

**AMALGAMATED INCOME LIMITED PARTNERSHIP**  
(A Limited Partnership)

Consolidated Financial Statements

**December 31, 2008**

To the Partners of Amalgamated Income Limited Partnership:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the consolidated financial statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Company's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the limited partners to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and may meet periodically and separately with, both the Board and management to discuss their audit findings.

March 6, 2009

*Elias Foscolos*  
President and Chief Executive Officer

*Chris Boatman*  
Chairman

## Auditors' Report

To the Partners of Amalgamated Income Limited Partnership:

We have audited the consolidated balance sheet and the consolidated statement of investment portfolio for Amalgamated Income Limited Partnership (the "Partnership") as at December 31, 2008 and the consolidated statements of income (loss), partnership capital and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

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

The consolidated financial statements of the Partnership as at and for the year ended December 31, 2007 were audited by other auditors, who expressed an opinion without reservation on these statements in their report dated March 7, 2008.

*Meyer Norris Penny LLP*

Calgary, AB  
March 6, 2009

Chartered Accountants



AMALGAMATED INCOME LIMITED PARTNERSHIP  
**CONSOLIDATED BALANCE SHEETS**

	December 31 2008 \$ <i>(audited)</i>	December 31 2007 \$ <i>(audited)</i>
<b>ASSETS</b>		
Cash and cash equivalents	2,936,357	995,743
Distributions receivable	481,813	1,029,350
Prepays and deposits	-	600,000
Investments, at fair value	<b>10,157,912</b>	17,023,334
	<b>13,576,082</b>	19,648,427
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	97,422	139,214
Debentures <i>(Note 8)</i>	370,000	325,000
Distributions payable	336,200	524,474
Unearned revenue	-	56,833
	<b>803,622</b>	1,045,521
<b>PARTNERSHIP CAPITAL</b>		
Limited partners	12,729,489	18,599,251
Contributed surplus <i>(Note 6)</i>	42,971	3,655
	<b>12,772,460</b>	18,602,906
	<b>13,576,082</b>	19,648,427

Contingencies *(Note 9)*

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

APPROVED ON BEHALF OF THE LIMITED PARTNERSHIP  
 BY THE DIRECTORS OF AMALGAMATED GENERAL PARTNER LTD.

*"Elias Foscolos"*

\_\_\_\_\_  
 Elias Foscolos, Director

*"Michael Charlton"*

\_\_\_\_\_  
 Michael Charlton, Director

AMALGAMATED INCOME LIMITED PARTNERSHIP  
**CONSOLIDATED STATEMENTS OF INCOME (LOSS)**

	Year Ended December 31	
	2008	2007
	\$	\$
	<i>(audited)</i>	<i>(audited)</i>
<b>INVESTMENT REVENUES</b>		
Distributions from:		
Mutual Fund Limited Partnerships and Notes	589,009	1,435,713
Financial Services	1,101,546	1,319,572
Real Estate Limited Partnerships	134,570	228,508
Marketable Securities	552,429	153,822
	<u>2,377,554</u>	<u>3,137,615</u>
<b>EXPENSES</b>		
Management and director fees <i>(Note 4)</i>	297,152	303,155
Audit, legal and transfer fees	237,477	655,705
Interest expense	169,053	11,151
Office and sundry <i>(Note 4)</i>	148,778	172,107
Regulatory	45,502	56,101
Unit-based compensation <i>(Note 6)</i>	39,316	3,655
	<u>937,278</u>	<u>1,201,874</u>
<b>NET INVESTMENT INCOME</b>	<u>1,440,276</u>	<u>1,935,741</u>
<b>OTHER ADDITIONS (DEDUCTIONS)</b>		
Amortization of Mutual Fund Limited Partnerships and Notes	(1,081,566)	(763,403)
Realized (loss) gain on sale (redemption) of Mutual Fund Limited Partnerships	(308,019)	532,645
Unrealized loss in value of Financial Services	(940,085)	(408,565)
Realized loss on Financial Services	(520,665)	-
Unrealized (loss) gain in value of marketable securities	(2,418,549)	80,707
Realized (loss) gain on sale of marketable securities	(1,170,830)	123,199
Unrealized (loss) gain in value of Real Estate Limited Partnerships	(887,016)	619,679
Realized gain on sale of Real Estate Limited Partnerships	1,482,859	-
General Partner fees <i>(Note 4)</i>	(85,148)	(143,197)
	<u>(5,929,019)</u>	<u>41,065</u>
<b>NET (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME FOR THE YEAR</b>	<u>(4,488,743)</u>	<u>1,976,806</u>
<b>WEIGHTED AVERAGE UNITS OUTSTANDING</b>	<u>3,077,040</u>	<u>2,767,531</u>
<b>BASIC AND DILUTED NET (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME FOR THE YEAR PER UNIT</b>	<u>\$ (1.46)</u>	<u>\$ 0.71</u>

