

Q3 2009

THIRD QUARTER REPORT For the nine months ended September 30, 2009



Carfinco focuses on providing consumer vehicle loans to borrowers unable to obtain financing through traditional lending sources. A network of select independent and franchise dealerships offer Carfinco's payment plan to their customers who must, along with the vehicle, meet Carfinco's underwriting guidelines. The units of the Fund trade on The Toronto Stock Exchange under the symbol "CFN.UN."

TO OUR UNITHOLDERS

We are pleased to report that Carfinco has successfully achieved a number of financial milestones during the third quarter of 2009. The Fund recorded the highest finance receivables, revenue and net earnings and also matched its highest earnings per unit in its history.

Beginning as early as Q4 2007, and through to Q1 2009 Carfinco endured what we, and many others, refer to as the "perfect storm." There were unprecedented meltdowns in the credit market and automotive industry, fuel prices were at an all time high, auction values on used vehicles were at historical lows and the unemployment rate in Canada was rising. All of these factors contributed to higher delinquencies and increased charge-offs in the Fund's loan portfolio, forcing Management and the Board of Trustees to take necessary measures to weather the storm. During 2008, distributions to Unitholders were halted, credit policies were tightened, portfolio growth was curtailed, allowances for future credit losses were significantly increased and the Fund focused on improving the delinquencies and losses with experienced personnel and the implementation of technology.

The Fund has emerged from this period stronger than ever. During the third quarter of 2009 revenues were a record \$8.6 million compared to \$8.3 million in the same period last year. Net earnings were a record \$2.2 million, an increase of \$1.5 million over the \$0.7 million recorded during the same period last year. Earnings of \$0.09 per unit represent a 200% increase over the \$0.03 earnings per unit recorded for the third quarter of last year.

Our balance sheet continues to be strong with an allowance for credit losses of \$12.4 million and a dealer reserve of \$4.5 million making our total reserves \$16.9 million, an increase of \$2.9 million from the \$14.0 million recorded a year ago. As at September 30, the amount over 30 days delinquent has decreased to 4.5% of the finance receivables for the third quarter of 2009 from 6.4% for the third quarter of 2008; a significant improvement.

Loan originations for the third quarter were \$18.0 million, an increase of 16.9% and 7.9% over the first and second quarters respectively, and a modest increase from the \$17.9 million recorded for the third quarter of 2008. The majority of new loans originated utilize the GPS and "Starter Interrupt" technology mentioned in previous reports.

As of September 30, finance receivables were \$111.5 million versus \$108.6 million one year ago. Emphasis is now being placed on increasing the growth of the finance receivables, in a prudent and controlled manner without compromising the credit policies implemented in 2008.

For the first nine months of 2009 revenues were \$24.8 million compared to \$23.8 million last year, an increase of 3.9%. Net earnings for the first nine months were \$4.7 million, or 20 cents per unit, an increase of \$6.1 million, or 26 cents per unit, from the net loss of \$1.4 million for the same time frame in 2008.

During the third quarter the Board of Trustees reinstated monthly cash distributions to Unitholders, announcing a 1.5 cent distribution per unit to Unitholders for August. Subsequently, 1.5 cent monthly distributions were also announced for the months of September, October and November.

We remain cautiously optimistic for continued steady improvement in our business throughout the balance of the year and confident in the effort, expertise, and dedication of our employees.

A handwritten signature in black ink that reads "Tracy Graf". The signature is written in a cursive, flowing style.

TRACY GRAF
Chief Executive Officer

Management's Discussion and Analysis

The Management's Discussion and Analysis of Carfinco Income Fund (the "Fund") should be read in conjunction with the Fund's audited consolidated financial statements for the years ended December 31, 2008 and 2007, and the accompanying notes to those consolidated financial statements contained in the 2008 Annual Report.

This analysis has been prepared taking into consideration information available to November 10, 2009.

This report contains certain forward-looking statements that involve a number of known and unknown risks, uncertainties and other factors that may cause actual results of events to differ materially from those anticipated in our forward-looking statements.

OVERVIEW

Carfinco Income Fund is an unincorporated open-end mutual fund trust established under the laws of Ontario by a Deed of Trust made as of August 26, 2002, as amended and restated on April 23, 2004. The Fund owns 100% of Carfinco Holdings Trust, a wholly owned unincorporated trust, established under the laws of Ontario, and 100% of Carfinco Inc., a wholly owned subsidiary, established under the laws of Ontario. Carfinco Holdings Trust holds a 95.62% interest in Carfinco Limited Partnership, and Carfinco Inc. holds the remaining 4.38% interest, and is the general partner of Carfinco Limited Partnership. The Fund's units trade on The Toronto Stock Exchange under the symbol "CFN.UN."

The Fund, through Carfinco Limited Partnership, purchases loans, originated by select independent and franchise vehicle dealers to consumers buying late-model used automobiles. The Fund targets borrowers who are typically unable to obtain financing from traditional sources.

To fund the acquisition of receivables, the Fund uses its borrowings under its credit facility, and the issuance of debt and equity. The Fund generates interest and fee income on its finance receivables and pays interest expense on borrowings under its credit facility and on outstanding subordinated debentures.

RECENT EVENTS

On September 23, 2009, the Fund announced that it had engaged The Howard Group Inc., of Calgary, Alberta, to provide investor and financial relations services to the Fund. The Howard Group Inc. provides comprehensive investor and financial relations, business development solutions, in-depth strategic planning and financing services to public companies. Ongoing commentary on Carfinco's activities will be available through The Howard Group Inc.'s online newsletter.

On August 6, 2009, the Fund announced the Board of Trustees' approval for the resumption of monthly cash distributions of 1.5 cents per unit, commencing in August 2009. The Fund's distribution policy is to make distributions to unitholders of its available cash consistent with good business practices, considering requirements for capital expenditures, working capital and other reserves considered advisable by the Trustees of the Fund. Although the Fund intends to continue making distributions to our unitholders, cash distributions are not assured and the Board of Trustees and management continue to evaluate the viability of the Fund distributing cash on a monthly basis.

On January 26, 2009, the Fund announced the appointment of Mr. David Rosenkrantz as the Chairman of the Board. Mr. Rosenkrantz replaced Mr. David Prussky who resigned as Chairman. Mr. Rosenkrantz has been involved with Carfinco since inception, as a member of the Board of Directors and then as a Trustee of the Fund. Mr. Prussky has been a member Carfinco's Board of Trustees since the formation of the Fund, and continues to serve as a Trustee of the Fund. Prior to the conversion to an income fund, Mr. Prussky was also Chairman of Carfinco's Board of Directors.

On December 15, 2008, the Fund executed the Second Amendment to the Amended and Restated Credit Agreement, dated February 13, 2008. The maximum advance remained at \$85,000,000, while the maturity date of the credit facility was extended for a two-year period to December 15, 2010. Interest charged on the facility increased 75 basis points to Canadian prime rate plus 175 basis points. Wells Fargo Financial Corporation Canada replaced BoS (USA) Inc. in the banking syndicate that also includes Bank of America, N.A. and Bank of Montreal as senior lenders of Carfinco.

OUTLOOK

During the past two years, the Fund has experienced higher loss severity on liquidated collateral, due to an overall decrease in the auction values of used vehicles, and an increased frequency of delinquencies. This decrease in wholesale values started with the past strength of the Canadian dollar, and more recently, due to declines in the general economic environment including increased unemployment levels, and increases in energy prices that placed additional pressure on consumer household expenditures. The Fund responded to these conditions by implementing changes to credit criteria in fiscal 2008 to better ensure that customers are able to meet their payment obligations, and to collection procedures to more efficiently process collection activities. This included the introduction of GPS and "Starter Interrupt" technology to vehicles on the Fund's GO Plan program, where the dealer has a vested interest in the performance of finance receivables.

The Fund anticipated the decline in the finance receivable growth rate that commenced in the third quarter of 2008, as a result of the credit policies that were tightened to reflect economic challenges faced by Canadian consumers. These changes have recently translated into improvements in the portfolio with the Fund experiencing a reduction in contractual delinquencies and an overall improvement in the aging of the Fund's finance receivable portfolio. However, management continues to remain cautious with provisions for credit losses remaining at elevated levels, and an expectation that credit challenges will continue to reduce the finance receivable growth rate into the fourth quarter.

ECONOMIC CONDITIONS

Over the past couple of quarters, the global economy has begun to slowly regain traction. In the United States, the third quarter GDP grew 3.5% on an annualized basis in comparison to the 6.4% and 1.0% annualized contractions experienced in the first and second quarters of 2009 respectively.¹ In Canada, the GDP has also seen improvements only contracting 3.4% during the second quarter as compared to a 6.2% contraction in the first quarter of 2009 on an annualized basis.² In addition, consumer confidence has recently increased with some stabilization in domestic labour markets occurring after the steady pace of job losses that occurred throughout fiscal 2008 and over the first half of 2009. However, despite these economic improvements, management continues to see challenges over the near term. Recently, the Canadian dollar has regained momentum versus the US dollar that will, once again, result in a decrease in recoveries for the Fund's liquidated collateral. In addition, the consumer recovery is expected to be more sluggish than typical post-recession rebounds, as households focus on rebuilding savings. Motor vehicle sales in Canada for the remainder of fiscal 2009, and 2010 are both forecast to be lower than levels experienced in 2007 and 2008.³

Despite these challenges, a continued cautious lending environment by traditional financial institutions, as they focus on recapitalization, will benefit the fund. In addition, the Bank of Canada's commitment to maintaining the overnight target interest rate at 0.25% until the second quarter of 2010 will create some opportunities for the Fund as the Fund will be able to maintain a reduced cost of borrowing under its credit facility.

