earnings (loss) before income taxes	(105,145)	21,123
Future income taxes (recovery) (note 2(d) & 17)	(9,970)	9,385
Net earnings (loss) & comprehensive income (loss) for the year	(95,175)	11,738
Deficit, beginning of year – as previously stated	(16,968)	(478)
Change in accounting policy related to future income taxes (note 2(d))	7,979	-
Deficit, beginning of year – as restated	(8,989)	(478)
Distributions declared (note 15)	(20,180)	(20,249)
Deficit, end of year	(124,344)	(8,989)
Earnings (loss) per unit		
Basic	(4.711)	0.579
Diluted	(4.711)	0.578
Weighted average units		
Basic	20,201,744	20,257,000
Diluted	20,201,744	20,295,943

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

AutoCanada Income Fund

Consolidated Statement of Cash Flows

For the years ended December 31, 2008 and December 31, 2007

(expressed in Canadian dollar thousands)

	Year ended December 31, 2008	*Year ended December 31, 2007 (Restated Note 2(d))*
Cash provided by (used in)	**$**	**$**
Operating activities		
Net earnings (loss) for the period	(95,175)	11,738
Items not affecting cash		
Future income taxes (recovery) (note 17)	(9,970)	9,385
Unit-based compensation (note 14(e))	169	502
Amortization	3,319	3,210
Gain on disposal of property & equipment	(1)	(9)
Asset impairments (notes 8 & 9)	125,382	-
	23,724	24,826
Net change in non-cash working capital balances	10,590	(3,806)
	34,314	21,020
Investing activities		
Business acquisitions (note 3)	(23,705)	-
Investment in variable interest entity (note 4)	-	(4,727)
Purchase of property & equipment	(3,938)	(3,107)
Disposal (purchase) of other assets	24	-
Proceeds on sale of property & equipment	117	200
Restricted cash	1,118	(880)
	(26,384)	(8,514)
Financing activities		
Proceeds from long-term debt	15,496	7,293
Repayment of long-term debt	(750)	(2,416)
Repurchase of Fund units	(918)	-
Distributions paid to unitholders	(20,180)	(20,249)
	(6,352)	(15,372)
Increase (decrease) in cash	1,578	(2,866)
Cash and cash equivalents, beginning of period	18,014	20,880
Cash and cash equivalents, end of period	19,592	18,014
Supplementary information		
Cash interest paid	8,775	10,912
Transfer of inventory to property & equipment	1,416	1,495
Transfer of property & equipment to inventory	851	1,904

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 economic dependence

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.

Economic dependence

The Fund has significant commercial and economic dependence on Chrysler Canada Inc. ("Chrysler Canada"). As a result, the Fund is subject to significant risk in the event of financial distress, including potential bankruptcy of this major vehicle manufacturer.

The Fund's consolidated financial statements include the operations of 22 franchised automobile dealerships, representing the product lines of seven global automobile manufacturers. The Fund's Chrysler, Jeep, Dodge dealerships, which generated 78% of the Fund's revenue in 2008, 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 December 31, 2008, the Fund had recorded the following assets that relate to transactions it has entered into with Chrysler Canada:

Accounts receivable	$ 3,156
New vehicle inventory	$78,019
Demonstrator vehicle inventory	$ 4,827
Parts and accessories inventory	$ 4,171

The Fund also maintains its Revolving Floorplan Facility (Note 10), Revolving Term Facility (Note 11), and certain Lease Contracts (Note 11) from Chrysler Financial Canada ("CFC"). At December 31, 2008, the balances of these liabilities are:

Revolving Floorplan Facility	$131,965
Revolving Term Facility	$ 21,600
Lease contracts	$ 946

Chrysler Canada is a subsidiary of Chrysler LLC ("Chrysler") in the United States. As well, CFC is a

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subsidiary of Chrysler Financial, a company related to Chrysler. The viability of the Canadian subsidiaries is directly dependent on the viability of their respective U.S. parents.

On December 2, 2008, Chrysler submitted its Plan for Short-Term and Long-Term Viability to U.S. Congress as part of its request for a $7 billion working capital loan from the U.S. government to support its short term restructuring and long term viability. On January 2, 2009, Chrysler received an initial $4 billion from the US Department of Treasury, the terms of which require Chrysler to submit a restructuring plan to achieve and sustain long-term viability, international competitiveness and energy efficiency. An update of Chrysler's Plan was submitted on February 17, 2009.