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

AMALGAMATED INCOME LIMITED PARTNERSHIP  
**CONSOLIDATED STATEMENTS OF PARTNERSHIP CAPITAL**

	General Partner	Limited Partners	Year Ended December 31	
			2008	2007
	\$	\$	\$	\$
	(audited)	(audited)	(audited)	(audited)
<b>PARTNERSHIP CAPITAL, Beginning of Year</b>	-	18,599,251	<b>18,599,251</b>	14,585,598
<b>NET (LOSS) INCOME</b>	-	(4,488,743)	<b>(4,488,743)</b>	1,976,806
<b>PARTNER TRANSACTIONS</b>				
Proceeds from Distribution Reinvestment Plan	-	1,247,208	<b>1,247,208</b>	687,954
Unit issue costs	-	(10,522)	<b>(10,522)</b>	-
Repurchases under Normal Course Issuer Bid	-	(399,127)	<b>(399,127)</b>	-
Distributions to limited partners	-	(2,218,578)	<b>(2,218,578)</b>	(4,402,726)
Draws	-	-	-	(31,460)
Net proceeds on issuance of Partnership Units	-	-	-	3,647,082
Net proceeds on exchange of Partnership Units	-	-	-	1,994,165
Proceeds from exercise of options	-	-	-	141,832
	-	(5,869,762)	<b>(5,869,762)</b>	4,013,653
<b>PARTNERSHIP CAPITAL, End of Year</b>	-	12,729,489	<b>12,729,489</b>	18,599,251

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

AMALGAMATED INCOME LIMITED PARTNERSHIP  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended	
	December 31	
	2008	2007
	\$	\$
	<i>(audited)</i>	<i>(audited)</i>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net investment income	1,440,276	1,935,741
Unit-based compensation	39,316	3,655
General partner fees <i>(Note 4)</i>	<b>(85,148)</b>	(143,197)
	<b>1,394,444</b>	1,796,199
Proceeds on sale/repayment of:		
Mutual Fund Limited Partnerships and Notes	284,382	5,237,832
Financial Services	5,433,464	975,000
Real Estate Limited Partnerships	5,125,168	15,621
Marketable Securities	<b>18,414,157</b>	4,002,377
Acquisition of:		
Mutual Fund Limited Partnerships and Notes	<b>(15,243)</b>	(238,137)
Financial Services	<b>(1,560,750)</b>	(7,208,287)
Real Estate Limited Partnerships	<b>(195,150)</b>	(3,105,561)
Marketable Securities	<b>(26,464,477)</b>	(4,466,469)
Net change in non-cash working capital items <i>(Note 13)</i>	<b>860,638</b>	673,773
	<b>3,276,633</b>	(2,317,652)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Distribution Reinvestment Plan <i>(Note 5)</i>	1,247,208	687,954
Proceeds on issuance of debentures	250,000	325,000
Repayment of debentures	<b>(205,000)</b>	-
Unit issue costs	<b>(10,522)</b>	-
Repurchases under Normal Course Issuer Bid	<b>(399,127)</b>	-
Distributions to limited partners	<b>(2,218,578)</b>	(4,402,726)
Net proceeds on issuance of Partnership Units	-	3,647,082
Proceeds from exercise of options <i>(Note 5)</i>	-	141,832
Draws by General Partner	-	(31,460)
	<b>(1,336,019)</b>	367,682
<b>Increase (decrease) in cash and cash equivalents for the year</b>	<b>1,940,614</b>	(1,949,970)
<b>Cash and cash equivalents, beginning of year</b>	<b>995,743</b>	2,945,713
<b>Cash and cash equivalents, end of year</b>	<b>2,936,357</b>	995,743
<b>SUPPLEMENTARY INFORMATION</b>		
Interest paid	169,053	4,669
Cash and Cash Equivalents made up of:		
Balances with banks and brokerages held directly	2,804,681	913,005
Balances with banks held by subsidiaries	<b>131,676</b>	82,738
	<b>2,936,357</b>	995,743

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

AMALGAMATED INCOME LIMITED PARTNERSHIP  
**CONSOLIDATED STATEMENT OF INVESTMENT PORTFOLIO**

Number of Units	Issuer Name	Description	December 31, 2008	
			Average Cost \$ (audited)	Fair Value \$ (audited)
<b>MUTUAL FUND LIMITED PARTNERSHIPS ("LP") AND NOTES</b>				
	Acuity Funds Ltd.	Non-exchange listed	<i>Note 10</i>	228,974
	Other			260,643
				<b>489,617</b>
<b>FINANCIAL SERVICES</b>				
	Asset Based Financing (no expiry date)	Non-exchange listed	1,804,121	1,804,121
	Commercial Loan (expires Aug 2009)	Non-exchange listed	670,168	670,168
	Bridge Loan (expires Jun 2009)	Non-exchange listed	410,000	410,000
	Residential Mortgage (expires Mar 2009)	Non-exchange listed	393,617	393,617
	Bridge Loan (in default) ( <i>Note 9</i> )	Non-exchange listed	1,062,000	160,000
	Commerical Loan (in default) ( <i>Note 9</i> )	Non-exchange listed	600,000	160,000
			<b>4,939,906</b>	<b>3,597,906</b>
<b>REAL ESTATE LIMITED PARTNERSHIPS</b>				
243,024	Paddington Properties LP	Non-exchange listed	569,961	486,048
855	Banff Rocky Mountain Resort LP	Non-exchange listed	146,740	146,740
	Other	Non-exchange listed	38,215	111,740
			<b>754,916</b>	<b>744,528</b>
<b>MARKETABLE SECURITIES</b>				
4,571,900	Cdn Income Mgt Trust	Exchange listed debenture	3,557,870	2,743,140
1,200,000	Claude Resources Ltd.	Exchange listed debenture	1,200,000	1,176,000
232,605	Drive Products Income Fund	Exchange listed unit	649,119	288,430
1,050,000	Chalk Media Corp.	Exchange listed share	140,020	141,750
10,000	Loring Ward International Ltd.	Exchange listed share	169,783	132,000
199,000	Holloway Lodging REIT	Exchange listed debenture	174,001	103,480
360,000	Sterling Shoes Income Fund	Exchange listed debenture	301,059	99,036
1,000,000	Rockwell Diamonds Inc.	Exchange listed share	321,043	60,000
67,503	Action Energy Inc.	Exchange listed share	188,616	7,763
	Other		1,108,657	574,262
			<b>7,810,168</b>	<b>5,325,861</b>
<b>TOTAL</b>				<b>10,157,912</b>