1 Source: Bureau of Economic Analysis, October 29, 2009

2 Source: Statistics Canada Report, August 31, 2009

3 Source: Scotia Economics Global Forecast Update, September 3, 2009

SELECTED ANNUAL INFORMATION AND KEY FINANCIAL RATIOS

The following table summarizes key financial data to be read in conjunction with the unaudited interim financial statements of the Fund as at and for the nine months ended September 30, 2009 as well as the annual audited consolidated financial statements of the Fund as at and for the twelve months ended December 31, 2008. Such financial statements are prepared in accordance with GAAP.

(\$000s for stated values, except percentages and per fund unit amounts)	September 30 2009	September 30 2008
Total revenue (for the three months ended)	\$ 8,601	\$ 8,338
Net earnings (for the three months ended)	\$ 2,186	\$ 690
Earnings per fund unit – basic and diluted (for the three months ended)	\$ 0.09	\$ 0.03
Total assets	\$ 96,352	\$ 95,913
Finance receivables	\$ 111,508	\$ 108,637
Funds advanced on finance receivables (for the three months ended)	\$ 14,619	\$ 15,484
Loan originations (for the three months ended)	\$ 17,997	\$ 17,926
Allowance for credit losses and dealer reserve	\$ 16,862	\$ 13,923
Allowance and reserve as a percentage of finance receivables	15.1%	12.8%
Bank credit facility	\$ 66,054	\$ 69,831
Unitholders' equity	\$ 24,307	\$ 20,834
Fund units outstanding	23,334	23,323
Book value per fund unit	\$ 1.04	\$ 0.89
Financial leverage ratio	2.47:1	2.99:1
Return on unitholders' equity (annualized)	37.1%	13.5%
Return on average finance receivables (annualized)	7.9%	2.6%
Cash distributions (for the three months ended)	\$ 700	\$ -
Cash distributions per fund unit (for the three months ended)	\$ 0.03	\$ -

RESULTS OF OPERATIONS

The total revenue for the third quarter of 2009 was \$8,601,269, an increase of \$263,630 over the total revenue of \$8,337,639 for the third quarter of 2008. The net earnings for the third quarter were \$2,185,849, an increase of \$1,496,101 from net earnings of \$689,748 for the third quarter of 2008. Earnings per fund unit increased from \$0.03 for the third quarter of 2008 to earnings per fund unit of \$0.09 in the third quarter of 2009.

REVENUES

Revenues increased by \$263,630, or 3.2%, from the third quarter of 2008 revenues of \$8,337,639 to the third quarter of 2009 revenues of \$8,601,269. Revenues increased by \$929,186, or 3.9%, from the nine months ended revenues of \$23,841,439 to the nine months ended September 30, 2009 revenues of \$24,770,625.

Interest income increased \$164,390, or 2.1%, from \$7,840,568 for the third quarter of 2008 to \$8,004,958 for the third quarter of 2009. Interest income increased by \$835,453, or 3.7%, from the nine months ended September 30, 2008 interest income of \$22,364,330 to the nine months ended September 30, 2009 interest of \$23,199,783. The increase in interest income is directly related to the growth in the finance receivable portfolio.

Administration fee income increased \$99,240, or 20.0%, from \$497,071 for the third quarter of 2008 to \$596,311 for the third quarter of 2009. Administration fee income increased by \$93,733, or 6.4%, from the nine months ended September 30, 2008 administration fee income of \$1,477,109 to the nine months ended September 30, 2009 administration fee income of \$1,570,842.

Revenues are anticipated to move in conjunction with the growth in the finance receivable portfolio. The larger portfolio generates additional interest income and collection activity generates additional administration fee income.

EXPENSES

The interest expense decreased \$242,910, or 19.4%, from \$1,255,588 for the third quarter of 2008 to \$1,012,678 for the third quarter of 2009. Interest expense decreased by \$298,773, or 8.5%, from the nine months ended September 30, 2008 interest expense of \$3,511,238 to the nine months ended September 30, 2009 interest expense of \$3,212,465. The decrease in interest expense is primarily due to a decrease in the average outstanding credit facility balance from the third quarter of 2008 to the third quarter of 2009 of 6.3%, combined with an decrease in the average prime rate from the third quarter of 2008 to the third quarter of 2009. The credit facility interest rate was also changed in the fourth quarter of 2008 from prime rate plus 1.00% to prime rate plus 1.75% which partially offsets these gains.

The provision for credit losses decreased \$750,541, or 19.6%, from \$3,824,534 for the third quarter of 2008 to \$3,073,993 for the third quarter of 2009. The \$3,073,993 (third quarter 2009 – \$3,824,534) provision is composed entirely of net write-offs (third quarter 2008 – \$2,831,834) with no increase or decrease (third quarter 2008 - \$992,700 increase) in the allowance for credit losses.

The provision for credit losses decreased \$4,086,222, or 28.9%, from \$14,161,226 for the nine months ended September 30, 2008 to \$10,075,004 for the nine months ended September 30, 2009. The \$10,075,004 (nine months ended September 30, 2008 – \$14,161,226) provision is composed of \$9,865,004 (nine months ended September 30, 2008 – \$8,813,526) in net write-offs and a \$210,000 (nine months ended September 30, 2008 - \$5,347,700) increase in the allowance for credit losses.

The component for the net write-offs increased 8.6%, while the component for the allowance for credit losses decreased \$992,700 from the third quarter of 2008 to the third quarter of 2009. The component for the net write-offs increased 11.6%, while the component for the allowance for credit losses decreased 96.1% from the nine months ended September 30, 2008 to the nine months ended September 30, 2009. The significant decrease in the allowance for credit losses component is due to the reduction in growth of the finance receivable portfolio.

Amortization expense increased \$15,832, or 47.2%, from \$33,534 for the third quarter of 2008 to \$49,366 for the third quarter of 2009. Amortization expense increased by \$46,747, or 50.9%, from the nine months ended September 30, 2008 amortization expense of \$91,938 to the nine months ended September 30, 2009 amortization expense of \$138,685.

General and administrative expenses increased \$144,674, or 6.2%, from \$2,330,486 for the third quarter of 2008 to \$2,475,160 for the third quarter of 2009. General and administrative expense increased by \$255,863, or 3.6%, from the nine months ended September 30, 2008 general and administrative expense of \$7,060,934 to the nine months ended September 30, 2009 general and administrative expense of \$7,316,797. The increase in general and administrative expenses is due to the overall expansion of the operational structure to accommodate the growth in the finance receivable portfolio.

INCOME TAXES

The Fund is a “mutual fund trust” for income tax purposes. As such, the Fund is taxed on any taxable income not allocated to unitholders. Pursuant to the Deed of Trust, all or virtually all of the taxable income is allocated to unitholders; consequently, there is no tax liability for the Fund. As of September 30, 2009, no future taxes were recorded by the Fund, as there was no Canadian tax obligation.

The Fund follows the liability method of accounting for income taxes for future income taxes. Under this method, future tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities, and losses carried forward, and measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

ASSET REVIEW

Total assets increased by \$1,860,262, or 2.0%, to \$96,351,689 at September, 2009 from \$94,491,427 at December 31, 2008. At September 30, 2009, non-portfolio assets represented 1.8% (December 31, 2008 – 1.2%) of the total assets. The portfolio assets include the finance receivables, the allowance for credit losses and the dealer reserve.

The finance receivables grew during the third quarter of 2009 by \$2,020,957, or 1.9%, to \$111,507,669. Funds advanced on finance receivables during the third quarter of 2009 amounted to \$14,618,829 compared to \$15,483,653 for the third quarter of 2008, a decrease of \$864,824, or 5.6%. The decrease in funding levels can be attributed to changes made to underwriting guidelines to decrease credit risk. The Fund continues to adhere to consistent and conservative underwriting standards to achieve portfolio growth.

All finance receivables are secured, under the applicable provincial personal property registry, by motor vehicle collateral. The Fund's strategy continues to be that of the alternative lender to major financial institutions in the higher-risk used vehicle finance market.

The Fund's allowance for credit losses, including dealer reserve, increased \$2,216,840, or 15.1%, to \$16,861,555 at September 30, 2009 from \$14,644,715 at December 31, 2008. Allowance for credit losses, including dealer reserve, as a percentage of finance receivables was 15.1% at September 30, 2009 compared to 13.6% at December 31, 2008. The Fund will continue to monitor its credit loss experience and make additional provisions, as it deems appropriate.

The management of the Fund establishes and maintains an allowance for credit losses, which it considers adequate to absorb probable credit losses existing in the finance receivable portfolio. The allowance for credit losses consists of accumulated specific and general components, which are deducted from the finance receivable portfolio. In addition to the allowance for credit losses, a dealer reserve has been established to absorb potential credit losses. The dealer reserve is recorded on certain finance receivables purchased by the Fund at a negotiated price that is less than the original principal amount being financed. Under this program, the dealer has a vested interest in the performance of these finance receivables, and can receive additional purchase consideration based on the collection performance of these finance receivables.

The Fund's finance receivable portfolio is composed of a large number of homogenous consumer loans, with relatively small balances, originated in the same industry, and as such, the evaluation of the allowance for credit losses is performed collectively for the group after allowance for specific losses. The estimated allowance for credit loss requirements are determined by assessing the individual finance receivables in arrears, the perceived effect of current economic conditions or other circumstances on the remaining finance receivables, the historical industry ratios of write-offs, and the Fund's current write-off and recovery experience.

