AutoCanada Inc.

Annual Report 2014

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AutoCanada Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the year ended December 31, 2014

READER ADVISORIES

The Management's Discussion & Analysis ("MD&A") was prepared as of March 19, 2015 to assist readers in understanding AutoCanada Inc.'s (the "Company" or "AutoCanada") consolidated financial performance for the year ended December 31, 2014 and significant trends that may affect AutoCanada's future performance. The following discussion and analysis should be read in conjunction with the audited annual consolidated financial statements and accompanying notes (the "Consolidated Financial Statements") of AutoCanada as at and for the year ended December 31, 2014. Results are reported in Canadian dollars. Certain dollar amounts have been rounded to the nearest thousand dollars. References to notes are to the Notes of the Consolidated Financial Statements of the Company unless otherwise stated. To provide more meaningful information, this MD&A typically refers to the operating results for the three month period and year ended December 31, 2014 of the Company, and compares these to the operating results of the Company for the three month period and year ended December 31, 2013. Until July 11, 2014, the Company had investments in associates comprised of six General Motors dealerships and accounted for the investments utilizing the equity method, whereby the operating results of these investments were included in one line item on the statement of comprehensive income known as Income from investments in associates. As a result, the Company did not incorporate the consolidated results of its investments in associates in its discussion and analysis as at June 30, 2014. On July 11, 2014, the Company completed a business combination under common control, resulting in the accounting consolidation of the results of its investments in associates using the predecessor values method. Management has provided comparative information and discussion of this business combination in "BUSINESS COMBINATION UNDER COMMON CONTROL".

This MD&A contains forward-looking statements. Please see the section "FORWARD-LOOKING STATEMENTS" for a discussion of the risks, uncertainties and assumptions used to develop our forward-looking information. This MD&A also makes reference to certain non-GAAP measures to assist users in assessing AutoCanada's performance. Non-GAAP measures do not have any standard meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. These measures are identified and described under the section "NON-GAAP MEASURES".

OVERVIEW OF THE COMPANY

Corporate Structure

AutoCanada Inc. ("ACI", "AutoCanada", or the "Company") was incorporated under the Canada Business Corporations Act on October 29, 2009 in connection with an arrangement with AutoCanada Income Fund and the conversion to a corporate structure on December 31, 2009. The principal and head office of ACI is located at 200 – 15505 Yellowhead Trail, Edmonton, Alberta, T5V 1E5. AutoCanada holds interests and investments in a number of limited partnerships, and corporations, that each carry on the business of a franchised automobile dealership. AutoCanada is a reporting issuer in each of the provinces of Canada. AutoCanada's common shares ("shares") trade on the Toronto Stock Exchange under the symbol "ACQ".

Additional information relating to AutoCanada, including our 2014 Annual Information Form dated March 19, 2015, is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com, or on the Company's website at www.autocan.ca.

The Business of the Company

AutoCanada is one of Canada's largest multi-location automobile dealership groups, currently operating 48 dealerships, comprised of 56 franchises, (see "GROWTH, ACQUISITIONS, RELOCATIONS AND REAL ESTATE") in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick and Nova Scotia. In 2014, our dealerships sold approximately 57,000 vehicles and processed approximately 786,000 service and collision repair orders in our 822 service bays during that time.

Our dealerships derive their revenue from the following four inter-related business operations: new vehicle sales; used vehicle sales; parts, service and collision repair; and finance and insurance. While new vehicle sales are the most important source of revenue, they generally result in lower gross profits than used vehicle sales, parts, service and collision repair operations and finance and insurance sales. Overall gross profit margins will increase as revenues from higher margin operations increase relative to revenues from lower margin operations.

The Company's geographical profile is illustrated below by number of franchises, number of dealerships, and revenues by province for the years ended December 31, 2014 and December 31, 2013.

	December 31, 2014				December 31, 2013[1]			
Location	**Number of Franchises**	**Number of Dealerships**	**Revenue**	**% of Total**	**Number of Franchises**	**Number of Dealerships**	**Revenue**	**% of Total**
British Columbia	12	10	507,574	23%	11	9	431,519	31%
Alberta	25	22	1,080,632	49%	14	11	637,414	45%
Saskatchewan	4	4	118,692	5%	–	–	–	–%
Manitoba	4	4	156,263	7%	3	3	78,912	6%
Ontario	5	4	108,404	5%	4	3	105,594	7%
Other	6	4	243,213	11%	2	2	155,601	11%
Total	56	48	2,214,778	100%	34	28	1,409,040	100%

1 *The results of three GM stores operated by the Company during 2013 have not been consolidated or included in the number of dealerships, as the stores were accounted for as investments in associates as at December 31, 2013. Commencing July 11, 2014, General Motors dealerships have been consolidated for accounting purposes and have been included in the total number of dealerships.*

In the fourth quarter of 2014, the Company augmented its disclosure on dealership counts. Historically, the Company counted the number of dealerships based on the number of physical storefronts. The Company has added disclosure on the number of franchises based on the number of separate franchise agreements. The following table sets forth the dealerships and franchises that we currently own and operate and the date opened or acquired by the Company or its predecessors, organized by location.