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

AMALGAMATED INCOME LIMITED PARTNERSHIP  
**CONSOLIDATED STATEMENT OF INVESTMENT PORTFOLIO**

Number of Units	Issuer Name	Description	December 31, 2007	
			Average Cost \$ (audited)	Fair Value \$ (audited)
<b>MUTUAL FUND LIMITED PARTNERSHIPS ("LP") AND NOTES</b>				
127,370	Adv Value 1996 LP	Non-exchange listed	<i>Note 10</i>	123,549
866,035	CI Master LP	Exchange listed		528,281
233,564	Mackenzie Master LP	Exchange listed		490,484
	Acuity Funds Ltd.	Non-exchange listed		534,182
	Stone & Co. Limited	Non-exchange listed		185,661
	Other			286,184
				<b>2,148,341</b>
<b>FINANCIAL SERVICES</b>				
	Asset Based Financing (no expiry date)	Non-exchange listed	2,300,000	2,300,000
	Bridge Loan (expires Mar 2008)	Non-exchange listed	900,000	900,000
	Commercial Loan (expires Feb 2008)	Non-exchange listed	744,681	744,681
	Commercial Loan (expires Feb 2010)	Non-exchange listed	500,000	500,000
	Commercial Loan (expires Oct 2008)	Non-exchange listed	950,000	950,000
	Dreadnought LP (no expiry date)	Non-exchange listed	2,500,000	2,500,000
	Residential Mortgage (expires Aug 2008)	Non-exchange listed	531,915	130,000
	Residential Mortgage (expires Feb 2008)	Non-exchange listed	393,617	393,617
	Security Backed Loan (expires Jan 2008)	Non-exchange listed	513,074	513,074
			<b>9,333,287</b>	<b>8,931,372</b>
<b>REAL ESTATE LIMITED PARTNERSHIPS</b>				
855	Banff Rocky Mountain Resort LP	Non-exchange listed	146,740	146,740
444	Deer Valley Shopping Centre LP	Non-exchange listed	2,396,883	3,108,000
25,600	Georgian Court Hotel LP	Non-exchange listed	211,200	217,600
7	The Lodge at Kananaskis LP	Non-exchange listed	157,500	157,500
243,024	Paddington Properties LP	Non-exchange listed	569,961	729,072
21	Sherobee Glen LP	Non-exchange listed	433,020	433,020
	Other	Non-exchange listed	286,770	286,770
			<b>4,202,074</b>	<b>5,078,702</b>
<b>MARKETABLE SECURITIES</b>				
9,585	Canetic Resources Trust	Exchange listed	140,639	127,576
100,000	True Energy Trust	Exchange listed	300,425	334,000
41,900	49 North Resources LP	Exchange listed	208,851	224,165
	Other		285,042	179,178
			<b>934,957</b>	<b>864,919</b>
<b>TOTAL</b>				<b>17,023,334</b>

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

AMALGAMATED INCOME LIMITED PARTNERSHIP  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
Year Ended December 31, 2008

---

**1. ORGANIZATION OF THE PARTNERSHIP AND GOING CONCERN**

Amalgamated Income Limited Partnership ("Amalgamated" or the "Partnership") is a limited partnership registered under the Partnership Act (British Columbia) on November 18, 1994. The business of the Partnership consists of investing in and acquiring income generating securities, assets or businesses and holding, managing, reorganizing and disposing of such investments with a view to making a profit. Amalgamated General Partner Ltd. (the "General Partner"), a corporation incorporated under the laws of the province of British Columbia, is responsible for the management of the Partnership on a day-to-day basis in accordance with the terms of the partnership agreement. The General Partner may engage agents to assist in carrying out its management obligations to the Partnership. For the services rendered by the General Partner, the General Partner is entitled to 0.01% of the annual net income of the Partnership and an annual fee equal to 3.25% of all distributions. In addition, the General Partner is entitled to be reimbursed by the Partnership for all direct costs and expenses incurred on the Partnership's behalf. Amalgamated was listed on the Montreal Stock Exchange from October 2, 1995 to December 5, 1999 and thereafter was listed on the Toronto Stock Exchange (AI.UN-TSX).

As a result of a meeting of limited partners on October 17, 2008, a termination date of the Partnership was approved of December 15, 2009. Management estimates that future obligations associated with the wind-up and dissolution of Amalgamated to be approximately \$900,000 to \$1,200,000 for the period from October 17, 2008 to the final wind-up date of December 15, 2009. These amounts have not been accrued for in the consolidated financial statements but will be recorded as incurred. Management believes that the consolidated financial statements have been prepared within reasonable limits of materiality and within the framework of accounting policies summarized below, which were applied for the year ended December 31, 2008. These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will realize the carrying value of its investments upon wind-up and satisfy its obligations as they become due in the normal course of operations. The application of the going concern concept is dependent on the Company's ability to realize the net realizable value of the remaining investments. A failure to continue as a going concern would then require that stated amounts of assets and liabilities be reflected on a liquidation basis which could differ significantly from the going concern basis. These consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities were the Company unable to continue its operations.