DELINQUENCY AND LOSSES

Credit losses, delinquency and provision as at, and for each of the respective periods, were as follows:

(\$000s for stated values, except percentages)	September 30 2009	September 30 2008
Finance receivables outstanding at period end	\$ 111,508	\$ 108,637
Average finance receivables for the period	\$ 110,497	\$ 107,197
Allowance and reserve as a percentage of the finance receivables	15.1%	12.8%
Continuity of allowance for credit losses for the three months ended:		
Allowance, beginning of period	\$ 12,400	\$ 10,825
Provision for credit losses	3,074	3,825
Write-offs	(3,467)	(3,296)
Recoveries	393	464
Allowance, end of period	\$ 12,400	\$ 11,818

Continuity of dealer reserve for the three months ended:

Reserve, beginning of period	\$	3,890	\$	1,817
Reserve on new volume		2,753		1,958
Write-offs		(2,338)		(1,786)
Recoveries		157		116
Reserve, end of period	\$	4,462	\$	2,105

Contractual Delinquency at September 30, 2009 and December 31, 2008 were as follows:

September 30, 2009	Current	1 to 30 days	31 to 60 days	61 to 90 days	91 days plus
Amount of finance receivables	\$ 98,521,700	\$ 7,994,900	\$ 2,520,700	\$ 1,884,800	\$ 585,600
Percent of finance receivables	88.3%	7.2%	2.3%	1.7%	0.5%
Amount specifically impaired	\$ 1,008,100	\$ 650,200	\$ 774,700	\$ 1,884,800	\$ 585,600
December 31, 2008	Current	1 to 30 days	31 to 60 days	61 to 90 days	91 days plus
Amount of finance receivables	\$ 91,341,800	\$ 8,931,200	\$ 3,579,700	\$ 2,096,100	\$ 2,068,200
Percent of finance receivables	84.6%	8.3%	3.3%	1.9%	1.9%
Amount specifically impaired	\$ 701,700	\$ 305,000	\$ 668,300	\$ 2,096,100	\$ 2,068,200

LIABILITY REVIEW

Total liabilities decreased by \$2,224,736, or 3.0%, to \$72,044,535 at September 30, 2009, from \$74,269,271 at December 31, 2008. The change is primarily attributable to a decrease of \$1,824,359 on the bank credit facility from \$67,878,411 at December 31, 2008 to \$66,054,052 at September 30, 2009, and a reduction in the fair value liability of derivatives of \$705,675 from \$1,983,486 at December 31, 2008 to \$1,277,811 at September 30, 2009.

The Fund executed an Amended and Restated Credit Facility on February 13, 2008, as amended on May 20, 2008 and December 15, 2008 with the Bank of America, N.A., Wells Fargo Financial Corporation Canada and the Bank of Montreal as co-lenders. The amount of borrowings available under this facility is \$85,000,000 (December 31, 2008 - \$85,000,000), subject to a defined borrowing base and a maximum financial leverage ratio of 3.75:1. The bank credit facility is the primary source of cash for funding growth in the finance receivable portfolio. The maturity date of the credit facility is December 15, 2010.

LIQUIDITY AND CAPITAL RESOURCES

The Fund's primary sources of cash have been cash flows from operating activities, borrowings under its credit facility, and the issuance of debt and equity. The Fund's primary use of cash has been the funding of advances on finance receivables. Management believes that the resources available to the Fund provide the needed capital to fund the anticipated expansion of the finance receivable portfolio and investments in operating infrastructure for the remainder of fiscal 2009.

The Fund's capitalization at each period end are as follows:

(\$000s for stated values)	September 30 2009	September 30 2008
Bank credit facility	\$ 66,054	\$ 69,831
Accounts payable and accrued liabilities	858	430
Deferred dealer obligation	1,712	1,635
Total debt	\$ 68,624	\$ 71,896
Unitholders' equity	\$ 24,307	\$ 20,834
Derivatives	1,278	884
Long term debt	2,143	2,300
Total capitalization	\$ 27,728	\$ 24,018

Financial leverage 2.47:1 2.99:1

The Fund's interest coverage ratio for the three months ended is as follows:

(\$000s for stated values)	September 30 2009	September 30 2008
Net earnings	\$ 2,186	\$ 690
(Gain) loss on derivatives	(196)	204
Amortization of equipment	49	34
Interest	1,013	1,256
Interest coverage	\$ 3,052	\$ 2,184

Interest coverage ratio – quarterly 3.01:1 1.74:1

The interest coverage ratio is calculated as the "interest coverage" divided by the "interest". The Fund requested and received an amendment to the interest coverage ratio, so that the minimum ratio be 0.20:1 for the first quarter of 2008, 0.16:1 for the second quarter of 2008, 1.40:1 for the third quarter of 2008 and 1.50:1 for each quarter thereafter.

The Fund manages its capital resources by maximizing the financial leverage available under the credit facility. When additional capital is required, it is raised from operating cash flows and through subordinated debenture or unit issuances.

UNITHOLDERS' EQUITY

The unitholders' equity increased \$4,084,998, or 20.2%, from \$20,222,156 at December 31, 2008, to \$24,307,154 at September 30, 2009. The increase is due to net earnings of \$4,733,349 incurred during the nine months ended September 30, 2009, combined with repayment of the remaining unit purchase financing of \$51,666 and cash distributions of \$700,017 paid during the first and third quarter of 2009 respectively.

As at September 30, 2009 and November 10, 2009, there were 23,333,896 units of the Fund issued and outstanding.

DISTRIBUTABLE CASH (SEE NON-GAAP MEASURES)

(\$000s for stated values, except per fund unit amounts and percentages) for the three months ended	September 30 2009	September 30 2008
Cash provided by operating activities	\$ 5,637	\$ 4,923
Add (deduct)		
Long-term unfunded contractual operational obligations (1)	(450)	(400)
Significant non-cash items during the period (2)	(3,270)	(2,628)
Distributable cash	\$ 1,917	\$ 1,895
Cash distributions paid during the period	\$ 700	\$ -
Payout ratio	36.5%	0.0%
Distributable cash per weighted average units outstanding	\$ 0.082	\$ 0.081
Cash distributions per fund unit	\$ 0.03	\$ -
Unit distributions per fund unit	-	-
Total distributions per fund unit	\$ 0.03	\$ -

- (1) The Fund records an obligation to dealers that is recorded on the balance sheet as Deferred Dealer Obligation. Provision to fund a portion of such obligations is made through charges to the income statement.
- (2) The significant non-cash items during the period are excluded from the calculation of distributable cash, as their inclusion would not properly reflect the cash available for distribution.

Distributable cash for the third quarter of 2009 amounted to \$1.917 million, or \$0.082 per unit, an increase of \$0.022 million, or 1.2% and \$0.01 per unit from the third quarter of 2008. The Board of Trustee's approved the resumption of monthly cash distributions of 1.5 cents per unit, commencing in August 2009. No cash distributions were paid to unitholders during the third quarter of 2008.

The Fund's distribution policy is to make distributions to unitholders of its available cash consistent with good business practices, considering requirements for capital expenditures, working capital and other reserves considered advisable by the Trustees of the Fund. All such distributions are discretionary.

Overall, the Fund capitalizes an insignificant amount; therefore, no deduction is made for productive capacity maintenance when calculating distributable cash. The Fund's ability to maintain productive capacity is expensed on an annual basis.

Pursuant to the Deed of Trust of the Fund, the Trustees must distribute all or virtually all of the income of the Fund for the fiscal year, determined in accordance with the Income Tax Act (Canada), to the unitholders of the Fund. If the Fund does not pay cash distributions for the total income of the Fund, determined in accordance with the Income Tax Act (Canada), the remaining income of the Fund is distributed through additional Trust Units having a value equal to the cash shortfall.

To fund the acquisition of receivables and grow the finance receivable portfolio, the Fund will utilize the financial leverage available under the credit facility. When additional capital is required, it is raised through subordinated debenture or unit issuances.

Although the Fund intends to continue making distributions to our unitholders, cash distributions are not assured. The Fund's ability to make cash distributions and the actual amount distributed will depend upon, among other things, financial performance, debt covenants and obligations, the ability to refinance debt obligations on similar terms and at similar interest rates, working capital requirements, possible future tax obligations and future capital requirements.

Under the terms of our credit facility, the Fund is restricted from declaring distributions and distributing cash if the Fund is in breach of its debt covenants. These covenants include, but are not limited to, a financial leverage ratio, a loan availability calculation, an interest coverage ratio and a taxable income restriction. The Fund's current financial performance is in excess of the debt covenants under our credit facility.

A description of risk factors which affect the Fund's ability to pay cash distributions to its unitholders can be found in the section, "Risk Management", and in the Fund's Annual Information Form.