Location	**Operating Name**	**Franchise**	**Year Opened or Acquired**
Wholly-Owned Dealerships:			
Abbotsford, British Columbia	Abbotsford Volkswagen	Volkswagen	2011
Chilliwack, British Columbia	Chilliwack Volkswagen	Volkswagen	2011
Kelowna, British Columbia	Okanagan Chrysler Jeep Dodge FIAT	FIAT / Chrysler	2003
Maple Ridge, British Columbia	Maple Ridge Chrysler Jeep Dodge FIAT	FIAT / Chrysler	2005
Maple Ridge, British Columbia	Maple Ridge Volkswagen	Volkswagen	2008
Prince George, British Columbia	Northland Chrysler Jeep Dodge	Chrysler	2002
Prince George, British Columbia	Northland Hyundai	Hyundai	2005
Prince George, British Columbia	Northland Nissan	Nissan	2007
Victoria, British Columbia	Victoria Hyundai	Hyundai	2006
Calgary, Alberta	Courtesy Chrysler Dodge	Chrysler	2013
Calgary, Alberta	Calgary Hyundai	Hyundai	2014
Calgary, Alberta	Crowfoot Hyundai	Hyundai	2014
Calgary, Alberta	Hyatt Mitsubishi	Mitsubishi	2014
Calgary, Alberta	Northland Volkswagen	Volkswagen	2014
Calgary, Alberta	Fish Creek Nissan	Nissan	2014
Calgary, Alberta	Hyatt Infiniti	Infiniti	2014

Location	Operating Name	Franchise	Year Opened or Acquired
Calgary, Alberta	Tower Chrysler Jeep Dodge Ram	Chrysler	2014
Edmonton, Alberta	Crosstown Chrysler Jeep Dodge FIAT	FIAT / Chrysler	1994
Edmonton, Alberta	Capital Chrysler Jeep Dodge FIAT	FIAT / Chrysler	2003
Edmonton, Alberta	North Edmonton Kia	Kia	2014
Grande Prairie, Alberta	Grande Prairie Chrysler Jeep Dodge FIAT	FIAT / Chrysler	1998
Grande Prairie, Alberta	Grande Prairie Hyundai	Hyundai	2005
Grande Prairie, Alberta	Grande Prairie Subaru	Subaru	1998
Grande Prairie, Alberta	Grande Prairie Mitsubishi	Mitsubishi	2007
Grande Prairie, Alberta	Grande Prairie Nissan	Nissan	2007
Grande Prairie, Alberta	Grande Prairie Volkswagen	Volkswagen	2013
Ponoka, Alberta	Ponoka Chrysler Jeep Dodge	Chrysler	1998
Sherwood Park, Alberta	Sherwood Park Hyundai	Hyundai	2006
Saskatoon, Saskatchewan	Dodge City Chrysler Jeep Dodge RAM	Chrysler	2014
Winnipeg, Manitoba	St. James Audi	Audi	2013
Winnipeg, Manitoba	St. James Volkswagen	Volkswagen	2013
Winnipeg, Manitoba	Eastern Chrysler Jeep Dodge	Chrysler	2013
Cambridge, Ontario	Cambridge Hyundai	Hyundai	2008
Mississauga, Ontario	401 Dixie Hyundai	Hyundai	2008
Newmarket, Ontario	Newmarket Infiniti Nissan	Nissan / Infiniti	2008
Toronto, Ontario	Toronto Chrysler Jeep Dodge Ram	Chrysler	2014
Moncton, New Brunswick	Moncton Chrysler Jeep Dodge	Chrysler	2001
Dartmouth, Nova Scotia	Dartmouth Chrysler Jeep Dodge	Chrysler	2006
Dealership Investments:			
Duncan, British Columbia	Peter Baljet Chevrolet GMC Buick	General Motors	2013
Edmonton, Alberta	Lakewood Chevrolet	General Motors	2014
Sherwood Park, Alberta	Sherwood Park Chevrolet	General Motors	2012
Sherwood Park, Alberta	Sherwood Buick GMC	General Motors	2012
North Battleford, Saskatchewan	Bridges Chevrolet Buick GMC	General Motors	2014
Prince Albert, Saskatchewan	Mann-Northway Auto Source	General Motors	2014
Saskatoon, Saskatchewan	Saskatoon Motor Products	General Motors	2014
Winnipeg, Manitoba	McNaught Cadillac Buick GMC	General Motors	2014
Laval, Quebec	BMW Laval and MINI Laval	BMW / MINI	2014
Montreal, Quebec	BMW Canbec and MINI Mont Royal	BMW / MINI	2014

Seasonality

The results from operations historically have been lower in the first and fourth quarters of each year, largely due to consumer purchasing patterns during the holiday season, inclement weather and the reduced number of business days during the holiday season. As a result, our operating results are generally not as strong during the first and fourth quarters than during the other quarters of each fiscal year. The timing of acquisitions may have also caused substantial fluctuations in operating results from quarter to quarter.

Dealer Support Services

During the year, the Company re-organized the corporate head office to form *Dealer Support Services* ("DSS") in order to more fully direct the attention and efforts of corporate head office staff to those initiatives which drive profit or improvements to dealership operations, or which enhance customer service or our relationships with our key partners. This aligns corporate head office and our dealerships in providing long term shareholder value.