Management of Amalgamated is working to sell the Partnership's assets on an orderly basis and distribute the cash or provide in-kind distributions of the remaining assets prior to December 15, 2009. The final net realizable amount will depend on various factors including the performance of the Partnership's investments and the final wind-up date; outcome of the contingent liability as discussed under *Note 9 Contingencies*; and the level of distributions between December 31, 2008 and the final distribution date. Management estimates that any income earned between December 31, 2008 and the final distribution date will be sufficient to cover general and administrative expenses but would not be sufficient to fund distributions at the current level without eroding capital.

**2. SIGNIFICANT ACCOUNTING POLICIES**

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following is a summary of the significant accounting policies.

**Cash and Cash Equivalents**

Cash is comprised of cash on hand and guaranteed investment certificates with maturity dates of less than three months.

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Partnership, Multi-fund Income Trust ("Multi-fund"), a wholly owned trust, and Quick Draw Mortgages Ltd. ("Quick Draw"), a wholly owned subsidiary. All significant inter-entity transactions and balances have been eliminated on consolidation. All other investments were accounted for as portfolio investments.

**AMALGAMATED INCOME LIMITED PARTNERSHIP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended December 31, 2008**

---

**Valuation of Investments**

All investments are recorded at fair value. More specifically, all marketable securities listed on a recognized public stock exchange are recorded at their closing bid price. Marketable securities not traded on that date are valued at the last bid price. The quoted market value has been taken as a reasonable estimate of fair value. Those investments having no quoted market values are recorded at fair value based on an assessment of the most recent price at which an arm's length transaction has occurred or an assessment of the fair value of the investment. These values may differ from values that would have been used had a ready market existed for these securities.

The fair values for both public and private investments can be impacted by trading volumes and restrictions, and the Partnership's assessment of value may not be indicative of what the Partnership could realize on the immediate sale as it may take an extended period of time to sell positions without causing a significant negative impact on the market price. The difference between the fair value and the purchase price or previous period value of the investments is treated as an unrealized gain or loss in value. The change from year to year is reflected in operations as an unrealized gain (loss) in value of investments.

**Revenue Recognition**

Distributions received from Mutual Fund Limited Partnerships are recorded on the ex-distribution date and distributions from Mutual Fund Notes are accrued as earned. Distributions from Mutual Fund Limited Partnerships and Notes are comprised of both income and capital for accounting purposes. Revenue from Financial Services is accrued as earned and distributions from real estate limited partnerships are recorded when received. Investment transactions are accounted for as of the trade date and any realized or unrealized gains and losses from such transactions are calculated on an average cost basis. Interest income is accrued as earned.

**Amortization of Mutual Fund Limited Partnerships**

Amortization is charged against income in amounts sufficient to reduce the value of the Mutual Fund Limited Partnerships to the fair value as defined above. The amortization expense is a combination of management's estimate of the amount of capital that was repaid by the Mutual Fund Limited Partnerships during the year and any changes in management's valuation assumptions.

**Investment Costs**

Costs incurred to purchase portfolio investments through regular means such as stock exchanges and mini-tenders are expensed as incurred. Costs incurred to complete formal takeover bids are capitalized and the value of the investment is adjusted pursuant to the valuation policies described above.

**Per Unit Amounts**

Basic net income (loss) per unit is computed by dividing the net income (loss) by the weighted average number of limited partnership units outstanding during the period. Diluted per limited partnership unit amounts reflect the potential dilution that could occur if options to purchase limited partnership units were exercised. The Partnership uses the treasury stock method to determine the dilutive effect of options. Under this method, only options having an exercise price less than the market price are included in the weighted average number of limited partnership units. It is also assumed that the proceeds of exercise of those options are used to repurchase the Partnership's limited partnership units at the average market price experienced during the reporting period. The weighted average number of limited partnership units is reduced by the number of limited partnership units that could have been repurchased.

AMALGAMATED INCOME LIMITED PARTNERSHIP  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
Year Ended December 31, 2008

---

**Unit-Based Compensation**

The Partnership has established a Unit Incentive Plan (“Option Plan”) for key employees, consultants and executives of the Partnership to buy Amalgamated units. The exercise price of the options granted under the Option Plan may be reduced in future periods in accordance with the terms of the Option Plan. The Partnership accounts for the options using the Black-Scholes pricing model, whereby the fair value of options is determined on the date on which fair value can be initially determined. The fair value is then recorded as compensation expense over the period that the rights vest, with a corresponding increase to contributed surplus. When options are exercised, the proceeds, together with the amount recorded in contributed surplus, are recorded to limited partners’ capital.

**Taxation and Scope of the Financial Statements**

These consolidated financial statements include only the assets, liabilities, revenues, and expenses of the Partnership carried on under the name of Amalgamated Income Limited Partnership and do not include any other assets, liabilities, revenues, and expenses of the partners. No provision for income taxes has been made in these consolidated financial statements since income of the Partnership is taxable only in the hands of the limited partners. Other than the fee to the General Partner as permitted by the Amended Limited Partnership Agreement executed February 21, 2005 (“Partnership Agreement”), no amounts have been charged against income for remuneration, interest or other similar compensation to the partners. The consolidated financial statements reflect the distributions of the Mutual Fund Limited Partnerships and Real Estate Limited Partnerships which may be different from taxable income.