On January 16, 2009, the U.S. Department of Treasury's Troubled Asset Relief Program ("TARP") gave Chrysler Financial access to $1.5 billion in funds under the Emergency Economic Stabilization Act of 2008 to provide the necessary liquidity to support Chrysler Financial's retail finance program.

On February 17, 2009, Chrysler released a long-term strategic plan titled "Chrysler Restructuring Plan for Long-Term Viability" to U.S. Treasury Secretary Geithner. Due to continued deterioration in the economy which has led to an unprecedented decline in the automotive sector, Chrysler requested an additional $2 billion, on top of the original $7 billion ($4 billion of which was received on January 2, 2009) it requested on December 2, 2008. Chrysler is required to display the progress it has made on its restructuring efforts to the US Government on March 31, 2009, at which time the U.S. Government will make its decision on whether to give any further funding.

The Canadian and Ontario Governments have also been asked by Chrysler's Canadian subsidiaries for similar long-term financial support and are scheduled to make their decisions to grant additional funding after the US Government has made these commitments to Chrysler in the U.S.

Although the Fund has reduced its exposure to Chrysler Canada since its IPO in 2006, the Fund has significant commercial and economic dependence on Chrysler Canada as noted above. The event of a bankruptcy of Chrysler Canada or a bankruptcy of Chrysler Canada's parent Chrysler may result in the manufacturer seeking protection from its creditors and commencing an orderly wind-down of operations. The impact of a liquidation would likely have a material adverse effect on the Fund's results from operations, cash flows and financial condition. A reorganization of Chrysler may result in the termination of certain makes of vehicles and/or the termination of all or any of the Fund's franchises. It may also impair the Fund's ability to collect significant receivables from the manufacturer and/or obtain financing for new vehicle inventory. The effect of either a bankruptcy or reorganization would be the reduction in consumer demand for Chrysler products, thus adversely affecting the revenue of the Fund. As a result, a potential bankruptcy, restructuring, merger or other major event impacting Chrysler Canada or Chrysler could have a significant adverse effect on the Fund's future operations.

2 Basis of presentation and significant accounting policies

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 (note 4). All inter-entity balances and transactions have been eliminated on consolidation.

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

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. In preparing these 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. Significant estimates made by the Fund in the accompanying consolidated financial statements include certain assumptions related to inventory, goodwill, intangible assets, allowances for doubtful accounts, accruals for chargebacks against revenue recognized from the sale of finance and insurance products, and contingencies.

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.

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

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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.

(e) Inventories

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

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

(f) Property and equipment

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

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

Buildings	4%
Machinery and equipment	20%
Furniture and fixtures	20%
Company vehicles	30%
Lease vehicles	30%
Computer equipment	30%

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

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

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

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

(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.

(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

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

(j) Future income taxes

Prior to June 12, 2007, income tax obligations relating to distributions from the Fund were obligations of the Unitholders and, accordingly, no provision for income taxes had been made in respect of the income of the Fund. As described in Note 17, the Fund has recognized future income taxes in the year ended December 31, 2007 as a result of new tax legislation substantively enacted on June 12, 2007. Current income tax will not be recognized until a new tax on the Fund is effective on January 1, 2011.

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

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

(k) Variable interest entities

The Fund follows CICA Accounting Guideline 15, Consolidation of Variable Interest Entities (AcG-15). AcG-15 defines a VIE as an entity which either does not have sufficient equity at risk to finance its activities without additional subordinated financial support or where the holders of equity at risk lack the characteristics of a controlling financial interest. AcG-15 defines the Primary Beneficiary as the entity that is exposed to a majority of the VIE’s expected losses or is entitled to a majority of the VIE’s expected residual returns, or both. The Primary Beneficiary is required to consolidate the VIE. In addition, AcG-15 prescribes certain disclosures for VIEs that are not consolidated but in which the Fund has a significant variable interest. As disclosed in Note 4, the Fund has two VIEs as at December 31, 2008 for which it has been determined to be the Primary Beneficiary.

(l) Unit-based compensation

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

(m) Pre-opening costs

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

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

Changes in accounting policies and recent Canadian accounting pronouncements

In 2008, 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) Financial Instruments – presentation and disclosure (CICA Handbook Section 3862 and 3863)

On January 1, 2008, the Fund adopted Section 3862, "Financial Instruments – Disclosures", replacing Section 3861, "Financial Instruments – Disclosure and Presentation." This Section describes the required disclosures related to the significance of financial instruments on the entity's financial position and performance and the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

These disclosures have been made in Note 19 of these consolidated financial statements. Comparative information about the nature and extent of risks arising from financial instruments is not required in the year Section 3862 is adopted.