As part of this reorganization, the Company expanded its senior leadership team to further support the growing number of dealerships owned and managed by AutoCanada and additional manufacturer partners. Additions to the team included financial expertise to enhance treasury management, investor relations and capital market relationships and provide oversight to a growing portfolio of real estate assets. The Company also added a general counsel department to provide assistance with acquisitions, human resources and motor vehicle regulatory matters.

A significant and vitally important focus of any reporting issuer is regulatory compliance. For AutoCanada, this includes compliance and communications with various securities commissions and motor vehicles regulatory councils. The Company takes its responsibilities seriously in these areas and has specialists dedicated to ensuring the Company's adherence to the ever increasing regulatory environment is maintained. As a result, we have added a regulatory compliance position. We have also added staff in the areas of marketing, legal, finance and accounting.

Management Realignment

Having grown to 48 dealerships and 12 manufacturer partners from the original 16 and 3, respectively, the Company determined that a realignment of senior management duties was an appropriate step to take in order to best assure continued above average dealership operational performance while simultaneously executing a growth plan.

In response to the rapid growth of the Company, and the addition of dealerships, franchises, and manufacturer partners, the Company announced effective 1 January 2015, the following:

- **Patrick Priestner's five year employment agreement expiring 31 May 2019, has been amended to focus Mr. Priestner's time and attention on key drivers of long-term shareholder value including strategic initiatives, acquisitions, Manufacturer and Dealer relations, in the capacity of Executive Chair;**
- **Thomas Orysiuk was appointed as the Chief Executive Officer in addition to President, with a focus on assisting the Executive Chair with strategy, Manufacturer and Dealer relations, and with responsibility for overall operational direction and performance;**
- **Steve Rose was appointed as the Chief Operating Officer, assisting the President and CEO with a focus on operational direction and execution;**
- **Erin Oor was appointed as the Vice-President Corporate Development and Administration, with a focus on corporate development initiatives and oversight of certain administrative aspects of the business, and general counsel duties.**

These changes formalize the evolution of the management team which began earlier this year with the appointment of Erin Oor as General Counsel and Vice-President Administration in June, 2014, Chris Burrows as Vice-President & Chief Financial Officer in September 2014, and Jeff Christie, formerly Vice-President Finance, as Vice-President Operations, in September 2014, and which has culminated in the further appointments noted and which management believes shall enhance long term shareholder value.

OUR PERFORMANCE

Performance vs. the Canadian New Vehicle Market

The Canadian automotive retail sector performed very well in 2014. A combination of a strong performing economy, demand for new vehicles, attractive financing rates and strong manufacturer incentives on new vehicles resulted in record new vehicle sales volumes during the year. New light vehicle sales in Canada in the year ended December 31, 2014 were up 6.1% when compared to the same period in 2013 and surpassed 1.85 million in unit sales. Figures reported as new light vehicle sales in Canada include all types of vehicle sales including retail, fleet, and daily rentals, the break out of which is not provided by the manufacturers. The manufacturers do not publicly report retail sales by brand. Fleet and daily rental sales are not nearly as profitable as retail sales;

hence, the Company's strategy has been and continues to be focused on retail sales with the result that our dealerships do not fully participate in fleet and daily rental sales channels. Of the Company's total same store unit sales, 81.8% are retail unit sales. The Company's same store new retail sales increased by 3.4% during 2014. As the manufacturers do not publicly report their retail sales separately, the Company is not able to compare its same store performance with new unit retail sales to industry new unit retail sales.

New vehicle sales were particularly strong in our primary markets including Alberta and British Columbia, which were up by 4.4% and 7.5%, respectively. The relatively strong economy in Western Canada in 2014 contributed to our ability to perform well in this market and, in particular, in the light truck market in these two provinces. Our unit sales increased in Alberta and British Columbia by 5,075 units or 57.1%, and 771 units or 11.7%, respectively.

Regardless of the strength of the particular markets in which we operate, our dealerships have been increasing market share in many sales regions. We attribute the improvement in market share of many of our dealerships to their management teams and their ability to leverage best practices from operating within a dealer group. We closely monitor retail sales by brand and by region using internal, non-publicly disclosed reports provided to us by our OEM partners and are pleased with our performance in comparison to other competitors in the markets we operate. We believe that the advances our dealership management teams have made in integrating technology, leveraging marketing expertise, and sharing best practices have contributed greatly to their ability to outperform the market in new vehicle sales.

The combination, of new unit retail sales, and increases in new unit retail gross and revenue, has made for a very positive year for the Company's new unit retail sales.

The following table summarizes Canadian new light vehicle unit sales for the year ended December 31, 2014 by province:

December Year to Date Canadian New Vehicle Sales by Province[1]

	2014	2013	Percent Change	Unit Change
British Columbia	193,798	180,305	7.5%	13,493
Alberta	268,419	257,139	4.4%	11,280
Saskatchewan	56,467	57,566	(1.9)%	(1,099)
Manitoba	55,916	54,492	2.6%	1,424
Ontario	718,523	645,534	11.3%	72,989
Quebec	420,757	414,728	1.5%	6,029
New Brunswick	41,417	40,311	2.7%	1,106
PEI	7,418	7,328	1.2%	90
Nova Scotia	53,441	51,839	3.1%	1,602
Newfoundland	35,217	35,325	(0.3)%	(108)
Total	1,851,373	1,744,567	6.1%	106,806

1 *Source: DesRosiers Automotive Consultants Inc.*

Performance vs. the Prior Year

AutoCanada's higher sales and earnings results in fiscal 2014 are a direct result of its acquisitions completed during the year and same store sales and gross profit gains.