**Use of Estimates/Measurement Uncertainty**

The preparation of 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 income and expenses during the reporting period. Actual results could differ from those estimates.

The amounts disclosed relating to fair values of unit incentive options issued are based on management’s estimates of expected stock price volatility, expected lives of the options, expected dividends to be paid by the Partnership, and risk-free interest rates. By their nature, these estimates are subject to measurement uncertainty, and the effect on the consolidated financial statements from changes in such estimates in future periods could be significant.

**Financial Instruments**

Section “3855, “Financial Instruments – Recognition and Measurement” establishes guidance for recognizing and measuring financial assets, financial liabilities, and non-financial derivatives. All financial instruments must be classified into a defined category namely, held-for-trading financial assets or financial liabilities, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities. The standard requires that financial instruments within scope, including derivatives, be included on the Partnership’s balance sheet and measured at fair value, except for loans and receivables, held-to-maturity financial assets and other financial liabilities which are measured at amortized cost. Gains and losses on held-to-maturity financial assets and other financial liabilities are recognized in net earnings in the period in which they arise. Unrealized gains and losses, other than those designated as held for trading which are included in income, are recognized in other comprehensive income until the financial asset is derecognized or impaired, at which time any unrealized gains, or losses are recorded in net earnings. Transaction costs, other than those related to financial instruments classified as held-for-trading which are expensed as incurred, are added to the fair value of the financial asset or financial liability on initial recognition and amortized using the effective interest method.

Fair values are based on quoted market prices where available from active markets, otherwise fair values are estimated using a variety of valuation techniques and models as discussed above under “*Valuation of Investments*”.

AMALGAMATED INCOME LIMITED PARTNERSHIP  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
Year Ended December 31, 2008

---

The Partnership has designated its financial assets and liabilities into the following two categories. The Partnership has not classified any financial assets as held-to-maturity. There was no impact of remeasuring financial assets classified as held-for-trading to fair value as the Partnership had already been carrying all of its financial assets at fair value. No adjustment was required from the remeasurement of financial liabilities as other liabilities are carried at amortized cost.

**Held for trading**

Any financial instrument whose fair value can be reliably measured may be designated as held for trading on initial recognition or adoption of CICA 3855 *Financial Instruments – Recognition and Measurement*, even if that instrument would not otherwise satisfy the definition of held for trading. The Partnership has classified the following financial assets and liabilities as held for trading: cash and cash equivalents, distributions receivable and investments.

**Other financial liabilities:**

The Partnership has classified the following financial liabilities as other financial liabilities: accounts payable and accrued liabilities, debentures and distributions payable. These liabilities are initially recognized at their fair value. Transactions to purchase or sell these items are recorded on the trade date. Total interest expense, calculated using the effective interest rate method, is recognized in net income.

Section 3865, “Hedges” requires identification, designation, documentation and assessment of effectiveness of hedging relationships. The Partnership does not use hedge instruments or hedge accounting.

Section 1530, “Comprehensive Income” introduced a statement of comprehensive income, which is comprised of net earnings and other comprehensive income. Other comprehensive income represents the change in limited partner equity from transactions and other events from non-owner sources and includes unrealized gains and losses on financial assets that are classified as available for sale. For 2008, the Partnership has not included a consolidated statement of comprehensive income for the changes in these items as there were none.

***Recent Accounting Pronouncements***

**Capital Disclosures**

On January 1, 2008, the Partnership prospectively adopted CICA Section 1535 Capital Disclosures. This Section establishes standards for disclosing information about an entity’s objectives, policies and processes for managing its capital structure. The disclosures have been included in Note 12.

**Financial Instruments**

On January 1, 2008, the Partnership prospectively adopted the following two new CICA standards: Financial Instruments - Disclosures (Section 3862) and Financial Instruments - Presentation (Section 3863), which replace Financial Instruments - Disclosure and Presentation (Section 3861). The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standard carries forward former presentation requirements. The disclosures have been included in Note 11.

**International Financial Reporting Standards (“IFRS”)**

In February 2008, the Accounting Standards Board (“AcSB”) confirmed that the use of IFRS will be required in 2011 for publicly accountable enterprises in Canada. In April 2008, the AcSB issued an Omnibus Exposure Draft that publicly accountable enterprises be required to apply IFRS, in full and without modification, on January 1, 2011.

The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Partnership for its year ended December 31, 2010, and of the opening balance sheet as at January 1, 2010. The AcSB proposes that CICA Handbook Section – *Accounting Changes*, paragraph 1506.30, which would require an entity to disclose information relating to a new primary source of GAAP that has been issued but is not yet effective and that the entity has not applied, not be applied with respect to Exposure Draft.

**AMALGAMATED INCOME LIMITED PARTNERSHIP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended December 31, 2008**

---

The Partnership is continuing to assess the financial reporting impacts of the adoption of IFRS and, at this time, the impact on future financial position and results of operations is not reasonably determinable or estimable. The Partnership does anticipate a significant increase in disclosure resulting from the adoption of IFRS and is continuing to assess the level of disclosure required as well as systems changes that may be necessary to gather and process the information.

**3. DISTRIBUTIONS TO LIMITED PARTNERS**

The Partnership is currently paying distributions on a monthly basis to its limited partners. The limited partners of record on the record date, currently anticipated to be on or about the end of each month in which a distribution is declared, will receive the cash distribution. Unlike income trusts, distributions from the Partnership do not form the basis on which the limited partners are taxed. The income or loss from the Partnership is allocated based on the limited partners of record on December 31 which is independent from the payment of distributions during the year. Therefore, it is very likely that the taxable income to be reported by a limited partner will be different from the amount of cash distributions received.