DISTRIBUTIONS

Cash distributions are normally payable by the Fund on a monthly basis to unitholders of record on the 20th business day of each month. Distributions are paid on the last business day of the month. Cash distributions on units of record during the year ended December 31, 2008 and the nine months ended September 30, 2009 are summarized as follows:

Record Date	Payment Date	Cash Distribution Per Unit		Total Cash Distribution	
January 18, 2008	January 31, 2008	\$	0.027	\$	630,015
February 20, 2008	February 29, 2008		0.027		630,015
March 20, 2008	March 31, 2008		0.027		630,016
Total cash distribution for 2008		\$	0.081	\$	1,890,046
August 20, 2009	August 31, 2009	\$	0.015	\$	350,009
September 18, 2009	September 30, 2009		0.015		350,008
Total cash distribution for 2009		\$	0.030	\$	700,017

SUMMARY OF QUARTERLY INFORMATION (UNAUDITED)

(000s for stated values, except percentages and per fund unit amounts)

	Q3-2009	Q2-2009	Q1-2009	Q4-2008	Q3-2008	Q2-2008	Q1-2008	Q4-2007
Total revenue	8,601	8,119	8,050	8,172	8,338	7,928	7,576	7,305
Net earnings (loss)	2,186	1,779	769	(560)	690	(721)	(1,396)	(38)
Distributable cash	1,917	1,189	1,184	2,148	1,895	854	836	1,939
Earnings per fund unit – basic and diluted	0.09	0.08	0.03	(0.02)	0.03	(0.03)	(0.06)	-
Finance receivables	111,508	109,487	108,736	108,017	108,637	105,757	100,181	94,383
Funds advanced on finance receivables	14,619	13,295	12,266	12,341	15,484	19,225	17,889	15,994
Loan originations	17,997	16,680	15,389	15,001	17,926	21,371	19,982	19,072
Allowance and dealer reserve	16,862	16,290	15,835	14,645	13,923	12,642	10,587	8,876
Allowance and dealer reserve as a % of finance receivables	15.1%	14.9%	14.6%	13.6%	12.8%	12.0%	10.6%	9.4%
Bank credit facility	66,054	65,532	66,674	67,878	69,831	69,397	66,416	58,213
Long term debt	2,143	2,143	2,300	2,300	2,300	1,800	-	-
Unitholders' equity	24,307	22,821	21,042	20,222	20,834	20,144	20,865	24,099
Fund units outstanding	23,334	23,339	23,339	23,323	23,323	23,323	23,323	23,306
Basic weighted average fund units	23,335	23,339	23,323	23,323	23,323	23,323	23,306	23,306
Book value per fund unit	1.04	0.98	0.90	0.87	0.89	0.86	0.90	1.03

Total revenue increased proportionately with the increase in finance receivables until Q4 2008, when the portfolio growth leveled off. Earnings per fund unit have decreased each of the four quarters leading up to Q2 2008, as a result of decreases in net earnings. The recent improvement in earnings per fund unit during Q3 2008, Q1 2009, Q2 2009 and Q3 2009 is due primarily to a reduction in provision for credit losses, relating to a lower increase in the allowance for credit losses during the quarters and to gains on derivatives.

The increase in net earnings during Q3 2009 compared to the previous quarter is primarily due to increases in total revenues of \$482,101, and a decrease in the provision for credit losses expense of \$148,154. Increases in revenue were attributable to increases in the average finance receivable balance during the period. Decreases in the gain on derivatives, and increases in general and administrative expenses during the period, partially offset these gains. The increase in net earnings during Q2 2009 compared to Q1 2009 is due to a decrease in the provision for credit losses expense of \$556,717 and to an increase in the gain on derivatives of \$322,734. Net earnings of \$768,601 in Q1 2009 after a net loss in the previous quarter is primarily due to a gain on derivatives of \$93,582 during the quarter versus a loss on derivatives of \$1,099,644 in Q4 2008. Net loss of \$560,118 in Q4 2008 was due to a significant loss on derivatives of \$1,099,644 recorded during the quarter. Net loss decreased from Q2 2008 to net earnings in Q3 2008, due to a reduction in the increase in the allowance for credit losses and an increase in revenue. Net loss decreased from Q1 2008 to Q2 2008, due to a non-cash gain of \$292,990 on derivatives in the second quarter versus a loss of \$532,789 during the first. Net earnings decreased from Q4 2007 to Q1 2008, due to a non-cash increase of \$2,170,000 in the allowance for credit losses and to a non-cash loss of \$532,789 on derivatives during the first quarter.

The finance receivable portfolio increased significantly leading up to Q3 2008, due to the implementation of the Curomax and DealerAccess online portals, which increased the consumer applications received by Carfinco. This increase in applications resulted in increased funding, as reflected in the funds advanced on finance receivables during Q3 2007 through Q2 2008. The decrease in funding levels in Q3 2008 through Q3 2009 is attributed to changes in loan origination policies and collection procedures to deal with increases in delinquency levels.

The allowance and dealer reserve as a percentage of the finance receivables decreased in the five quarters leading up to Q3 2007. The significant increases in the allowance and dealer reserve commencing in Q4 2007 is the result of a change in the mix of financial components used to assess the allowance for credit losses and increases in delinquency and loss rates on the finance receivables portfolio. Management assesses the adequacy of the allowance for credit losses on a regular basis.

The decrease in the bank credit facility from Q3 2008 is directly attributable to the decrease in funding volume discussed above. The slight increase in the bank credit facility during the Q3 2009 was due to the slight increase in funds advanced on finance receivables over the prior quarter. The Fund manages its capital resources by maximizing the financial leverage available under the credit facility, and when additional capital is required, it is raised through subordinated debt or unit issuances.

The decrease in unitholders' equity in Q1 2008 was due to the net loss incurred and cash distributions made during the period. The increase in subsequent quarters is due to net earnings incurred and to no cash distributions made by the Fund from Q2 2008 through Q3 2009.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's discussion and analysis of financial condition and results of operations are made with reference to the audited consolidated financial statements for the year ended December 31, 2008. A summary of the Fund's significant accounting policies are presented in Note 2 to those consolidated financial statements. Some of the Fund's accounting policies, as required by generally accepted accounting principles, require management to make subjective, complex judgments and estimates to matters that are inherently uncertain. The Fund believes the most critical accounting policies that affect its operating results, and that would have the most material effect on the financial statements should these policies change or be applied in a different manner, are those governing revenue recognition, the allowance for credit losses and the deferred dealer obligation.

RELATED PARTY TRANSACTIONS – PATICA SECURITIES LIMITED

The Fund has an agreement with Patca Securities Limited for services provided on an ongoing basis. These services include general strategic advice, advice on financial structure, advice on senior and/or subordinated debt and equity structure, communication with stakeholders and other general consulting services. Carfinco Limited Partnership entered into a Consulting Services Agreement with Patca Securities Limited on October 1, 2003, and pursuant to this agreement, Carfinco Limited Partnership incurs a fixed monthly fee of \$13,375, and a variable monthly fee of one-twelfth of 0.2% of the outstanding principal amount of the finance receivables. During the nine months ended September 30, 2009, payments of \$291,534 (nine months ended September 30, 2008 - \$284,187) were made to Patca Securities Limited and at September 30, 2009, there was \$32,767 (December 31, 2008 - \$32,354) payable to Patca Securities Limited. Patca Securities Limited is controlled by individuals who are Trustees of the Fund.

RELATED PARTY TRANSACTIONS - LONG TERM DEBT (DEBENTURES)

During the nine months ended September 30, 2009, the Fund incurred interest expense of \$88,611 (September 30, 2008 - \$24,980) related to debentures with related parties. During the second quarter of 2009, the Fund redeemed \$157,000 in debentures held by related parties. No redemptions occurred during the third quarter of 2009. The related parties participating in long term debt transactions were either Trustees and/or Officers of the Fund, or family members of Trustees and/or Officers of the Fund.

DERIVATIVE FINANCIAL INSTRUMENTS

The Fund utilizes derivative financial instruments, in the form of interest rate swap agreements, to reduce the impact of fluctuating interest rates on its bank credit facility. These swap agreements require the monthly exchange of payments without the exchange of the notional principal amount on which the payments are based. Interest expense on the debt is adjusted to include the payments made or received under the interest rate swaps.

A derivative must be designated and effective to be accounted for as a hedge. For cash flow hedges, effectiveness is achieved if the changes in the cash flows of the derivatives substantially offset the changes in the cash flows of the hedged item, and if the timing of the cash flows is similar. Gains and losses on derivatives that are part of a designated hedging relationship are recognized in other comprehensive income, until such time as the hedging relationship ceases. Derivatives classified as "financial asset or financial liabilities held for trading" and not part of a designated hedging relationship are measured at fair value at each balance sheet date, with gains and losses recognized in net earnings.

On August 23, 2007, the Fund entered into two interest rate swap agreements with a combined notional amount of \$20,000,000. The first agreement has a notional amount of \$10,000,000, a fixed rate of 4.92% and a three-year term ending on August 23, 2010. The second agreement has a notional amount of \$10,000,000, a fixed rate of 4.99% and a five-year term ending on August 23, 2012.

These interest rate swap agreements have been classified as "held-for-trading financial instruments" and are not part of a hedging relationship, and are measured at fair value with all gains and losses recorded through net earnings. During the three months ended September 30, 2009, a gain of \$195,777 (three months ended September 30, 2008, a loss of \$203,749) was recorded, and the fair value of the interest rate swaps at September 30, 2009 was a liability of \$1,277,811 (December 31, 2008 - \$1,983,486).

OFF-BALANCE SHEET ARRANGEMENTS

The Fund has not entered into any off-balance sheet arrangements.

CONTRACTUAL OBLIGATIONS

The Fund is committed to a long term operating lease for building space. The minimum annual lease payments plus estimated operating costs required for the remainder of 2009 and the next two years are as follows: \$93,000 for 2009, \$382,000 for 2010 and \$393,000 for 2011.

RISK MANAGEMENT

GENERAL

The operations of the Fund are affected by trends and factors that the Fund may not be able to control. These trends and factors may include changes in the vehicle financing market sector and the state of the domestic and global economy. It is not possible for management to accurately predict the impact of changes in the operating environment, nor to predict their effect on the Fund's financial condition and results of operations.