Management typically uses gross profit as its most important measure of overall corporate performance. Overall revenues can vary significantly year over year as a result of fluctuations in sales mix, as well as fluctuations in lower margin fleet sales and used vehicle wholesale sales. As such, Management believes that gross profit growth is a better indicator of overall corporate performance. Overall gross profit increased by 51.7% as a result of strong same store gross profit and recently completed acquisitions.

The Company added 17 dealerships, including one open point. Additionally, the Company achieved same store sales and gross profit increases of 8.9% and 7.9%, respectively, all of which contributed to an adjusted earnings before tax (see “NON-GAAP MEASURES”) increase of $13.6 million or 35.8% over the prior year. Further, notwithstanding that the Company issued shares during the year to finance the increased acquisition activity, it improved adjusted earnings per share by $0.42 per share or 23.1% over the prior year.

Same store gross profit increased by 7.9% in 2014 as compared to the prior year, which was comprised of gross profit increases across three of our business lines. The Company has made improvements in technology and processes in its parts and service departments, and we believe that these changes will continue to result in improved profitability.

Management is also pleased with the 11.7% increase in its parts, service and collision repair same store gross profit during the year. This department is a very important source of revenue for the Company, as it helps to provide greater earnings stability over the long term.

Company sales were $2.2 billion in 2014 as compared to $1.4 billion in 2013, representing an increase of $805.7 million or 57.2%. The increase is a result of same store sales increases of $113.5 million or 8.9% over 2013 and $279.7 million from the consolidation of General Motors dealerships. The remaining increase relates to revenue from acquired dealerships.

Many of our operating expenses are variable in nature, mainly consisting of employee costs. Our dealership employee pay structures are tied to meeting sales objectives, maintaining customer satisfaction indices, as well as improving gross profit and net income. Approximately 33.0% of the Company’s wages and salaries are variable based. Although variable in nature, typically there is a time lag between business contraction and staff reduction as dealerships will not want to lose their high performing variable paid employees and thus will not make a meaningful reduction to their compensation in the short term. The Company regularly reviews the operating performance of its dealerships and utilizes the leverage of a large dealer group to reduce its overall operating expenses. The Company operates a centralized marketing department and information technology department both of which provide services to the dealerships in order to leverage the size of the group as a means to lower the operating costs of the dealerships. As a result of pay structures tied to dealership performance and the ability to leverage the group operating structure, the Company has maintained its overall operating expenses as a percentage of gross profit to 78.0% in fiscal 2014 as compared to 76.6% in the prior year. The Company did, however, incur additional expense with respect to the 16 acquisitions that it completed during the year. Management estimates additional legal and administration expense of approximately $0.2 million for each acquisition that it completes, therefore, we estimate that we incurred approximately $3.2 million in acquisition costs in 2014. Overall, management is very pleased with 2014 financial results.

The Company is focused on integrating the dealerships it acquired during the year. Due to the degree of acquisition activity, integration of individual dealerships is proceeding at a somewhat slower pace than in the past as the Company intends to provide a level of integration assistance that best delivers long term shareholder value while prudently managing staff expense.

OUTLOOK

The outlook regarding 2015 vehicle sales in Canada is difficult to predict, especially with respect to new retail sales which manufacturers do not publicly disclose separately from fleet and rental sales. Canadian new light vehicle unit sales of all types are currently forecasted to increase by 0.2 percent in 2015 as compared to the prior year.

New Vehicle Sales Outlook by Province*

	1994 - 2005 (Average)	2006 - 2011 (Average)	2012	2013	2014	2015F
Canada	**1,446**	**1,587**	**1,677**	**1,745**	**1,851**	**1,855**
Atlantic	**102**	**119**	**126**	**135**	**137**	**137**
Central	**936**	**987**	**1,034**	**1,061**	**1,139**	**1,149**
Quebec	366	408	416	415	420	423
Ontario	570	579	618	646	719	726
West	**408**	**481**	**517**	**549**	**575**	**569**
Manitoba	42	45	50	54	56	56
Saskatchewan	36	45	55	58	56	55
Alberta	166	220	239	257	269	263
British Columbia	164	171	173	180	194	195

* *Includes cars and light trucks (units presented above are in thousands). Source: Scotia Economics – Global Auto Report, March 6, 2015*

The outlook for the Canadian economy has softened with economists revising their previous estimates downward, especially affecting the West in general and Alberta in particular, much as a result of falling oil prices. Revised GDP growth forecasts for Canada presently sit at 1.9 percent for 2015, down from 2.4 percent in previous forecasts from November 2014. As a result, the economy, especially in Alberta, has observed a slowdown in capital spending and a reduction in employment levels. More importantly, there has been a significant reduction in consumer confidence with a recent study showing that 40% of Albertans are deferring major purchases of homes and automobiles (Source: ATB Financial, Economics and Research, Alberta Economic Outlook, Q1 2015, January 5, 2015). Although there has been a slowdown, Management does not, from a macroeconomic perspective, equate this situation to the economic turbulence experienced in the late 2000s, the latter of which was due primarily to the unavailability of credit for the retail consumer and for wholesale floorplan financing, combined with a concern over the solvency of certain automotive manufacturers, none of which is applicable today.