**4. RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2008, the following related party transactions occurred and are recorded at the exchange amount which is the amount of consideration paid or received as established and agreed to by related parties:

- Amalgamated General Partner Ltd. (the “General Partner”), a company owned by Messrs. Elias Foscolos, Bruce Mitchell, Michael Charlton, and Bruce Warkentin, was paid \$85,148 (\$143,197 for the year ended December 31, 2007) pursuant to the terms of its agreement with Amalgamated to act as a general partner. Under this agreement, the General Partner is entitled to 0.01% of the annual net income of the Partnership and a fee equal to 3.25% of distributions to limited partners. In addition, the General Partner may engage agents to assist in carrying out its management and administrative functions to Amalgamated and its subsidiaries. The following entities have been engaged by the General Partner to provide these functions:
  - o GBH Consulting Group Limited (“GBH”), a company controlled by Chris Boatman (Chairman of the board and director of the General Partner) was paid fees of \$5,551 for the year ended December 31, 2008 (\$13,654 for the year ended December 31, 2007) for administrative and management services provided by Mr. Chris Boatman. As at December 31, 2008, \$5,000 of this amount was included in accounts payable (\$3,000 as at December 31, 2007);
  - o Accretive Financial Corp. (“Accretive”), a company controlled by Mr. Elias Foscolos (President, CEO, director, and shareholder of the General Partner) was paid fees of \$235,988 for the year ended December 31, 2008 (\$235,531 for the year ended December 31, 2007) for administrative services which included the professional services of Mr. Foscolos and Mr. Bruce Warkentin (Vice President and CFO of the General Partner) and other support staff, and \$31,469 for office space (\$32,187 for the year ended December 31, 2007). As at December 31, 2008, \$30,680 of these amounts were included in accounts payable (\$30,513 as at December 31, 2007). The General Partner currently has an agreement with Accretive to provide these services on an ongoing basis until December 31, 2009 at \$89.99 per hour for the services of Mr. Foscolos, \$86.53 per hour for the services of Mr. Warkentin, and \$29.74 per hour for other support staff (these rates are effective for the year ended December 31, 2008 and will escalate by 3% per year). In addition, Accretive receives a monthly fee of \$1,622 plus applicable taxes for office space;
  - o Directors of the General Partner were paid \$5,000 each for director’s fees plus applicable employer payroll remittances for a total of \$25,223 during the year ended December 31, 2008 (\$23,911 for the year ended December 31, 2007). These amounts represent the total annual compensation for the directors;

AMALGAMATED INCOME LIMITED PARTNERSHIP  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended December 31, 2008**

---

- Multi-fund had \$1,804,121 invested with Acorn Partners Merchant Bankers ("Acorn") as Asset Based Financing (\$2,300,000 as at December 31, 2007). Mr. Andy Chen, director of Amalgamated, is a senior account manager with Acorn and also has a minor equity position in Acorn. Mr. Chen has abstained from any Amalgamated board of director votes to invest with Acorn and is not involved in the day-to-day investment decisions of the management of Amalgamated; and
- The General Partner had invested \$50,000 (\$50,000 as at December 31, 2007) in the debentures issued by the Partnership, see note 8 for details of the debentures.

**5. LIMITED PARTNERSHIP UNITS**

The capital of the Partnership is composed of a single class of Limited Partnership Units ("Units") with the following characteristics:

- (a) The amount contributed or deemed to be contributed to the capital of the Limited Partnership as consideration for the issuance of Units is the sum or sums determined by the General Partner from time to time;
- (b) The number of authorized Limited Partnership Units is unlimited but subject to regulatory approval; and
- (c) Each unit shall have one vote at any meeting of partners.

A summary of the changes in limited partnership units outstanding is as follows:

	<b>Year Ended</b>	
	<b>2008</b>	<b>2007</b>
<b>Beginning of year</b>	2,998,697	2,027,024
Distribution reinvestment and optional purchase plan	275,965	102,871
Repurchases under Normal Course Issuer Bid	(96,600)	-
Issued in rights offering (for cash)	-	552,127
Issued in unit exchange	-	296,975
Exercise of options	-	19,700
<b>End of year</b>	<b>3,178,062</b>	<b>2,998,697</b>

During the year ended December 31, 2008, 96,600 units were repurchased under a Normal Course Issuer Bid for proceeds of \$399,127 (\$nil in the year ended December 31, 2007) and 275,965 units were issued under the distribution reinvestment and optional purchase plan (the "**Reinvestment Plan**") for net proceeds of \$1,247,208 (102,871 units for net proceeds of \$687,954 in the year ended December 31, 2007).

The Reinvestment Plan provides eligible limited partners with the opportunity to reinvest cash distributions, as may be declared payable by Amalgamated. The purchase of new Amalgamated Units from treasury under the Reinvestment Plan were at a 5% discount to the average market price (as defined in the Reinvestment Plan). Participants in the Reinvestment Plan also had the option to purchase additional Amalgamated Units at a 5% discount to the average market price on the applicable distribution payment date by investing additional sums within the limits established under the Reinvestment Plan.

