

AutoCanada Income Fund

Interim Consolidated Financial Statements
(Unaudited)

September 30, 2006

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

AutoCanada Income Fund

Interim Consolidated Balance Sheet

(Unaudited)

As at September 30, 2006

(expressed in Canadian dollar thousands)

	\$
Assets	
Current assets	
Cash and cash equivalents	20,265
Restricted cash (note 4)	4,409
Accounts receivable	30,562
Inventories (note 5)	101,252
Due from vendors (note 14(b))	527
Prepaid expenses	1,389
	<hr/>
	158,404
Property and equipment (note 6)	11,947
Intangible assets (note 7)	77,800
Goodwill	76,788
Other assets	78
	<hr/>
	325,017
	<hr/>
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	24,284
Revolving floorplan facility (note 9)	103,297
Distribution payable (note 13)	1,687
Current portion of long-term debt	132
Current portion of obligation under capital lease	24
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	129,424
Long-term debt	199
Obligation under capital lease	95
	<hr/>
	129,718
	<hr/>
Commitments (note 10)	
Unitholders' Equity	
Fund units (note 12(a) and (b))	105,200
Exchangeable units (note 12(c))	88,847
Unit-based compensation (note 12(d))	292
Cumulative earnings	8,851
Cumulative distributions declared (note 13)	(7,891)
	<hr/>
	195,299
	<hr/>
	325,017
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AutoCanada Income Fund

Interim Consolidated Statements of Operations and Cumulative Earnings
(Unaudited)

For the period from April 1, 2006, including operations from May 11, 2006 (date of commencement of operations) to September 30, 2006

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

	Three-month period ended September 30, 2006	May 11 to September 30, 2006
	\$	\$
Revenue		
Vehicles	169,492	264,389
Parts, service and collision repair	19,969	30,703
Other	400	761
	<hr/>	<hr/>
	189,861	295,853
Cost of sales	159,043	247,260
	<hr/>	<hr/>
Gross profit	30,818	48,593
	<hr/>	<hr/>
Expenses		
Selling, general and administrative	22,223	34,255
Interest (note 15)	1,971	3,251
Amortization	1,146	1,764
Unit-based compensation (note 12(d))	188	292
	<hr/>	<hr/>
	25,528	39,562
	<hr/>	<hr/>
Earnings before minority partnership interest	5,290	9,031
	<hr/>	<hr/>
Minority partnership interest	(70)	(180)
	<hr/>	<hr/>
Net earnings for the period and cumulative earnings at end of period	5,220	8,851
	<hr/>	<hr/>
Earnings per unit		
Basic and diluted	0.257	0.437
	<hr/>	<hr/>
Weighted average units		
Basic and diluted	20,257,000	20,257,000
	<hr/>	<hr/>

AutoCanada Income Fund

Interim Consolidated Statement of Cash Flows
(Unaudited)

For the period from April 1, 2006, including operations from May 11, 2006 (date of commencement of operations) to September 30, 2006

(expressed in Canadian dollar thousands)

	Three-month period ended September 30, 2006 \$	May 11 to September 30, 2006 \$
Cash provided by (used in)		
Operating activities		
Net earnings for the period	5,220	8,851
Items not affecting cash		
Unit-based compensation (note 12(d))	188	292
Amortization	1,146	1,764
Gain on disposal of property and equipment	(29)	(34)
	<u>6,525</u>	<u>10,873</u>
Net change in non-cash operating working capital balances	<u>(2,291)</u>	<u>10,315</u>
	<u>4,234</u>	<u>21,188</u>
Investing activities		
Business acquisitions (note 3)	-	(88,647)
Purchase of property and equipment	(417)	(540)
Proceeds on sale of property and equipment	77	89
Restricted cash (note 4)	842	498
	<u>502</u>	<u>(88,600)</u>
Financing activities		
Net proceeds from issuance of units (note 3)	-	93,572
Proceeds from long-term debt	358	358
Repayment of long-term debt	(27)	(27)
Repayment of obligation under capital lease	(12)	(22)
Distribution paid to Unitholders	(5,061)	(6,204)
	<u>(4,742)</u>	<u>87,677</u>
(Decrease) increase in cash	<u>(6)</u>	<u>20,265</u>
Cash and cash equivalents, beginning of period	<u>20,271</u>	<u>-</u>
Cash and cash equivalents, end of period	<u>20,265</u>	<u>20,265</u>
Supplementary information		
Cash interest paid	<u>2,273</u>	<u>3,414</u>
Transfer of inventory to property and equipment	<u>755</u>	<u>1,065</u>
Transfer of property and equipment to inventory	<u>434</u>	<u>667</u>

AutoCanada Income Fund

Notes to Interim Consolidated Financial Statements

(Unaudited)

September 30, 2006

(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 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.