The first two months of 2015 and the latter half of December 2014 have, however, proved very challenging for the Company. We note, for example, R.L. Polk reported a 9.4% decline in retail volumes in January 2015 compared to January 2014 in the Calgary area. Relating to brands which the Company operates in Calgary, this decline includes decreases in retail sales of 17.5%, 10.2%, and 33.3%, for FCA Canada (formerly Chrysler Canada), Japanese, and Korean manufacturers, respectively. Edmonton and Grande Prairie, markets where the Company also has significant market presence, have likewise proved challenging. Additionally, the Company has experienced volume and/or margin challenges at a number of its dealerships elsewhere in Canada. Consequently, the Company has experienced a significantly lower than forecasted vehicle sales and margins with a corresponding decline in dealership profitability in early fiscal 2015, resulting in weak performance relative to the comparative results of 2014.

To the extent the challenges are related to the price of oil and its impact on consumer confidence, the Company is taking the necessary steps to reduce variable costs to mitigate the impact. The Company's ability to moderate the effect of reduced sales activity is encompassed in the variable cost structure. However, such reductions are not immediate for several reasons, including: (i) the acceptance of lower vehicle sales margins to stimulate unit sales to achieve manufacturer sales-based performance targets; (ii) higher than normal per unit advertising cost due to reduced volume; (iii) inventory carrying costs incurred to support forecasted stronger sales volumes in excess of actual sales volumes; and (iv) the industry practice of paying advances to top-up the incomes of front line key sales staff in order to retain key individuals. Other operational challenges incurred to date with respect to the first two months of 2015 would include record snowfall in the Maritimes and a more pronounced seasonality impact experienced by certain recently purchased dealerships compared to the Company's experience. The Company is aggressively taking the necessary steps to address these challenges at the individual dealership level.

Management remains fully confident in its model and that it can take full advantage of its variable cost structure should the period of reduced economic activity continue. Furthermore, the Company believes that the West and Alberta in particular shall continue to provide superior long-term shareholder returns. Further, should the Western economy continue for a period at a slower pace, Management anticipates that acquisition multiples for Western dealerships shall decline, thus providing more attractive buying opportunities, further enhancing long term shareholder value. Additionally, the Company shall continue to seek opportunities elsewhere in Canada so as to provide continued diversity where appropriate. With a strong balance sheet, available liquidity and cash flow, the Company has maintained the current quarterly dividend rate at $0.25, to allow it to be in a position to patiently pursue its acquisition strategy thereby maximizing its ability to take advantage of anticipated buying opportunities that times of economic uncertainty generally provide.

Management believes the current acquisition guidance of 3-5 additional dealerships to be announced by the end of May 2015 is accurate and we are presently monitoring the impact current market conditions are having on acquisition multiples so that we can continue to grow the Company through acquisitions at reasonable multiples.

During the second half of fiscal 2014, the Company was pleased to open its first Kia Canada store, an open point in Edmonton, Alberta. Although the store's performance is typical for most open points where losses in the first one or two years are common, the Company is pleased with its most recent progress and is very confident in its future. During fiscal 2015 and 2016, the Company also plans to open additional open points including a Nissan dealership in Calgary, a Volkswagen dealership in Sherwood Park (Edmonton), and a second Kia dealership in North Winnipeg. Management believes these stores will provide long term shareholder value.

The decline in the exchange rate of the Canadian dollar to the US dollar should have a limited impact on AutoCanada. All of its vehicle purchases and predominantly all of its automotive parts purchases are denominated in Canadian currency resulting in limited foreign exchange risk. Furthermore, the price of vehicles from the manufacturers are determined annually, in the first quarter, and typically do not move in close correlation with the spot market foreign exchange rates.

Finally, in early 2015, the Company filed for a normal course issuer bid in order to opportunistically repurchase our shares. Share purchases will only be conducted if, based on the Company's share price, Management believes it is the best use of its capital at that time to drive long term shareholder value.

SELECTED ANNUAL FINANCIAL INFORMATION

The following table shows the results of the Company for the years ended December 31, 2014, 2013, and 2012. The results of operations for these periods are not necessarily indicative of the results of operations to be expected in any given comparable period.