COMPETITIVE ENVIRONMENT

There can be no assurance that the Fund will be able to compete successfully against its current or future competitors, or that such competition will not have a material adverse effect on the financial condition and results of operations of the Fund. Overall, the market for the financial services offered by the Fund is highly competitive and many of the companies operating in this sector have greater financial, technical and marketing resources than the Fund and generate greater revenues. Relatively low barriers to entry into our markets exist and the Fund expects to face additional competition over time from new entrants into its market sector.

RELIANCE ON KEY PERSONNEL

The Fund is dependent on the abilities, experience and efforts of its senior management and other key employees. If these individuals become unable or unwilling to continue their employment, there may be a material adverse effect on the Fund's financial condition, results of operations and business prospects.

LIQUIDITY RISK

As is customary in the Fund's industry, the credit facility and subordinated debt instruments must be renewed on a periodic basis. The Fund has been successful in renewing and expanding these facilities. If the Fund were unable to renew these facilities on acceptable terms, there could be a material adverse effect on the Fund's financial position, results of operations and liquidity.

CREDIT RISK

Credit risk involves the loss of principal and/or interest from the failure of debtors, for any reason, to honour the financial or contractual obligations to the Fund. In the event of payment default, the collateral value of the financed vehicle may not cover the outstanding contract balance and costs of recovery.

The Fund originates transactions in a relatively high-risk segment of the consumer finance industry. Therefore, write-offs are anticipated. The management of the Fund establishes and maintains an allowance for credit losses, which it considers adequate to absorb probable credit losses existing in the finance receivable portfolio.

The Fund reviews static pool loss rates, historical industry ratios of write-offs, current write-off and recovery experience, estimates of the underlying collateral value, and economic conditions and trends to make the necessary judgments as to the appropriateness of the allowance for credit losses. Static pool loss rates are a measure of long term performance and credit quality, where static pool loss rates are calculated by identifying a pool of assets and tracking the performance of that pool by relating a write-off back to its origination date. Although the Fund uses various models and methodologies to assess the adequacy of loss reserves, there is no precise method for estimating the losses existing in the finance receivable portfolio.

INTEREST RATE RISK

The Fund's earnings are affected by changes in interest rates as a result of its dependence upon a credit facility, which bears interest at a floating rate. The receivable portfolio bears interest at a fixed rate; therefore, the Fund carries the risk of smaller interest rate spreads in the event market interest rates increase.

INCOME TAX MATTERS

On October 31, 2006, the Minister of Finance announced the proposed Tax Fairness Plan for Canadians that includes a tax on distributions from publicly traded income trusts and limited partnerships. Existing publicly traded income trusts, such as Carfinco Income Fund, would not be subject to the proposed tax until their 2011 taxation year.

On June 22, 2007, the Budget Implementation Act 2007 (Canada) was enacted, which included the taxation on publicly-traded income trusts and limited partnerships (Specified Investment Flow-Through Entities or "SIFT"), including Carfinco Income Fund, effective January 1, 2011. As such, the Fund reviewed all temporary differences that were previously not recorded as future income tax assets or liabilities at the Fund level. Recognition of these future income tax assets or liabilities is recorded only for temporary differences expected to reverse after the date that the taxation changes take effect, being January 2011.

ACCOUNTING POLICIES

ADOPTION OF CHANGES IN ACCOUNTING POLICIES

The following is a discussion of relevant changes to accounting policies adopted as a result of Handbook revisions that were released, revised or became effective since the Fund's audited financial statements for the year ended December 31, 2008 were issued.

Effective January 1, 2009, the Fund adopted CICA Handbook Section 3064, Goodwill and Intangible Assets, which replaced CICA Handbook Section 3062, Goodwill and Other Intangible Assets, and CICA Handbook Section 3450, Research and Development. The new pronouncement established standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. Standards concerning goodwill are unchanged from the previous Section 3062. The adoption of this new standard did not impact the Fund's consolidated financial statements.

Effective January 1, 2009, the Fund adopted EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. The abstract clarifies how the Fund's own credit risk and the credit risk of a counter party should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The new guidance did not have a material effect on the financial position or earnings of the Fund.

FUTURE ACCOUNTING CHANGES

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Canadian Accounting Standards Board confirmed that Canadian public entities will have to adopt International Financial Reporting Standards ("IFRS"), effective for fiscal years beginning on or after January 1, 2011. The transition from Canadian GAAP to IFRS will be applicable for the Fund for the first quarter of 2011, when the Fund will prepare both its current and comparative financial information using IFRS.

The Fund initiated its conversion plan from Canadian GAAP to IFRS in the fourth quarter of 2008. At that time, the Fund developed a project team led by its Chief Financial Officer and other members of its finance group. Progress reporting to the Fund's Board of Trustees on the conversion project began in the first quarter of 2009. The conversion plan includes three phases:

Scoping Phase – a preliminary high-level diagnostic to identify key areas in which there may be significant differences between IFRS and Canadian GAAP for the Fund's consolidated financial statements. This includes preliminary considerations with respect to processes, controls systems and resources to facilitate the conversion process. The Fund initiated this phase in the first quarter of 2009 and completed this phase in the third quarter of 2009. This phase resulted in the development of a detailed plan under which the design activities are being implemented. This includes the development of an implementation timetable that will occur over upcoming periods leading to the changeover.

Design Phase – establish key milestones for the conversion project and determine internal resource requirements to facilitate the conversion. A more detailed assessment of the impact of IFRS will be completed. Aspects of this phase were initiated in the third quarter of 2009, however, at this time, the Fund cannot reasonably determine the impact that adopting IFRS will have on its financial position and future results. This phase is anticipated to be complete in the first quarter of 2010.

Implementation Phase – the conclusions and recommendations arrived at during the design phase are to be implemented. This phase will include monitoring the progress of the implementation of changes to process, procedures and information systems. This phase has not been initiated.

Although much of Canadian GAAP is similar to IFRS, there are some GAAP differences that may significantly impact the Fund's financial statements. As the Fund progresses through its conversion plan, the implementation of the plan may change due to changes to IFRS and related interpretation. The Fund does not intend to early adopt IFRS prior to January 1, 2011.

NON-GAAP MEASURES

DISTRIBUTABLE CASH

Distributable cash is a non-GAAP measure generally used by Canadian income trusts as an indicator of financial performance, and it should not be seen as a measurement of liquidity, or a substitute for comparable metrics prepared in accordance with GAAP. This measure is commonly used by investors, management and other stakeholders to evaluate the ongoing performance of the Fund. Distributable cash may differ from similar calculations as reported by other entities and, accordingly, may not be comparable to distributable cash as reported by such entities. For reconciliation with GAAP, please refer to the "Distributable Cash" section.

CASH DISTRIBUTIONS PER UNIT AND PAYOUT RATIO

The Fund reports on cash distributions per unit and payout ratio (actual cash distribution divided by distributable cash) because they are key measures used by investors to value the Fund, assess its performance and provide an indication of the sustainability of distributions. Cash distributions per unit and the payout ratio depend on the Fund's distributable cash and the Fund's distribution policy.

The Fund's policy is to make distributions to unitholders of its available cash consistent with good business practices, considering requirements for capital expenditures, working capital, and other reserves considered advisable by the Trustees of the Fund. All such distributions are discretionary.

CONTROLS AND PROCEDURES

The Fund has established and maintains disclosure controls and procedures over financial reporting. Management evaluated, under the supervision of, and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the effectiveness of the Fund's disclosure controls and procedures (as defined by the Canadian Securities Administrators), as of September 30, 2009. Based on that evaluation using the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") control framework, the Chief Executive Officer and the Chief Financial Officer concluded that such procedures are adequate and effective to provide reasonable assurance that material information relating to the Fund and its consolidated entities and would be made known to them by others within those entities to allow for accurate and complete disclosures in annual and interim filings or other reports.

The Fund's Chief Executive Officer and Chief Financial Officer are responsible for certifying that the Fund has designed, or caused to be designed, internal controls over financial reporting ("ICFR"), to a standard which provides reasonable assurance of the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Canadian generally accepted accounting principles utilized by the Fund. The certifying officers have evaluated the design of the Fund's ICFR and assessed the effectiveness of the internal controls over financial reporting as at September 30, 2009, and based on that assessment, determined the Fund's internal controls over financial reporting was designed and operating effectively.

Although management has been able to reach this conclusion, they have identified certain weaknesses in ICFR due to lack of segregation of duties. Segregation of duties is a basic, key internal control and one of the most difficult to achieve. It is used to ensure that errors or irregularities are prevented or detected on a timely basis by employees in the normal course of business. Due to limited resources, adequate segregation of duties within the accounting group was not achieved. This creates a risk that inaccurate journal entries could be made and not corrected on a timely basis. The result is that the Fund is reliant on the performance of mitigating procedures during its financial close processes in order to ensure the financial statements are presented fairly in all material respects. Management will continue to review the assignment of responsibilities and where possible improve on segregation. Management has mitigated the risks arising from these weaknesses, through a combination of extensive and detailed review by the Chief Financial Officer of the financial reports and the integrity and reputation of senior financial and accounting personnel.

No changes were made to internal controls over financial reporting during the quarter ended September 30, 2009, that would have materially affected, or would be reasonably considered to materially affect, these controls.

It should be noted that while the Fund's Chief Executive Officer and Chief Financial Officer believe that the Fund's internal controls system and disclosure controls and procedures provides a reasonable level of assurance that the objectives of the control systems are met, they do not expect that the Fund's control system will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurances that any design will succeed in achieving its stated goals under all potential conditions.

The Fund will continue to periodically review our disclosure controls and procedures and internal control over financial reporting and may make modifications from time to time as considered necessary or desirable.