AutoCanada Income Fund

Notes to Interim Consolidated Financial Statements

(Unaudited)

September 30, 2006

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

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 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.

AutoCanada Income Fund

Notes to Interim Consolidated Financial Statements

(Unaudited)

September 30, 2006

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

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 of 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. 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.

AutoCanada Income Fund

Notes to Interim Consolidated Financial Statements

(Unaudited)

September 30, 2006

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

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%
Computer 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 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.

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.

AutoCanada Income Fund

Notes to Interim Consolidated Financial Statements

(Unaudited)

September 30, 2006

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

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 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) Minority partnership interest

Minority partnership interest is calculated as the non-controlling party's 15% interest in the earnings before interest, taxes, depreciation, and amortization ("EBITDA") of two subsidiaries of the Fund.

k) 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.

AutoCanada Income Fund

Notes to Interim Consolidated Financial Statements

(Unaudited)

September 30, 2006

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

l) 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 September 30, 2006.

m) 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.

3 Business acquisitions

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 12(b)).

AutoCanada Income Fund

Notes to Interim Consolidated Financial Statements

(Unaudited)

September 30, 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:

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

The Fund is in the process of finalizing its estimate of the cost of issuance and the fair value of assets acquired and the liabilities assumed. Working capital amounts as at May 10 and September 30, 2006 have been estimated and, pursuant to the purchase agreements with CAG, the purchase price will be adjusted to reflect the actual amount of working capital purchased when it is determined. The Fund expects to complete these processes by March 31, 2007.

4 Restricted cash

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

AutoCanada Income Fund

Notes to Interim Consolidated Financial Statements

(Unaudited)

September 30, 2006

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

5 Inventories

	\$
New vehicles	72,676
Demonstrator vehicles	5,149
Used vehicles	18,281
Parts and accessories	5,146
	<hr/>
	101,252
	<hr/>

6 Property and equipment

	Cost \$	Accumulated amortization \$	Net \$
Lease vehicles	2,449	253	2,196
Machinery and equipment	3,439	291	3,148
Leasehold improvements	4,310	848	3,462
Furniture and fixtures	1,322	127	1,195
Company vehicles	1,317	148	1,169
Computer equipment	832	91	741
Other property and equipment	36	-	36
	<hr/>	<hr/>	<hr/>
	13,705	1,758	11,947
	<hr/>	<hr/>	<hr/>

Included in lease vehicles above are vehicles earning rental income. Rental income for the three month period ended September 30, 2006 and the period from May 11 to September 30, 2006 totalled \$205 and \$322 respectively.

7 Intangible assets

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

AutoCanada Income Fund

Notes to Interim Consolidated Financial Statements

(Unaudited)

September 30, 2006

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

8 Revolving facility

CFC provides AutoCanada LP and its subsidiaries (“the Partnership”) a revolving term facility (“Revolving Facility”). The amount of the Revolving 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 Facility matures three years from May 10, 2006 and bears interest at Royal Bank of Canada (“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. The Revolving Facility provides for a commitment fee of 0.25% of any unused portion and a draw fee of 1.5% of any amount borrowed, both payable quarterly in arrears. The Revolving Facility requires maintenance of certain financial covenants and are collateralized by a general security agreement consisting of a first security interest on all present and future property. The Revolving 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 Facility. As at September 30, 2006, no amounts have been drawn on the Revolving Facility.

9 Revolving floorplan facility

	\$
New vehicles	92,429
Demonstrator vehicles	4,275
Used vehicles	<u>6,593</u>
	<u>103,297</u>

The Revolving Floorplan Facility available to the Partnership from CFC to finance new, demonstrator and used vehicles is \$183,125 and bears interest at RBC prime rate less 0.25%, (5.75% at September 30, 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 Partnership’s accounts receivable, new, used and demonstrator vehicle inventory. The individual notes payable of the Revolving Floorplan Facility 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.

AutoCanada Income Fund

Notes to Interim Consolidated Financial Statements

(Unaudited)

September 30, 2006

(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 14), 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	4,411
2008	3,695
2009	3,357
2010	3,098
2011	2,094
Thereafter	<u>1,536</u>
	<u>18,191</u>

11 Cotingencies

- a) The Fund is contingently liable for the outstanding contract balance due on vehicles sold and subsequently financed. In the event payment is required under this guarantee, the Fund retains the right to reacquire the vehicle from the customer. As at September 30, 2006 this amount is \$146.
- b) The Fund is party to a number of disputes and lawsuits in the normal course of business. Management is confident that the ultimate liability arising from these matters will not have a material impact on the financial statements.
- c) 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.