(in thousands of dollars, except Gross Profit %, Earnings per share, and Operating Data)	2014[(1)]	2013	2012
Income Statement Data			
New vehicles	1,342,346	882,858	683,375
Used vehicles	495,352	300,881	243,351
Parts, service and collision repair	255,707	142,343	114,600
Finance, insurance and other	121,373	82,958	62,587
Revenue	2,214,778	1,409,040	1,103,913
New vehicles	106,002	75,835	57,575
Used vehicles	29,501	20,273	16,311
Parts, service and collision repair	128,566	73,755	59,643
Finance, insurance and other	109,080	76,172	56,836
Gross profit	373,149	246,035	190,365
Gross Profit %	16.8%	17.5%	17.2%
Operating expenses	290,904	188,519	149,140
Operating expenses as a % of gross profit	78.0%	76.6%	78.3%
Income from investments in associates	3,490	2,241	468
Net earnings attributable to AutoCanada shareholders	53,132	38,166	24,236
EBITDA[(2)]	89,434	58,469	37,885
Basic earnings per share	2.31	1.83	1.22
Diluted earnings per share	2.30	1.83	1.22
Operating Data			
Vehicles (new and used) sold excluding GM	46,393	35,774	29,780
Vehicles (new and used) sold including GM[(3)]	52,147	40,136	31,554
New vehicles sold including GM[(3)]	36,422	28,024	21,501
New retail vehicles sold	30,346	20,523	16,226
New fleet vehicles sold	6,076	4,876	4,096
Used retail vehicles sold	15,725	10,375	9,458
Number of service & collision repair orders completed[(4)]	601,597	364,361	309,488
Absorption rate[(2)]	85%	87%	86%
# of dealerships at year end[(4)]	48	28	24
# of same store dealerships	23	21	22
# of service bays at year end[(4)]	822	406	333
Same store revenue growth[(5)]	8.9%	17.2%	8.6%
Same store gross profit growth[(5)]	7.9%	17.5%	10.9%
Balance Sheet Data			
Cash and cash equivalents	72,462	35,113	34,472
Restricted cash	–	–	10,000
Trade and other receivables	92,138	57,771	47,944
Inventories	563,277	278,091	199,226
Revolving floorplan facilities	527,780	264,178	203,525

1 *In conjunction with the business combination under common control completed on July 11, 2014, the Selected Annual Financial Information for 2014 includes the consolidated results of the Company's GM stores from July 11, 2014. All 2014 financial information includes 100% of the results of the GM stores, except for Net earnings, EBITDA, and EPS amounts, which are presented net of non-controlling interests. Had the consolidation been effected for fiscal 2013, additional revenues of $205.6 million and gross profit of $33.1 million would have been recognized.*

2 *EBITDA and absorption rate have been calculated as described under "NON-GAAP MEASURES".*

3 *Until July 10, 2014, the Company had investments in General Motors dealerships that were not consolidated. In Q3 2014, these GM dealerships were consolidated. This number includes 100% of vehicles sold by these dealerships in which we have less than 100% investment.*

4 *The results presented for 2013 and 2012 do not include the GM stores and their associated service bays or repair orders.*

5 *Same store revenue growth & same store gross profit growth is calculated using franchised automobile dealerships that we have owned for at least 2 full years, excluding the GM stores, as these stores have been treated as acquisitions as at July 11, 2014.*

SELECTED QUARTERLY FINANCIAL INFORMATION

The following table shows the unaudited results of the Company for each of the eight most recently completed quarters. The results of operations for these periods are not necessarily indicative of the results of operations to be expected in any given comparable period.

(in thousands of dollars, except Gross Profit %, Earnings per share, and Operating Data)	Q4 2014[1]	Q3 2014[1]	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Income Statement Data								
New vehicles	379,094	457,198	289,918	216,524	197,097	257,543	254,403	174,410
Used vehicles	148,579	158,779	102,025	85,969	75,137	85,975	77,113	62,656
Parts, service and collision repair	91,045	78,371	46,078	40,724	41,268	37,341	34,629	29,667
Finance, insurance and other	34,749	39,002	27,304	21,047	20,271	22,676	22,620	17,529
Revenue[7]	653,467	733,350	465,325	364,264	333,773	403,535	388,765	284,262
New vehicles	28,390	35,711	23,822	17,813	18,326	20,510	20,664	15,947
Used vehicles	7,817	9,637	6,506	5,551	4,450	6,242	5,795	3,789
Parts, service and collision repair	45,631	38,942	23,373	20,593	20,822	20,113	17,586	15,232
Finance, insurance and other	30,606	35,615	24,342	19,514	18,734	20,831	20,783	16,157
Gross profit[7]	112,444	119,905	78,043	63,471	62,332	67,696	64,828	51,125
Gross Profit %	17.2%	16.4%	16.8%	17.4%	18.7%	16.8%	16.7%	18.0%
Operating expenses	89,482	89,713	58,920	50,400	48,447	51,080	48,639	40,353
Operating expenses as a % of gross profit	79.6%	74.8%	75.5%	79.4%	77.7%	75.5%	75.0%	78.9%
Income from investments in associates	–	359	2,238	893	837	555	648	201
Net earnings attributable to AutoCanada shareholders[6]	14,918	17,765	12,831	8,296	9,553	10,968	10,823	6,822
EBITDA[2,6,7]	24,527	28,674	21,702	14,453	14,754	16,607	16,463	10,511
Basic earnings per share	0.60	0.74	0.59	0.38	0.44	0.51	0.53	0.35
Diluted earnings per share	0.59	0.74	0.59	0.38	0.44	0.51	0.53	0.35
Operating Data								
Vehicles (new and used) sold excluding GM	12,774	14,966	9,887	8,766	8,046	10,325	10,062	7,341
Vehicles (new and used) sold including GM[3]	15,415	18,079	12,414	9,945	9,209	11,405	11,399	8,123
New vehicles sold including GM[3]	10,570	12,821	8,658	6,570	6,090	8,023	8,246	5,665
New retail vehicles sold	8,907	10,686	5,980	4,773	4,932	5,986	5,487	4,118
New fleet vehicles sold	1,663	2,135	1,146	1,132	552	1,365	1,923	1,036
Used retail vehicles sold	4,845	5,258	2,761	2,861	2,562	2,974	2,652	2,187
Number of service & collision repair orders completed[4]	214,077	198,612	97,559	91,999	95,958	97,074	93,352	77,977
Absorption rate[2]	85%	93%	92%	85%	90%	88%	90%	82%
# of dealerships at period end[4]	48	45	34	28	28	29	27	25
# of same store dealerships	23	23	23	23	21	22	22	22
# of service bays at period end[4]	822	734	516	406	406	413	368	341
Same store revenue growth[5]	10.9%	8.9%	4.1%	13.0%	8.9%	19.9%	26.2%	12.9%
Same store gross profit growth[5]	5.7%	11.4%	5.4%	8.1%	9.2%	18.5%	25.8%	16.9%
Balance Sheet Data								
Cash and cash equivalents	72,462	64,559	91,622	41,541	35,113	37,940	35,058	41,991
Restricted cash	–	–	–	–	–	–	10,000	10,000
Trade and other receivables	92,138	115,074	85,837	69,747	57,771	62,105	69,656	57,663
Inventories	563,277	471,664	324,077	261,764	278,091	236,351	232,319	217,268
Revolving floorplan facilities	527,780	437,935	313,752	261,263	264,178	228,526	246,325	225,387