On January 1, 2008, the Fund adopted Section 3863, "Financial Instruments – Presentation," replacing Section 3861, "Financial Instruments – Disclosure and Presentation." This Section establishes standards for presentation of financial instruments. The adoption of this Section had no impact on the presentation of the Fund's financial instruments.

b) Capital disclosures (CICA Handbook Section 1535)

On January 1, 2008, the Fund adopted Section 1535, "Capital Disclosures." This Section requires that an entity disclose information that enables users of its financial statements to evaluate an entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. This disclosure has been made in Note 20, Capital Disclosures.

c) Inventories (CICA Handbook Section 3031)

On January 1, 2008, the Fund adopted Section 3031, "Inventories." This standard requires the measurement of inventories at the lower of cost and net realizable value and includes guidance on the determination of cost, including allocation of overheads and other costs to inventory. The standard also requires the consistent use of either first-in, first out (FIFO) or weighted average cost formula to measure the cost of inventories and requires the reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories. The adoption of this Section did not have any impact on our financial position or results in operations.

d) 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 interest is presented as part of unitholders' equity, the future income taxes 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

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following adjustments to the consolidated balance sheet and income statement {increase (decrease)}:

	Year ended December 31, 2008	***Year ended December 31, 2007***
Long-term future income tax liability	-	(7,979)
Future income tax expense	-	(7,979)
Opening retained earnings (deficit)	(7,979)	-

e) Goodwill and intangible assets

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

f) 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 in 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 Business acquisitions

(a) On April 1, 2008 the Fund purchased substantially all of the net operating assets of 833676 Ontario Ltd. Operating as Doner Infiniti Nissan ("Doner Infiniti Nissan") for total cash consideration of $12,504. The acquisition was funded by drawing on the Fund's Revolving Floorplan Facility (note 10) in the amount of $7,695 and on the Revolving Term Facility (note 11) in the amount of $4,809. The acquisition has been accounted for using the purchase method and the consolidated financial statements include operating results of Doner Infiniti Nissan subsequent to April 1, 2008.

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

	$
Current assets	7,530
Property and equipment	47
Intangible assets	2,053
Current liabilities	(73)
Net identifiable assets acquired	9,557
Goodwill	2,947
	12,504

(b) On July 7, 2008, the Fund purchased substantially all of the net operating and fixed assets of Cambridge Motors Inc. operating as Cambridge Hyundai ("Cambridge Hyundai") for total cash consideration of $8,447. The acquisition was funded by drawing on the Fund's Revolving Floorplan Facility (note 10) in the amount of $2,572, a Fixed Rate Term Facility (note 11) in the amount of $3,024, a draw on the Revolving Term Facility (note 11) in the amount $1,650 and the remaining $1,201 financed with cash from operations. The acquisition has been accounted for using the purchase method and the consolidated financial statements include operating results of Cambridge Hyundai subsequent to July 7, 2008.

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

	$
Current assets	2,557
Property and equipment	4,297
Intangible assets	812
Current liabilities	(32)
Net identifiable assets acquired	7,634
Goodwill	813
	8,447

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

(c) On December 3, 2008, the Fund purchased substantially all of the net operating and fixed assets of 101063658 Saskatchewan Inc. operating as Sport Volkswagen ("Maple Ridge Volkswagen") for total cash consideration of $2,754. The acquisition was funded by drawing on the Fund's Revolving Floorplan Facility (note 10) in the amount of $1,838 and a draw on the Revolving Term Facility (note 11) in the amount $916. The acquisition has been accounted for using the purchase method and the consolidated financial statements include operating results of Maple Ridge Volkswagen subsequent to December 1, 2008.

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

	$
Current assets	2,626
Property and equipment	133
Current liabilities	(5)
Net identifiable assets acquired	2,754

4 Variable interest entities

On February 7, 2007, the Fund entered into a credit agreement with CAG to finance the acquisition of substantially all of the net operating assets of a Nissan dealership (the "Nissan Dealership") by CAG for total cash consideration of $4,727. In addition, the Fund entered into a management agreement to provide the Nissan Dealership with management services. The Nissan Dealership is owned and operated by a subsidiary of CAG which owns 46% of the Fund on a fully diluted basis. The Fund obtained the funds to finance the acquisition of the Nissan dealership through its existing Revolving Term Facility (note 11) 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 Initial Public Offering.