AutoCanada Income Fund

Notes to Interim Consolidated Financial Statements

(Unaudited)

September 30, 2006

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

12 Uitholders' 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
	<u>10,949,500</u>	<u>105,200</u>

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 Units and issuance of 740,000 additional Fund Units with carrying amount of \$7,400.

c) Exchangeable 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 Units were exchanged and cancelled (note 12(b)).

AutoCanada Income Fund

Notes to Interim Consolidated Financial Statements

(Unaudited)

September 30, 2006

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

	Units #	Amount \$
Units issued on initial public offering (note 3)	10,047,500	100,475
Issuance costs	-	(4,228)
Exchange in connection with the over-allotment option (note 12(b))	740,000	7,400
	<hr/>	<hr/>
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 12(b)).

d) Unit-based compensation

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, 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 September 30, 2006, 1,519,275 units remained reserved for issuance under the option plan. During the three-month period ended September 30, 2006 no options were granted to purchase Fund Units and during the period from May 11 to September 30, 2006, 759,638 options were granted to purchase Fund Units. No options were exercisable as at September 30, 2006 and all options have a remaining life of 4.61 years.

AutoCanada Income Fund

Notes to Interim Consolidated Financial Statements

(Unaudited)

September 30, 2006

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

	Units #	Weighted average exercise price \$
Options outstanding, beginning of period	-	-
Granted	759,638	10
	<hr/>	<hr/>
Options outstanding, end of period	759,638	10
	<hr/>	<hr/>

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, using the following assumptions:

Risk free interest rate	4.3%
Expected life in years	5 years
Expected volatility	41.0%
Expected dividends	\$1

13 Distributions

Distributions 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 respectively per Unit for each of Fund Units and the Exchangeable LP Units were declared by the Fund for the three-month period ended September 30, 2006 and for the period from May 11, 2006 to September 30, 2006.

	Three-month period ended September 30 2006		May 11 to September 30, 2006	
	\$	\$	\$	\$
Fund Units	2,736	2,736	4,266	3,354
Exchangeable Units	2,325	2,325	3,625	2,850
	<hr/>	<hr/>	<hr/>	<hr/>
	5,061	5,061	7,891	6,204
	<hr/>	<hr/>	<hr/>	<hr/>

As at September 30, 2006, distributions payable to all Unitholders was \$1,687. Distributions outstanding as at September 30, 2006, were paid in October 2006.

AutoCanada Income Fund

Notes to Interim Consolidated Financial Statements

(Unaudited)

September 30, 2006

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

14 Related party transactions and balances

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

	Three-month period ended September 30, 2006 \$	May 11 to September 30, 2006 \$
Management fees received from companies with common directors	28	43
Rent paid to companies with common directors	497	811

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 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 amounts are unsecured and non-interest bearing.

15 Interest

	Three-month period ended September 30, 2006 \$	May 11 to September 30, 2006 \$
Revolving floorplan facility	1,854	3,110
Other	117	141
	<hr/> 1,971	<hr/> 3,251

16 Economic dependence

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

AutoCanada Income Fund

Notes to Interim Consolidated Financial Statements

(Unaudited)

September 30, 2006

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

17 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 Facility as described in note 8 and the Revolving Floorplan Facility as described in note 9, bear interest with floating rates over prime, thus exposing the Fund to interest rate fluctuations. As at September 30, 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 \$1,033.

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 and distributions payable approximate their fair value either due to their relatively short-term maturities or interest rates which approximate market rates.

18 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.

AutoCanada Income Fund

Notes to Interim Consolidated Financial Statements

(Unaudited)

September 30, 2006

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

19 Seasonal nature of the business

The Fund's results from operations for the period ended September 30, 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.

20 Subsequent event

On October 31, 2006, the Fund purchased the net operating assets of 500672 British Columbia Ltd. operating as Victoria Hyundai ("Victoria Hyundai") for total cash consideration of \$4,465, subject to potential working capital adjustments subsequent to closing. The \$4,465 acquisition cost of Victoria Hyundai was funded by drawing on the CFC Revolving Term Facility described in note 8. The Fund is in the process of finalizing its measurement and valuation of the net assets acquired, including the identification of goodwill and intangible assets and thus the allocation of the purchase price is subject to the completion of this process.