1 *In conjunction with the business combination under common control completed on July 11, 2014, the Selected Quarterly Financial Information for Q3 2014 and Q4 2014 includes the consolidated results of the Company's GM stores from July 11, 2014. All Q3 2014 and Q4 2014 financial information includes 100% of the results of the GM stores, except for Net earnings, EBITDA, and EPS amounts, which are presented net of non-controlling interests.*

2 *EBITDA and absorption rate have been calculated as described under "NON-GAAP MEASURES".*

3 *Until July 10, 2014, the Company had investments in General Motors dealerships that were not consolidated. In Q3 2014, these GM dealerships were consolidated. This number includes 100% of vehicles sold by these dealerships in which we have less than 100% investment.*

4 *The results presented for all quarters prior to Q3 2014 do not include the GM stores and their associated service bays or repair orders.*

5 *Same store revenue growth & same store gross profit growth is calculated using franchised automobile dealerships that we have owned for at least 2 full years, excluding the GM stores, as these stores have been treated as acquisitions as at July 11, 2014.*

6 *The results from operations have been lower in the first and fourth quarters of each year, largely due to consumer purchasing patterns during the holiday season, inclement weather and the reduced number of business days during the holiday season. As a result, our financial performance is generally not as strong during the first and fourth quarters than during the other quarters of each fiscal year. The timing of acquisitions may have also caused significant fluctuations in operating results from quarter to quarter.*

7 *Due to the impact of rounding throughout the interim periods, the aggregate quarterly results may not equal the annual total for the corresponding year.*

BUSINESS COMBINATION UNDER COMMON CONTROL

On July 11, 2014, the Company completed a business combination under common control, resulting in the consolidation of the financial results of the Company's investments in associates as further described in Notes 14 and 15 of the annual audited consolidated financial statements for the year ended December 31, 2014. The Company has provided a reconciliation below of its consolidated Statement of Comprehensive Income for the year ended December 31, 2014 to its financial results had the results from its investments in associates not been consolidated as at December 31, 2014.

(in thousands of dollars)	For the twelve months ended December 31, 2014 (including GM)	Effects of GM Consolidation	For the twelve months ended December 31, 2014 (excluding GM)
Revenue	2,214,778	(280,715)	1,934,063
Cost of sales	(1,841,629)	232,838	(1,608,791)
Gross Profit	373,149	(47,877)	325,272
Operating expenses	(290,904)	44,092	(246,812)
Operating income before other income (expenses)	82,245	(3,785)	78,460
Lease and other income, net	5,524	(5,524)	–
Loss on disposal of assets, net	(183)	126	(57)
Income from investments in associates	3,490	5,007	8,497
Recovery of impairment of intangible assets	1,767	–	1,767
Operating profit	92,843	(4,176)	88,667
Finance costs	(20,363)	1,092	(19,271)
Finance income	2,147	107	2,254
Net income for the period before taxation	74,627	(2,977)	71,650
Income tax	18,335	167	18,502
Net and comprehensive income for the period	56,292	(3,144)	53,148
Net and comprehensive income attributable to:			
AutoCanada shareholders	53,132	–	53,132
Non-controlling interests	3,160	(3,144)	16
	56,292	(3,144)	53,148
Earnings per share			
Basic	2.31	–	2.31
Diluted	2.30	–	2.30
Weighted average shares			
Basic	23,018,588	–	23,018,588
Diluted	23,139,403	–	23,139,403

The Company has provided a reconciliation below of the Statement of Financial Position as at December 31, 2013 assuming the GM stores had been consolidated at that date.