As a result of the Fund's financing of the purchase and the related agreements, management has determined that the Nissan Dealership is a variable interest entity [VIE] and the Fund 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.

On July 13, 2007, the Fund entered into a credit agreement with CAG to finance the opening of a Nissan Dealership Open Point by CAG and enter into a management agreement to provide it with management services. The Nissan Dealership Open Point is located in Prince George, British Columbia, and commenced operations on August 31, 2007 under the name Northland Nissan, and will be owned and operated by a subsidiary of CAG which owns 46% of the Fund on a fully diluted basis. In connection with this arrangement, the Fund obtained Board approval to grant consents to CAG and its subsidiary under the terms of the non-competition agreements entered into at the time of the Fund's IPO.

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

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

$

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

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

5 Restricted cash

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

6 Inventories

	December 31, 2008 $	December 31, 2007 $
New vehicles	107,379	107,472
Demonstrator vehicles	7,305	6,484
Used vehicles	17,946	20,917
Parts and accessories	7,318	7,255
	139,948	142,128

During the year ended December 31, 2008, $679,442 of inventory was expensed as cost of goods sold which included a net increase of inventory write downs on used vehicles of $46.

During the year ended December 31, 2008, $1,110 of demonstrator expense was included in selling, general, and administration expense.

As at December 31, 2008 and December 31, 2007, the Fund had recorded reserves for inventory write downs of $1,282 and $1,424 respectively.

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

7 Property and equipment

	December 31, 2008		
	Cost	Accumulated Amortization	Net
	$	$	$
Land	1,262	-	1,262
Buildings	2,875	57	2,818
Leasehold improvements	4,920	2,843	2,077
Machinery and equipment	7,629	2,216	5,413
Furniture and fixtures	2,885	913	1,972
Company vehicles	1,678	601	1,077
Lease vehicles	1,543	375	1,168
Computer equipment	2,408	1,004	1,404
Other property and equipment	36	-	36
	25,236	8,009	17,227

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

During the year, excluding property and equipment acquired as part of the variable interest entities (note 4) and business acquisitions (note 3), property and equipment was acquired at an aggregate cost of $4,167 (2007 - $3,397). Of this total, $229 (2007 - $291) of property and equipment was acquired by means of capital leases, and the remaining $3,938 (2007 - $3,107) was paid in cash.

Included in lease vehicles above are vehicles earning rental income. Rental income for the period ended December 31, 2008 totaled $551 (2007 - $782).

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

8 Intangible assets

	December 31, 2008 $	**December 31, 2007 $**
Opening balance	79,956	79,034
Acquired in business acquisitions (note 3)	2,865	922
Impairment charges	(39,121)	-
Closing balance	43,700	79,956

Intangible assets are individual store rights under franchise agreements with vehicle manufacturers ("dealer agreements"), which have indefinite lives and are tested at least annually for impairment.

In the third quarter of 2008 we performed our annual test for impairment and at that time intangible assets were determined not to be impaired.

In the fourth quarter of 2008, as a result of the continuing challenging automotive retail environment and the decline in our unit price, we tested our dealer agreements for impairment ahead of the annual impairment test scheduled for the third quarter of 2009. As a result of the test for impairment, we recorded non-cash impairment charges of $39,121. These impairment charges were recorded in order to reduce the carrying value of the dealer agreements to estimated fair value.

9 Goodwill

	December 31, 2008 $	**December 31, 2007 $**
Opening balance	82,501	78,744
Acquired in business acquisitions (note 3)	3,760	3,757
Impairment charges	(86,261)	-
Closing balance	-	82,501

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. The Fund's accounting policy with respect to goodwill is described in Note 2(h) in these consolidated financial statements.

During the third quarter of 2008, we performed our scheduled annual test for impairment of goodwill. As a result of completing the first step of the annual test for impairment, we determined that the carrying value of our single reporting unit exceeded the fair value, which required us to perform the second step of the goodwill impairment test. As a result of performing the second step of the test, it was determined that an impairment had

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

occurred which resulted in a non-cash impairment charge of $47,000 for the period.