AMALGAMATED INCOME LIMITED PARTNERSHIP  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended December 31, 2008**

**6. CONTRIBUTED SURPLUS**

Limited Partnership Unit Incentive Plan

The Limited Partnership Unit Incentive Plan (“Incentive Plan”) was approved by the Board of Directors of the General Partner on January 18, 2005. Pursuant to this agreement, Amalgamated may grant incentive units to key employees, consultants and executives to purchase Amalgamated units. The amount of incentive units issued to any single participant cannot exceed five percent of the units outstanding and the maximum number of units that can be issued is ten percent of the number of outstanding units as at the date the incentive units are granted. The initial exercise price of incentive units granted under the Option Plan is set by the Board of Directors of the General Partner and shall not be less than the closing quotation of Amalgamated units on the Toronto Stock Exchange on the last day on which there was a trade of the units before the date on which the incentive units are granted. The maximum term for the incentive units is five years.

At December 31, 2008, 277,300 (2007 – 173,300) incentive units were issued under this program and are exercisable for a maximum of five years from the time of issuance. Twenty percent of the incentive units vest immediately after the grant and then continue to vest at 20% per year on the anniversary of the grant date. In addition, the exercise price of the incentive units is adjusted annually by the amount by which distributions for the Partnership’s fiscal year in which the options were granted exceeds the initial exercise price multiplied by ten percent plus the amount by which distributions for each Partnership fiscal year subsequent to the initial year exceeds the initial exercise price, less the initial adjustment and all subsequent adjustments, multiplied by ten percent, provided that the adjusted exercise price can not be less than \$0.01. Compensation cost related to incentive units issued in the year ended December 31, 2008 was estimated on the date of grant using the Black-Scholes pricing model with a risk free rate of 5% (5% in the year ended December 31, 2007), dividend rate of \$0.72 per year (\$1.56 per year for the year ended December 31, 2007), expected life of 5 years (vesting 20% per year) (expected life of 5 years (vesting 20% per year) for the year ended December 31, 2007), and volatility of 20% (20% in the year ended December 31, 2007). The resulting cost of the incentive units in the year ended December 31, 2008 was \$39,315 (\$3,615 for the year ended December 31, 2007) and closing contributed surplus at December 31, 2008 was \$42,971 (\$3,615 as at December 31, 2007). An additional cost of \$153,606 will be amortized over the vesting period of the incentive units. A summary of the changes in incentive units outstanding under the Incentive Plan is as follows:

	<b>Year Ended December 31</b>			
	<b>2008</b>		<b>2007</b>	
	Number of Units	Weighted Average Exercise Price \$	Number of Units	Weighted Average Exercise Price \$
<b>Beginning of year</b>	173,300	7.22	128,000	8.29
Granted	113,000	5.40	65,000	6.56
Exercised	-	-	(19,700)	7.20
Forfeited	(9,000)	6.81	-	-
<b>End of year</b>	<b>277,300</b>	<b>6.18</b>	<b>173,300</b>	<b>7.22</b>
Exercisable, end of year	124,100	6.50	53,300	7.45

Of the 277,300 incentive units outstanding, 67,000 units will expire in 2010, 38,000 units in 2011, 59,300 units in 2012, and 113,000 units in 2013.

**AMALGAMATED INCOME LIMITED PARTNERSHIP**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended December 31, 2008**

---

**7. BROKERAGE MARGIN**

Amalgamated maintains investment accounts at several investment firms who follow the recommended margin requirements of the Investment Industry Regulatory Organization of Canada. At December 31, 2008, Amalgamated had no brokerage margin outstanding (2007 - \$nil). Brokerage margin bears interest at an effective rate ranging from prime less 0.25% to prime plus 0.50%.

**8. DEBENTURES**

The Partnership had issued \$370,000 of debentures outstanding with an interest rate of 10%, paid quarterly and due December 31, 2009. The debentures are redeemable and retractable with 60 days notice from either the issuer or the holder.

**9. CONTINGENCIES**

The Partnership has been named as a defendant in a lawsuit brought against it by a former president of the General Partner. The dispute involves an amount of approximately \$1.4 million plus interest and costs. At the date of issuance of these consolidated financial statements, the outcome was not determinable. The same individual has brought a second action against the General Partner. At the date of these consolidated financial statements, neither the amount claimed nor the outcome is determinable. No amounts have been recorded in these consolidated financial statements relating to these claims.

At December 31, 2008, the Partnership had a bridge loan outstanding with a face value of \$1,062,000 (fair value of \$160,000) and a commercial loan outstanding with a face value of \$600,000 (fair value of \$160,000). The borrowers in both cases have defaulted on these loans and the Partnership is currently in the process of realizing on the security pledged which consists of real property, and personal and corporate guarantees. The Partnership has written the fair value of these loans down to what management expects to recover from the security pledged.

**10. INVESTMENTS**

As the Partnership invests in Mutual Fund Limited Partnerships and Notes that are depleting (distributions are a combination of income and capital), the cost of these investments was not a meaningful measure of the performance of the investments.

AMALGAMATED INCOME LIMITED PARTNERSHIP  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
Year Ended December 31, 2008

---

**11. FINANCIAL RISK MANAGEMENT**

**a. Overview**

The Partnership has exposure to credit risk, liquidity risk and market risk. The General Partners' board of directors has overall responsibility for the establishment and oversight of the Partnership's risk management framework.

**b. Credit risk**

Credit risk is the risk of financial loss to the Partnership if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Partnership's distributions receivables. The carrying amount of financial assets represents the maximum credit exposure.