CAUTIONARY STATEMENT

Certain statements contained in this interim report constitute "forward-looking statements". When used in this interim report, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", and similar expressions, as they relate to the Fund, its subsidiaries or their management, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to inherent risks, uncertainties and numerous assumptions, including, without limitation, general economic conditions, reliance on debt financing, dependence on non-prime borrowers, inability to sustain receivables, competition, interest rates, regulation, insurance, failure of key systems, debt service, future capital needs and such other risks or factors described from time to time in reports of Carfinco Income Fund that are filed with securities regulatory authorities.

By their nature, forward-looking statements involve numerous assumptions, known and unknown, risks and uncertainties, both general and specific, which contribute to the possibility that predictions, forecasts, projections and other forms of forward-looking information may not be achieved. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements and readers are cautioned that the list of factors in the foregoing paragraph is not exhaustive. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements or interpret or regard forward-looking statements as guarantees of future outcomes.

In addition to the careful consideration of the risks described herein, investors should also consider the risk factors set forth in the most recently filed Annual Information Form of the Fund which is incorporated by reference herein. The Annual Information Form is available through the Internet on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR"), which can be accessed at www.sedar.com.

Consolidated Balance Sheets

	September 30 2009 (unaudited)	December 31 2008 (audited)
Assets		
Finance receivables (Note 2)	\$ 111,507,669	\$ 108,016,961
Allowance for credit losses (Note 3)	(12,400,000)	(12,190,000)
Dealer reserve (Note 4)	(4,461,555)	(2,454,715)
Finance receivables - net	94,646,114	93,372,246
Cash	702,701	29,162
Other assets	611,330	633,178
Equipment	391,544	456,841
	1,705,575	1,119,181
	\$ 96,351,689	\$ 94,491,427
Liabilities		
Bank credit facility (Note 5)	\$ 66,054,052	\$ 67,878,411
Accounts payable and accrued liabilities	857,793	502,989
Deferred dealer obligation (Note 6)	1,711,879	1,604,385
Derivatives (Note 7)	1,277,811	1,983,486
Long term debt (Note 8)	2,143,000	2,300,000
	72,044,535	74,269,271
Unitholders' Equity		
Unitholders' capital (Note 9)	29,635,129	29,583,463
Deficit (Note 9)	(5,327,975)	(9,361,307)
	24,307,154	20,222,156
	\$ 96,351,689	\$ 94,491,427

See accompanying notes to the Consolidated Financial Statements.

Consolidated Statements of Earnings (Loss), Comprehensive Income (Loss) and Deficit

	Three Months Ended		Nine Months Ended	
	September 30 2009 (unaudited)	September 30 2008 (unaudited)	September 30 2009 (unaudited)	September 30 2008 (unaudited)
Financial Revenue				
Interest	\$ 8,004,958	\$ 7,840,568	\$ 23,199,783	\$ 22,364,330
Administration fees	596,311	497,071	1,570,842	1,477,109
	8,601,269	8,337,639	24,770,625	23,841,439
Financial Expenses				
Interest	1,012,678	1,255,588	3,212,465	3,511,238
Net financial income before provision for credit losses	7,588,591	7,082,051	21,558,160	20,330,201
Provision for credit losses	3,073,993	3,824,534	10,075,004	14,161,226
Net financial income before operating expenses	4,514,598	3,257,517	11,483,156	6,168,975
Operating Expenses				
General and administrative	2,475,160	2,330,486	7,316,797	7,060,934
(Gain) loss on derivatives	(195,777)	203,749	(705,675)	443,548
Amortization of equipment	49,366	33,534	138,685	91,938
	2,328,749	2,567,769	6,749,807	7,596,420
Net earnings (loss) and comprehensive income (loss)	\$ 2,185,849	\$ 689,748	\$ 4,733,349	\$ (1,427,445)
Deficit, beginning of period				
Net earnings (loss)	\$ (6,813,807)	\$ (9,490,937)	\$ (9,361,307)	\$ (5,483,698)
Cash distributions on fund unit equity	2,185,849	689,748	4,733,349	(1,427,445)
	(700,017)	-	(700,017)	(1,890,046)
Deficit, end of period	\$ (5,327,975)	\$ (8,801,189)	\$ (5,327,975)	\$ (8,801,189)
Earnings (Loss) per Fund Unit				
Basic and diluted	\$ 0.09	\$ 0.03	\$ 0.20	\$ (0.06)

See accompanying notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows

	Three Months Ended		Nine Months Ended	
	September 30 2009 (unaudited)	September 30 2008 (unaudited)	September 30 2009 (unaudited)	September 30 2008 (unaudited)
Increase (decrease) in cash				
Operating				
Net earnings (loss)	\$ 2,185,849	\$ 689,748	\$ 4,733,349	\$ (1,427,445)
Adjustments to reconcile net earnings (loss) to net cash from operations:				
Provision for credit losses	3,073,993	3,824,534	10,075,004	14,161,226
Amortization of equipment	49,366	33,534	138,685	91,938
Accrued interest	42,614	(136,038)	242,181	(254,492)
Deferred dealer obligation	450,000	400,000	1,350,000	925,000
Derivatives	(195,777)	203,749	(705,675)	443,548
Accounts payable and accrued liabilities	170,152	(18,562)	354,804	(1,024,747)
Other assets	(138,805)	(74,126)	21,848	(34,722)
	5,637,392	4,922,839	16,210,196	12,880,306
Investing				
Funds advanced on finance receivables	(14,618,829)	(15,483,653)	(40,180,097)	(52,597,899)
Principal collections on finance receivables	10,962,560	11,088,423	31,701,296	32,438,042
Change in finance receivable reserves and transaction costs	(1,237,022)	(1,439,053)	(4,354,758)	(4,434,363)
Purchase of equipment	(20,609)	(90,535)	(73,388)	(171,429)
	(4,913,900)	(5,924,818)	(12,906,947)	(24,765,649)
Financing				
Advances on bank credit facility	1,821,994	2,934,146	3,775,641	18,317,654
Repayments on bank credit facility	(1,300,000)	(2,500,000)	(5,600,000)	(6,700,000)
Issuance of long term debt	-	500,000	-	2,300,000
Payments on long term debt	-	-	(157,000)	-
Repayments on unit purchase financing	-	-	51,666	51,666
Fund unit cash distribution	(700,017)	-	(700,017)	(1,890,046)
	(178,023)	934,146	(2,629,710)	12,079,274
Net increase (decrease) in cash	545,469	(67,833)	673,539	193,931
Cash				
Beginning of period	157,232	95,878	29,162	(165,886)
End of period	\$ 702,701	\$ 28,045	\$ 702,701	\$ 28,045
Supplemental cash flow information:				
Interest paid	\$ 950,021	\$ 1,176,778	\$ 2,999,943	\$ 3,304,049

See accompanying notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements (UNAUDITED)

SEPTEMBER 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Carfinco Income Fund (the "Fund") is an unincorporated open-end mutual fund trust established under the laws of the Province of Ontario by a Deed of Trust made as of August 26, 2002, as amended and restated on April 23, 2004. The Fund owns 100% of Carfinco Holdings Trust ("CHT"), a wholly owned unincorporated trust, established under the laws of Ontario and 100% of Carfinco Inc. ("CAR"), a wholly owned subsidiary, established under the laws of Ontario. CHT holds 95.62% and is the limited partner of Carfinco Limited Partnership ("CLP") and CAR holds the remaining 4.38% and is the general partner of CLP. CLP is in the business of providing consumer financing for vehicle purchases. The units of the Fund are publicly traded on The Toronto Stock Exchange, under the symbol "CFN.UN."

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and the accounting policies and methods are consistent with those used in the preparation of the Fund's most recent annual financial statements for the year ended December 31, 2008. While management considers this interim disclosure presented to be adequate, these interim consolidated financial statements and notes should be read in conjunction with the notes included in the Fund's December 31, 2008 audited consolidated financial statements.

2. FINANCE RECEIVABLES

Finance receivables consist of conditional sales contracts, which have terms of 12 to 60 months with fixed rates of interest. Each individual finance receivable is collateralized by a vehicle.

The contractual payments, including principal and interest, and the average stated interest rates, which approximate the effective interest rates, are due in the years as follows:

	September 30 2009	Average Stated Interest Rate	December 31 2008	Average Stated Interest Rate
2009	\$ 14,227,091	29.1%	\$ 52,870,569	29.0%
2010	54,787,530	29.2%	48,443,964	29.0%
2011	49,677,265	29.3%	41,377,688	29.2%
2012	39,796,082	29.4%	27,741,744	29.4%
2013	15,854,028	29.4%	7,020,162	29.3%
2014	1,021,558	29.1%	-	
Gross finance receivables	175,363,554		177,454,127	
Unearned interest income	(61,753,500)		(67,133,481)	
Unearned administration fees	(3,774,532)		(4,218,013)	
Principal of finance receivables	109,835,522		106,102,633	
Accrued interest	1,672,147		1,914,328	
Finance receivables	\$ 111,507,669		\$ 108,016,961	

Notes to the Consolidated Financial Statements (UNAUDITED) SEPTEMBER 30, 2009

2. Finance Receivables (continued)

The Fund's experience has shown that the actual contractual payment stream will vary depending on a number of variables. These variables include prepayment rates, write-offs and deferrals. Accordingly, the maturities of finance receivables shown in the table above are not to be regarded as a forecast of future cash collections.