During the fourth quarter of 2008, as a result of the continuing challenging automotive retail environment and the decline in our unit price, we determined that the carrying value of our single reporting unit more likely than not exceeded its fair value. Due to this change in circumstances, we were required to conduct an interim test of our single reporting unit's goodwill. The second step of the goodwill impairment test indicated that goodwill was fully impaired and as a result we recorded a non-cash goodwill impairment charge of $39,261 which represented a write down of our remaining balance of goodwill.

10 Revolving floorplan facilities

	December 31, 2008 $	December 31, 2007 $
New vehicles	127,796	133,622
Demonstrator vehicles	5,267	5,451
Used vehicles	4,390	4,582
	137,453	143,655

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%, (3.25% at December 31, 2008) 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 or according to an aging based repayment policy as mandated by CFC. The CFC Revolving Floorplan Facility may in certain circumstances restrict the ability of AutoCanada LP and the Fund to pay distributions if the payment would result in a default under the CFC Revolving Floorplan Facility.

A separate Revolving Floorplan Facility from the Bank of Nova Scotia ("BNS") is available to the two dealerships managed by the Fund. This Facility is available to finance new, used and demonstrator vehicles, is $9,250, bears interest at Bank of Nova Scotia prime rate plus 0.75% (4.25% at December 31, 2008) for new and demonstrator vehicles and bears interest at Bank of Nova Scotia prime rate plus 1.75% (5.25% at December 31, 2008) 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 December 31, 2008 is $5,432 included in the "New vehicles" balance above, $36 included in the "Demonstrator vehicles" balance above and $20 included in the "Used vehicles" balance above.

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

11 Long-term debt

	December 31, 2008 $	December 31, 2007 $
Revolving Term Facility, due May 10, 2010 bearing interest from RBC prime to RBC prime plus 0.75% (i)	21,600	10,000
Fixed Rate Term Facility, due September 30, 2012 bearing interest at 5.11% per annum (ii)	2,977	-
CFC lease contracts, repayable over 24 months bearing interest from 7.20% to 15.95% (iii)	946	604
Obligations under capital lease	569	507
	26,092	11,111
Less: Current portion	(570)	(322)
	25,522	10,789

(i) CFC provides the Fund a Revolving Term Facility. The amount of the Revolving Term Facility available is based on certain assets (the ‘‘borrowing base’’) and a percentage of earnings before interest expense (other than interest expense on floorplan financing and other interest), income taxes, depreciation and amortization (“EBITDA”) of AutoCanada LP, up to a maximum amount of $50,000, and is available to finance working capital and the acquisition of automobile dealerships. The Revolving Term Facility matures May 10, 2010 and bears interest at RBC prime rate for amounts borrowed not exceeding the borrowing base and RBC prime rate plus 0.75% for amounts borrowed in excess of the borrowing base. RBC prime as at December 31, 2008 was 3.50%. This Revolving Term Facility provides for a commitment fee of 0.30% of any unused portion payable quarterly in arrears, requires maintenance of certain financial covenants and is collateralized by a general security agreement consisting of a first security interest on all present and future property. The Revolving Term Facility may in certain circumstances restrict the ability of AutoCanada LP and the Fund to pay distributions if the payment would result in a default.

(ii) 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 December 31, 2008, the carrying amount of the Cambridge Hyundai property was $4,080.

(iii) CFC lease contracts are collateralized by the related lease contract and lease vehicles with a carrying value of $900.

Principal payments for the next four years are as follows:

	$
2009	570
2010	22,482
2011	255
2012	2,785
	26,092

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

12 Commitments

The Fund leases the majority of the lands and buildings used in its franchised automobile dealership operations from related parties (note 16), Chrysler Canada Inc. and other third parties. The Fund also leases various office equipment. The minimum annual lease payments for the next five years and thereafter are as follows:

	$
2009	7,650
2010	7,315
2011	6,004
2012	3,816
2013	2,357
Thereafter	22,164
Total	49,306

13 Contingencies

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

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

(c) As of December 31, 2008, the Fund had $200 outstanding in letters of credit with financial institutions. These letters expire at different points in 2009. These letters of credit are being maintained as security for premium payments to an insurance company and to fulfill legislative requirements of the Motor Dealer Act in the province of British Columbia.

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

14 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 December 31, 2008, 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, 2006 and 2007	10,949,500	105,200
Repurchase of units returned to treasury	(376,070)	(3,612)
Balance at December 31, 2008	10,573,430	101,588

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

(d) 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.