The Partnership is subject to credit risk on its distributions receivable. The Partnership has never had any problems in collecting its distributions receivables and any adjustments to its receivables results from changes to estimates made prior to actual distribution amounts being disclosed.

The Partnership is also subject to credit risk on its Financial Services investments. These investments are comprised of bridge loans, real estate loans, and other financial instruments to borrowers, mainly in Alberta and British Columbia, in a number of industries. The Partnership mitigates its credit risk by placing only a portion of its investments in financial services, diversifying its financial services among various borrowers in different industries, and obtaining what is determined to be sufficient security at the time to back the loans.

**c. Liquidity risk**

Liquidity risk is the risk that the Partnership will not be able to meet its financial obligations as they fall due. The Partnership's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses.

As at December 31, 2008, the Partnership had financial assets of \$13,576,082 and \$433,622 of financial liabilities compared to \$19,648,427 of financial assets and \$720,521 of financial liabilities at December 31, 2007. In addition, the Partnership had no brokerage margin and debentures of \$370,000 which compares to no brokerage margin and \$325,000 of debentures at December 31, 2007. The debentures are redeemable when the holder provides 60 days notice to Amalgamated.

The Partnership's current strategy is to repay its brokerage margin and debentures through sales of investments as the Partnership moves towards wind-up by December 15, 2009.

The Partnership manages its liquidity risk by continuously monitoring forecasted cash flows and the value of underlying investments provided as security for the credit facilities.

AMALGAMATED INCOME LIMITED PARTNERSHIP  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
Year Ended December 31, 2008

---

**d. Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Partnership's income or value of its financial instruments. The Partnership invests solely in Canadian dollars and therefore is not exposed to currency risk.

The Partnership invests in Financial Services investments with various terms. All Financial Services investments have fixed rates of interest except for the Asset Based Financing of \$1,804,121 whose rate of return is dependent on risk and repayment terms. A 1% increase (decrease) in the rate would result in an increase (decrease) in the net loss for the Partnership for the year ended December 31, 2008 of \$18,041. This analysis assumes that all other variables remain constant and the Asset Based Financing of \$1,804,121 is outstanding for the entire year.

The Partnership's interest rate is floating on its brokerage margin based on the prime rate. If the interest payments continue to be based on the floating rate, a 1% increase (decrease) in the interest rate would have no result on the net loss for the Partnership for the year ended December 31, 2008. This analysis assumes that all other variables remain constant and there is no brokerage margin outstanding for the entire year.

**e. Fair value of financial instruments**

The Partnership has determined the fair values of its financial instruments as follows:

- i. The fair values in the consolidated balance sheet of cash and cash equivalents, distributions receivable, debentures, distributions payable, and accounts payable and accrued liabilities approximate carrying amounts because of the short-term nature of these instruments.
- ii. The fair value of investments was calculated based on the accounting policies discussed in note 2.

AMALGAMATED INCOME LIMITED PARTNERSHIP  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year Ended December 31, 2008**

---

**12. CAPITAL MANAGEMENT**

The Partnership's objective is to maintain access to diverse and cost-effective sources of capital with which to finance its investment program. The Partnership maintains a capital structure of permanent equity and lower cost debt (brokerage margin and debentures).

The Partnership manages its capital structure and makes changes to it in light of changes in economic conditions and the risk characteristics of the underlying investments. The Partnership will balance its overall capital structure through new unit issues, unit repurchases, issuance of debentures, use of brokerage margin, repayment of debt or by undertaking other activities as deemed appropriate in the specific circumstances.

For 2008, the Partnership's objective with regards to capital management was to repurchase its units which management believes will enhance the value of the Partnership and to repay existing brokerage margin and debentures as the Partnership moves towards a wind-up by December 15, 2009.

The Partnership's credit facilities (brokerage margin and debentures) include customary positive and negative covenants that can be categorized as externally imposed capital requirements. As at December 31, 2008, the Partnership was in compliance with all its obligations under its credit facilities.

The total capital as at December 31, 2008 and December 31, 2007 was calculated as follows:

	<b>Year Ended December 31</b>			
	<b>2008</b>		<b>2007</b>	
	Carrying Amount \$	As a Percentage of Capital	Carrying Amount \$	As a Percentage of Capital
Debentures	370,000	2.8%	325,000	1.7%
Partnership Capital	12,772,460	97.2%	18,602,906	98.3%
<b>Total Capital</b>	<b>13,142,460</b>	<b>100.0%</b>	<b>18,927,906</b>	<b>100.0%</b>

Total capital has decreased between December 31, 2007 and December 31, 2008 due mainly to the unrealized loss on marketable securities of \$2,418,549 and distributions paid to limited partners of \$2,218,578 for the year ended December 31, 2008.

AMALGAMATED INCOME LIMITED PARTNERSHIP  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
Year Ended December 31, 2008

---

**13. SUPPLEMENTAL CASH FLOW INFORMATION**

	Year Ended December 31	
	2008	2007
Net change in non-cash working capital items		
Distributions receivable	547,537	1,282,800
Prepays and deposits	600,000	(594,692)
Distributions payable	(188,274)	119,955
Accounts payable and accrued liabilities	(41,792)	(191,123)
Unearned revenue	(56,833)	56,833
	<u>860,638</u>	<u>673,773</u>

**14. SUBSEQUENT EVENTS**

In January 2009, the Partnership issued 39,000 options at an exercise price of \$2.17 per unit. These options have a five year term and vest immediately.

**15. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to presentation adopted for the current year.