The impaired loans and the related allowance for specific credit losses and a summary of the general and specific allowance components are as follows:

	September 30 2009	December 31 2008
Impaired loans	\$ 6,267,900	\$ 6,983,200
Specific provisions	(4,903,400)	(5,839,300)
Carrying amount	\$ 1,364,500	\$ 1,143,900
Allowance for credit losses - general	\$ 9,841,400	\$ 8,410,600
Allowance for credit losses - specific	2,558,600	3,779,400
Allowance for credit losses	12,400,000	12,190,000
Dealer reserve - general	2,116,755	394,815
Dealer reserve - specific	2,344,800	2,059,900
Dealer reserve	4,461,555	2,454,715
	\$ 16,861,555	\$ 14,644,715

3. ALLOWANCE FOR CREDIT LOSSES

	Three months ended		Nine months ended	
	September 30 2009	December 31 2008	September 30 2009	December 31 2008
Allowance, beginning of period	\$ 12,400,000	\$ 11,817,700	\$ 12,190,000	\$ 8,640,000
Provision for credit losses	3,073,993	4,101,212	10,075,004	13,279,635
Write-offs	(3,467,430)	(4,205,066)	(11,222,399)	(11,102,949)
Recoveries	393,437	476,154	1,357,395	1,373,314
Allowance, end of period	\$ 12,400,000	\$ 12,190,000	\$ 12,400,000	\$ 12,190,000

4. DEALER RESERVE

	Three months ended		Nine months ended	
	September 30 2009	December 31 2008	September 30 2009	December 31 2008
Reserve, beginning of period	\$ 3,890,356	\$ 2,105,289	\$ 2,454,715	\$ 1,946,848
Reserve on new volume	2,752,655	2,034,022	8,188,658	5,521,537
Write-offs	(2,338,238)	(1,802,228)	(6,599,922)	(5,386,436)
Recoveries	156,782	117,632	418,104	372,766
Reserve, end of period	\$ 4,461,555	\$ 2,454,715	\$ 4,461,555	\$ 2,454,715

Notes to the Consolidated Financial Statements (UNAUDITED) SEPTEMBER 30, 2009

5. BANK CREDIT FACILITY

	September 30 2009	December 31 2008
Bankers' acceptance equivalent loans		
Interest rate of 3.74%, maturing on October 19, 2009	\$ 60,000,000	\$ -
Prime rate loan	6,220,735	68,232,745
Unamortized transaction costs	(166,683)	(354,334)
Bank credit facility	\$ 66,054,052	\$ 67,878,411

The bank credit facility is a demand loan, which is the lesser at any time of: a) \$85,000,000 (December 31, 2008 - \$85,000,000) and b) the total of an advance rate applied to the value of acceptable outstanding finance receivables. The credit facility bears interest at prime plus 1.75% (December 31, 2008 - 1.75%). The Fund also has the option to lock a portion of the outstanding loan balance, for a period of up to 180 days, in bankers' acceptance equivalent loans, which bear interest at the bankers' acceptance rate available at the inception of the equivalent loan, plus 3.25% (December 31, 2008 - 3.25%). A stand-by fee of 0.25% per annum applies to the unused portion of the facility and is calculated, then applied to the outstanding bank credit facility balance, on a monthly basis. The stated maturity date of the credit facility is December 15, 2010. The collateral security lodged by the Fund to support the credit facility is a general security agreement covering all property held by the Fund. The terms of the credit facility provide for certain covenants, all of which the Fund was in compliance with at September 30, 2009 and December 31, 2008.

6. DEFERRED DEALER OBLIGATION

	Three months ended		Nine months ended	
	September 30 2009	December 31 2008	September 30 2009	December 31 2008
Deferred dealer obligation, beginning of period	\$ 1,588,806	\$ 1,634,568	\$ 1,604,385	\$ 2,178,004
Deferred dealer obligation on new volume	375,000	285,000	1,025,000	371,330
Advances to dealer	(251,927)	(315,183)	(917,506)	(944,949)
Deferred dealer obligation, end of period	\$ 1,711,879	\$ 1,604,385	\$ 1,711,879	\$ 1,604,385

7. DERIVATIVES

On August 23, 2007, the Fund entered into two interest rate swap agreements, to pay fixed and receive variable, with a combined notional amount of \$20,000,000. The first agreement has a notional amount of \$10,000,000, a fixed rate of 4.92% and a three-year term ending on August 23, 2010. The second agreement has a notional amount of \$10,000,000, a fixed rate of 4.99% and a five-year term ending on August 23, 2012.

These interest rate swap agreements have been classified as "held-for-trading financial instruments," and are measured at fair value with all gains and losses recorded through net earnings. During the third quarter of 2009, a gain of \$195,777 (nine months ended September 30, 2009 - gain of \$705,675) was recorded, and the fair value of the interest rate swaps at September 30, 2009 was a liability of \$1,277,811 (December 31, 2008 - \$1,983,486).

Notes to the Consolidated Financial Statements (UNAUDITED)
SEPTEMBER 30, 2009

8. LONG TERM DEBT

	Three months ended		Nine months ended	
	September 30 2009	December 31 2008	September 30 2009	December 31 2008
Long term debt, beginning of period	\$ 2,143,000	\$ 2,300,000	\$ 2,300,000	\$ -
Issuance of 14% debentures, maturing on April 30, 2010	-	-	-	2,300,000
Redemption of 14% debentures	-	-	(157,000)	-
Long term debt, end of period	\$ 2,143,000	\$ 2,300,000	\$ 2,143,000	\$ 2,300,000
Interest expense, during the period, on long term debt	\$ 75,547	\$ 68,475	\$ 235,213	\$ 166,470

These debentures are unsecured, bear interest at 14% per annum and the interest payments are payable monthly in arrears. The debentures are redeemable in whole or part, by the Fund during the term of the debentures, at the option of the Fund.

9. UNITHOLDERS' EQUITY

Authorized:

The Fund's Deed of Trust provides that an unlimited number of trust units may be authorized and issued. Each trust unit is transferable, carries the right to one vote and represents an equal undivided beneficial interest in any distribution from the Fund and in the net assets of the Fund in the event of termination or winding-up of the Fund. All trust units are of the same class with equal rights and privileges.

Nine Months Ended	September 30, 2009		December 31, 2008	
	Number	Amount	Number	Amount
Unitholders' equity, beginning of period	23,322,566	\$ 20,222,156	23,322,566	\$ 20,865,065
Unit purchase repayment	16,680	51,666	-	-
Fund units cancelled	(5,350)	-	-	-
Fund unit issue costs	-	-	-	(51,393)
Fund unit distribution (cash distribution)	-	(700,017)	-	-
Change in units in the period	11,330	(648,351)	-	(51,393)
Net earnings (loss) for the period	-	4,733,349	-	(591,516)
Unitholders' equity, end of period	23,333,896	\$ 24,307,154	23,322,566	\$ 20,222,156

Notes to the Consolidated Financial Statements (UNAUDITED) SEPTEMBER 30, 2009

9. Unitholders' Equity (continued)

Unitholders' capital and deficit consist of the following components:

	September 30 2009	December 31 2008
Unitholders' capital		
Fund unit equity	\$ 29,019,767	\$ 28,968,101
Contributed surplus	615,362	615,362
	<u>29,635,129</u>	<u>29,583,463</u>
Deficit		
Accumulated net earnings	20,592,552	15,859,203
Accumulated unit distributions on fund unit equity	(3,681,095)	(3,681,095)
Accumulated cash distributions on fund unit equity	(22,239,432)	(21,539,415)
	<u>(5,327,975)</u>	<u>(9,361,307)</u>
Unitholders' equity	\$ 24,307,154	\$ 20,222,156

Unit purchase financing

The Fund entered into unit loan agreements on March 31, 2006 with four individuals who are employees of the Fund. The loans have an aggregate principal amount of \$nil (December 31, 2008 - \$51,666), bore interest at the prescribed interest rate, as set by the Canada Revenue Agency, and were repayable in full on March 31, 2009. As at December 31, 2008, the loans were secured by 16,680 trust units, with a market value of \$5,000.

10. CAPITAL DISCLOSURE

The Fund's objectives when managing capital are to ensure sufficient liquidity to support its financial objectives and strategic plans, to ensure its financial covenants are met, and to maximize and protect unitholder value.

The Fund views its capital as the combination of its long term debt, unrealized derivative liability and unitholders' equity balances, which is used to leverage the debt provided under the Fund's bank credit facility. In general, the overall capital level of the Fund is evaluated and determined in the context of its financial objectives and its strategic plan. The calculation of the Fund's capital is as follows:

	September 30 2009	December 31 2008
Unitholders' equity	\$ 24,307,154	\$ 20,222,156
Derivatives	1,277,811	1,983,486
Long term debt	2,143,000	2,300,000
Total capitalization	\$ 27,727,965	\$ 24,505,642

The Fund carries a level of cash on hand, generally in an amount determined for short-term changes in non-cash working capital balances and to fund finance receivable acquisitions.

To fund the acquisition of receivables and grow the finance receivable portfolio, the Fund utilizes the financial leverage available under the credit facility and when additional capital is required, it is raised through subordinated debenture or unit issuances. Generally, the Fund has maintained a high level of indebtedness in order to maximize returns on unitholders' equity. The Fund has historically distributed a high portion of cash flow and has not focused on reducing indebtedness.

Notes to the Consolidated Financial Statements (UNAUDITED)

SEPTEMBER 30, 2009

10. Capital Disclosure (continued)

The Fund's indebtedness is subject to a number of covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests at a consolidated level. These include, but are not limited to, a financial leverage ratio, an interest coverage ratio, a loan availability calculation, and a minimum loss reserve requirement.