	Units	**Amount**
	#	**$**
Balance at December 31, 2006, 2007 and 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.

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

(e) 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, 2008, 1,519,275 units remained reserved for issuance under the option plan. During the year ended December 31, 2008, 30,000 options (2007 – 374,340) were granted to purchase Fund Units and 125,894 options (2007 – 199,989) were cancelled. At December 31, 2008, 467,599 options were exercisable at a weighted average exercise price of $10.05.

	Weighted average remaining contractual life	**Units**	**Weighted average exercise price**
	Yrs	**#**	**$**
Balance, December 31, 2007	3.61	894,318	10.03
Granted	4.22	30,000	8.17
Cancelled	2.81	(125,894)	10.20
Options outstanding, December 31, 2008	2.54	798,424	9.95

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

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

On March 21, 2008, the Fund granted 30,000 options to employees of the Fund. The exercise price of the units was equal to the fair value as at the grant date. The fair value of the options granted was estimated as at the grant date using the Black-Scholes option pricing model, using the following assumptions:

Risk free interest rate	2.91%
Expected life in years	5.0 years
Expected volatility	35.3%
Expected dividends	$1
Fair value per option	$0.65

Contributed surplus

	Year ended December 31, 2008 $	Year ended December 31, 2007 $
Opening balance	957	455
Cancellation of repurchased units	2,696	-
Unit-based compensation expense	169	502
Closing balance	3,822	957

The impact of expensing the unit options for the year ended December 31, 2008 was $169 (2007 - $502), with a corresponding increase to contributed surplus.

15 Distributions

Distributions are discretionary and are determined based on earnings, before amortization, but reduced by capital expenditures, subject to approval of the Trustees. Distributions totaling $1.00 were declared per Fund Unit and Exchangeable LP Unit by the Fund for the year ended December 31, 2008.

	Declared $	Paid $
Fund Units	10,876	9,996
Exchangeable Units	9,304	8,528
	20,180	18,524

Distributions payable to all Unitholders in the amount of $1,656 as at December 31, 2008 were paid in January 2009 (2007 - $1,687).

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

16 Related party transactions and balances

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

	Year ended December 31, 2008 $	Period ended December 31, 2007 $
Management fees and non-competition fees received from a director and companies with common directors	600	586
Rent paid to companies with common directors	4,898	3,604
Consulting fees paid to company controlled by a trustee	64	32

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

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

17 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 25% to 31% tax rate applicable to the Fund.

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 to the exchangeable interests should not be recorded prior to the conversion of the exchangeable interest.

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:

	December 31, 2008 $	**December 31, 2007 $ (Restated -note 2(d))**
Property and equipment	(38)	(225)
Intangible assets	(3,092)	(8,679)
Goodwill	3,715	(481)
	585	(9,385)

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

18 Interest

	December 31, 2008 $	December 31, 2007 $
Revolving floorplan facility	7,065	9,594
Long-term debt	930	744
Other	620	506
	8,615	10,844

19 Financial instruments

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

The Fund has made the following classifications:

- Cash and cash equivalents and restricted cash are classified as financial assets held for trading and are measured at fair value. Gains and losses related to subsequent revaluations are recorded in net earnings;
- Accounts receivable are classified as loans and receivables and are initially measured at fair value with subsequent measurement at amortized cost. All accounts receivable bad debts are charged to selling, general and administrative expenses;
- Accounts payable and accrued liabilities, revolving floorplan facilities, distributions payable, and long-term debt are classified as other liabilities and are initially measured at fair value with subsequent measurement at amortized cost;
- Transaction costs are expensed as incurred for financial instruments; and,
- Interest expense is recorded in net earnings.

Financial risk management

The Fund's activities are exposed to a variety of financial risks of varying degrees of significance which could affect the Fund's ability to achieve its strategic objectives. The Fund's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to reduce potential adverse effects on the Fund's financial performance. Risk management is carried out by financial management in conjunction with overall Fund governance. The principal financial risks to which the Fund is exposed are described below.

(a) Foreign currency risk

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

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

(b) Interest rate risk

The Fund's Revolving Floorplan Facilities and Revolving Term Facility are subject to interest rate fluctuations and the degree of volatility in these rates. The Fund does not currently hold any financial instruments that mitigate this risk. At December 31, 2008, a change in the annual interest on floating rate debt of one percent would result in a change in annual interest expense of approximately $1,557.