The maximum financial leverage ratio, which is calculated as total debt divided by total capitalization, is 3.75:1. This ratio was 2.47:1 at September 30, 2009 (December 31, 2008 – 2.86:1). The Fund maintains minimum loss reserves, as part of banking requirements. The Fund's loan availability under the bank credit facility is the lesser of \$85,000,000, and the total of an advance rate applied to the value of acceptable outstanding finance receivables. The Fund was in compliance with all covenants as of September 30, 2009 and December 31, 2008.

During the second quarter of 2008, the Fund requested and received an amendment to the interest coverage ratio, so that the minimum ratio be 0.20:1 for the first quarter of 2008, 0.16:1 for the second quarter of 2008, 1.40:1 for the third quarter of 2008 and 1.50:1 for each quarter thereafter. The interest coverage ratio was 3.01:1 for the third quarter of 2009.

The equity component of capital increases or decreases based upon the income of the business less the cash distribution paid. The Fund will also review its level of equity in the context of the change in taxation, which impacts the Fund.

11. RELATED PARTY TRANSACTIONS

Patca Securities Limited

The Fund has an agreement with Patca Securities Limited for services provided on an ongoing basis. These services include general strategic advice, advice on financial structure, advice on senior and/or subordinated debt and equity structure, communication with stakeholders and other general consulting services. CLP entered into a Consulting Services Agreement with Patca Securities Limited on October 1, 2003, and pursuant to this agreement, CLP incurs a fixed monthly fee of \$13,375, and a variable monthly fee of one-twelfth of 0.2% of the outstanding principal amount of the finance receivables. During the nine months ended September 30, 2009, payments of \$291,534 (nine months ended September 30, 2008 - \$284,187) were made to Patca Securities Limited and at September 30, 2009, there was \$32,767 (December 31, 2008 - \$32,354) payable to Patca Securities Limited. Patca Securities Limited is controlled by individuals who are Trustees of the Fund.

Long term debt (debentures)

During the nine months ended September 30, 2009, the Fund incurred interest expense of \$88,611 (nine months ended September 30, 2008 - \$24,980) related to debentures with related parties. During the second quarter of 2009, the Fund redeemed \$157,000 in debentures held by related parties. The related parties participating in long term debt transactions were either Trustees and/or Officers of the Fund, or family members of Trustees and/or Officers of the Fund.

The related party transactions, including those with Patca Securities Limited, occurred at the exchange amount, which is the consideration established and agreed to by the related parties.

Notes to the Consolidated Financial Statements (UNAUDITED)
SEPTEMBER 30, 2009

12. FINANCIAL INSTRUMENTS

All financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are included on the consolidated balance sheet and are initially measured at fair market value. Subsequent measurement and recognition of changes in fair value of financial instruments depend on their initial classification. Held-for-trading financial investments are measured at fair value and all gains and losses are included in net earnings in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses, net of tax, included in other comprehensive income until the instruments are derecognized or impaired. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost using the effective interest method.

The Fund has classified finance receivables as "loans and receivables," cash as "financial assets held-for-trading," and the bank credit facility, accounts payable and accrued liabilities, deferred dealer obligation and long term debt as "other financial liabilities." Derivatives have been classified as "financial liabilities held-for-trading."

The estimated fair value of financial instruments has been determined using available market information or other appropriate valuation methodologies. Considerable judgment is required in developing estimates of fair value and actual results can differ from the estimate.

The following table presents the carrying amount and estimated fair values of the Fund's financial assets and financial liabilities:

	September 30, 2009		December 31, 2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Finance receivables - net	\$ 94,646,114	\$ (A)	\$ 93,372,246	\$ (B)
Cash	702,701	702,701	29,162	29,162
Financial liabilities				
Bank credit facility	\$ 66,054,052	\$ 66,054,052	\$ 67,878,411	\$ 67,878,411
Accounts payable and accrued liabilities	857,793	857,793	502,989	502,989
Deferred dealer obligation	1,711,879	1,711,879	1,604,385	1,604,385
Derivatives	1,277,811	1,277,811	1,983,486	1,983,486
Long term debt	2,143,000	2,143,000	2,300,000	2,300,000

Notes to the Consolidated Financial Statements (UNAUDITED) SEPTEMBER 30, 2009

12. Financial Instruments (continued)

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

- The fair value of finance receivables – net is calculated by discounting the estimated future cash flows of the portfolio at a range of rates from the inherent stated interest rates, as currently, there is no organized market for valuing the finance receivable portfolio.

		September 30 (A) 2009		December 31 (B) 2008	
	Discount Rate	Fair Value	Discount Rate	Fair Value	
Upper value	27.12%	\$ 94,161,100	27.0%	\$ 93,973,000	
Lower value	31.12%	\$ 90,576,200	31.9%	\$ 90,302,000	

- Cash, bank credit facility, and accounts payable and accrued liabilities are assumed to approximate their carrying values, due to their short-term nature.
- The fair value of the deferred dealer obligation is calculated by discounting the estimated future cash flows of a certain portfolio of finance receivables at investment rates to support the future liability. These finance receivables were purchased by the Fund at a negotiated price that is less than the original principal amount being financed. The dealer has a vested interest in these finance receivables and can receive additional purchase consideration based on their collection performance. The deferred dealer obligation represents the estimated additional purchase consideration owed to the dealers. The estimated cash flows will vary depending on a number of variables including prepayment rates, write-offs and deferments.
- The fair value of derivatives is determined using estimated cash flows. These derivatives are classified as financial assets or financial liabilities held-for-trading.
- The fair value of long term debt approximates carrying value because it was recently issued.

The nature of these instruments and the Fund's operations expose the Fund to interest rate risk and industry credit risk. The Fund manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Fund's finance receivables are a result of transactions within the consumer finance industry and, as such, contain an element of credit risk in the event that the counter parties are unable to meet the terms of the agreements. The Fund secures individual finance receivables by registering a security interest/lien against tangible assets.

The Fund performs ongoing credit evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary. The Fund maintains an allowance for credit losses, and any such losses to date have been within management's expectations. The Fund's maximum exposure to credit risk is represented by the carrying amount for finance receivables.

September 30, 2009	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	91 Days Plus
Amount of finance receivables	\$ 98,521,700	\$ 7,994,900	\$ 2,520,700	\$ 1,884,800	\$ 585,600
Percent of finance receivables	88.3%	7.2%	2.3%	1.7%	0.5%
Amount specifically impaired	\$ 1,008,100	\$ 650,200	\$ 774,700	\$ 1,884,800	\$ 585,600

Notes to the Consolidated Financial Statements (UNAUDITED) SEPTEMBER 30, 2009

12. Financial Instruments (continued)

December 31, 2008	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	91 Days Plus
Amount of finance receivables	\$ 91,341,800	\$ 8,931,200	\$ 3,579,700	\$ 2,096,100	\$ 2,068,200
Percent of finance receivables	84.6%	8.3%	3.3%	1.9%	1.9%
Amount specifically impaired	\$ 701,700	\$ 305,000	\$ 668,300	\$ 2,096,100	\$ 2,068,200

Interest rate risk

Interest rate risk is the risk that fair value or future cash flows will fluctuate from changes in market interest rates. The Fund's borrowing costs are impacted by changes in interest rates. The Fund attempts to mitigate this risk by using bankers' acceptance equivalent loans to lock the interest rate on a portion of the debt for short periods and by using interest rate swap agreements to lock the interest rate on a portion of the debt for longer periods.

On July 20, 2009, the Fund entered into a bankers' acceptance equivalent loan in the amount of \$60,000,000 with an interest rate of 3.74% and a maturity date of October 19, 2009. The Fund did not hold any banker's acceptance equivalent loans at December 31, 2008.

On August 23, 2007, the Fund entered into two interest rate swap agreements with a combined notional amount of \$20,000,000. The first agreement has a notional amount of \$10,000,000, a fixed rate of 4.92% and a three-year term ending on August 23, 2010. The second agreement has a notional amount of \$10,000,000, a fixed rate of 4.99% and a five-year term ending on August 23, 2012.

Finance receivables bear interest at a fixed rate, and are subject to interest rate cash flow risk. The bank credit facility bears interest at a floating rate. The floating rate debt is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate, as a result of changes in market rates. The Fund estimates that a 100 basis point increase (decrease) in interest rates during the nine month period ended September 30, 2009, with all other variables constant, would result in an increase (decrease) to interest expense on the bank credit facility of approximately \$499,000 and a decrease (increase) in interest expense of approximately \$149,000 for the cash cost of the interest rate swap agreements for the nine months ended September 30, 2009. For these two items combined, a 100 basis point increase (decrease) in interest rates during the nine months ended September 30, 2009 would result in an increase (decrease) in interest expense of approximately \$350,000.

Liquidity risk

Liquidity risk is the risk that the Fund may not have cash available to satisfy financial liabilities as they come due. The Fund utilizes borrowings under its credit facility to ensure it has sufficient funds to meet current financial requirements. The Fund closely monitors its liquidity position and plans capital structure requirements and the purchase of finance receivable contracts accordingly.

The contractual payments and maturities of significant financial liabilities at September 30, 2009 are as follows:

	2009	2010	2011	2012	Total
Bank credit facility	\$ -	66,054,052	-	-	\$ 66,054,052
Accounts payable and accrued liabilities	857,793	-	-	-	857,793
Deferred dealer obligation	146,779	586,900	464,700	513,500	1,711,879
Derivatives	182,700	588,400	303,600	203,111	1,277,811
Long term debt	-	2,143,000	-	-	2,143,000
	\$ 1,187,272	69,372,352	768,300	716,611	\$ 72,044,535

Unitholder Information

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LISTING

The Toronto Stock Exchange
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