(c) Market risk

Exposure to financial market risk is limited since there are no significant financial instruments which will fluctuate as a result of changes in market prices.

(d) Credit risk

The Fund's exposure to credit risk associated with its accounts receivable is the risk that a customer will be unable to pay amounts due to the Fund or its subsidiaries. Concentration of credit risk with respect to contracts-in-transit and accounts receivable is limited primarily to automobile manufacturers and financial institutions (see *Note 1 – Nature of operations and economic dependence* for further discussion of the Fund's economic dependence on Chrysler and associated credit risk). Credit risk arising from receivables from commercial customers is not significant due to the large number of customers dispersed across various geographic locations comprising our customer base.

Accounts receivable are aged at December 31, 2008 by the following approximate percentages:

Current	86%
31 to 60 days	8%
61 to 90 days	3%
91 to 120 days	1%
Over 120 days	2%

The Fund evaluates receivables for collectability based on the age of the receivable, the credit history of the customers and past collection experience. The allowance for doubtful accounts amounted to $541 as of December 31, 2008 ($965 as of December 31, 2007). Allowances are provided for potential losses that have been incurred at the balance sheet date. The amounts disclosed on the balance sheet for accounts receivable are net of the allowance for bad debts. Concentration of cash and cash equivalents exist due to the significant amount of cash held with CFC.

(e) Liquidity risk

Liquidity risk is the risk that the Fund is not able to meet its financial obligations as they become due or can do so only at excessive cost. The Fund's growth is financed through a combination of the cash flows from operations, borrowing under existing credit facilities and the issuance of equity. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through adequate amount of committed credit facilities. One of management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as cash flows. Due to the dynamic nature of the business, the Fund aims to maintain flexibility in funding by keeping committed credit facilities available (notes 10 & 11).

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

The Fund is exposed to liquidity risk as a result of its economic dependence on automobile manufacturers. Refer to *Note 1 – Nature of operations and economic dependence* for further information regarding the Fund's economic dependence on Chrysler and its effect on the Fund's liquidity.

The Fund's financial liabilities have contractual maturities which are summarized below:

	Current within 12 months	**Non-current 1-5 years**
	$	**$**
Accounts payable and accrued liabilities	21,990	-
Revolving floorplan facility	137,453	-
Distributions payable	1,656	-
Long-term debt	1,501	26,217
	162,600	26,217

(f) Fair value

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

20 Capital disclosures

The Fund's objective when managing its capital is to safeguard the Fund's assets and its ability to continue as a going concern while at the same time maximize the growth of the business, returns to unitholders, and benefits for other stakeholders. The Fund views its capital as the combination of long-term debt and Unitholders' equity.

The calculation of the Fund's capital as of December 31, 2008 is summarized below:

Long-term debt	25,522
Unitholders' equity	69,913
Total capital	95,435

The Fund manages its capital structure in accordance with changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Fund may assume additional debt, refinance existing debt with different characteristics, sell assets to reduce debt, issue new units, adjust the amount of distributions paid to its unitholders, or return capital to its unitholders.

The Fund has externally imposed capital requirements as governed through its credit facilities and dealership agreements with manufacturers. These requirements are to ensure the Fund continues to operate in the normal course of business and to ensure that the Fund manages its working capital. The Fund is subject to certain covenants on its credit facilities which include a current ratio, debt to equity ratio and a fixed charge coverage ratio. The Fund met all externally imposed capital requirements for year ending December 31, 2008.

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

21 Segment information

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

22 Subsequent events

On March 4, 2009 tax legislation in Bill C-10 and Bill C-50 was subsequently enacted. The result of these enactments repeals the proposed "Provincial Specified Investment Flow-Through ("SIFT") Tax Factor" of 13% and implements the "Provincial SIFT Tax Rate" which will be equal to the general corporate income tax rate for each province in which the SIFT has a permanent establishment and 10% for SIFT's that do not have a permanent establishment in a province. The impact of this legislation change is not significant and does not impact the financial statements of the Fund.

On March 13, 2009, a commitment to purchase the land on which Doner Infiniti Nissan operates from, was transferred from a related party to the Fund, thereby committing the Fund to purchase the above land for $6,000,000 (which is equal to its appraised value as of February 7, 2008) less a $500,000 deposit made by the Fund, on or before October 1, 2010.