(in thousands of dollars)	December 31, 2013 (excluding GM)	Effects of GM Consolidation	December 31, 2013 (including GM)
Assets			
Cash and cash equivalents	35,113	6,703	41,816
Trade and other receivables	57,771	10,450	68,221
Inventories	278,091	41,792	319,883
Current finance lease receivables	–	4,511	4,511
Other current assets	1,603	242	1,845
	372,578	63,698	436,276
Property and equipment	122,915	5,703	128,618
Investments in associates	13,131	(13,131)	–
Intangible assets	96,985	13,608	110,593
Goodwill	6,672	1,999	8,671
Long-term portion of finance lease receivables	–	1,998	1,998
Other long-term assets	6,797	14	6,811
Total assets	619,078	73,889	692,967
Liabilities			
Bank indebtedness	(1)	1,521	1,520
Trade and other payables	50,429	13,402	63,831
Revolving floorplan facilities	264,178	41,895	306,073
Current tax payable	4,906	(701)	4,205
Current lease obligations	1,398	17	1,415
Current indebtedness	2,866	2,270	5,136
	323,776	58,404	382,180
Long-term indebtedness	83,580	2,433	86,013
Deferred income tax	21,480	1,137	22,617
Total liabilities	428,836	61,974	490,810
Equity			
AutoCanada shareholders	190,242	194	190,436
Non-controlling interests	–	11,721	11,721
Total equity	190,242	11,915	202,157
Total liabilities and equity	619,078	73,889	692,967

RESULTS FROM OPERATIONS

Annual Operating Results

EBITDA for the year ended December 31, 2014 increased by 52.8% to $89.4 million, from $58.5 million when compared to the results of the Company for the same period in the prior year. The increase in EBITDA for the year can be mainly attributed to improvements in all four business streams and the dealership acquisitions completed during 2014. The Company also purchased a number of properties at the end of 2013 that have contributed to the increase in EBITDA due to the decrease in lease payments exceeding the associated increase in amortization. The Company's EBITDA was positively impacted by $0.3 million, included in share-based compensation, as a result of a 43.7% decrease in the Company's share price during the last half of the year that was partially offset by a 72.2% increase in the Company's share price during the first six months of the year. Adjusted EBITDA for the year ended December 31, 2014 increased by 50.5% to $89.1 million from $59.2 million when compared to the results of the Company in the prior year.

The following table reconciles EBITDA to net earnings for the years ended December 31:

(in thousands of dollars)	**2014**	**2013**	**2012**
Net earnings attributable to AutoCanada shareholders	53,132	38,166	24,236
Recovery of impairment of intangible assets	(1,767)	(746)	(222)
Income tax	17,162	13,696	8,576
Amortization of property and equipment	13,072	6,346	4,311
Interest on long-term indebtedness	7,835	1,007	960
EBITDA attributable to AutoCanada shareholders	89,434	58,469	37,861
Share-based compensation attributed to changes in share price	(291)	727	73
Adjusted EBITDA attributable to AutoCanada shareholders	89,143	59,196	37,934

Pre-tax earnings attributable to AutoCanada shareholders for the year ended December 31, 2014 increased by $19.7 million or 38.0% to $71.6 million from $51.9 million in 2013. Net earnings attributable to AutoCanada shareholders increased by $14.9 million or 39.0% to $53.1 million in 2014 from $38.2 million in 2013. Modest improvements in same store sales and gross profit, as well as the impact of acquisitions completed during 2014, contributed to the increase in net earnings attributable to AutoCanada shareholders. Income tax expense attributable to AutoCanada shareholders increased by $3.5 million to $17.2 million in 2014 from $13.7 million in 2013 due to the increase in pre-tax earnings attributable to AutoCanada shareholders.

Adjusted net earnings attributable to AutoCanada shareholders for the year ended December 31, 2014 increased by $13.6 million or 35.8% to $51.6 million in 2014 from $38.0 million in the prior year.

The following table reconciles net earnings attributable to AutoCanada shareholders to adjusted net earnings attributable to AutoCanada shareholders for years ended December 31:

(in thousands of dollars)	2014	2013	2012
Net earnings attributable to AutoCanada shareholders	53,132	38,166	24,236
Recovery of impairment of intangible assets, net of tax	(1,310)	(746)	(222)
Share-based compensation attributed to changes in share price, net of tax	(216)	540	54
Adjusted net earnings attributable to AutoCanada shareholders	51,606	37,960	24,068
Weighted average number of shares – Basic	23,018,588	20,868,723	19,840,802
Adjusted net earnings per share attributable to AutoCanada shareholders – Basic	2.24	1.82	1.21
Adjusted net earnings per share attributable to AutoCanada shareholders – Diluted	2.23	1.82	1.21

Revenues

Revenues for the year ended December 31, 2014 increased by $805.7 million or 57.2% compared to the prior year. This increase was driven by increases in same store sales across all four revenue streams and additional revenues from dealerships acquired during the year. In 2014 new vehicle sales increased by $459.5 million or 52.0% to $1.34 billion from $882.9 million in the prior year, mainly due to a 43.4% increase in the number of new vehicles sold. Used vehicle sales increased by $194.5 million or 64.6% to $495.4 million from $300.9 million in the prior year. Finance and insurance revenue increased by $38.4 million or 46.3% for the year ended December 31, 2014. Parts, service and collision repair revenue increased by $113.4 million or 79.7% for the year ended December 31, 2014.

The tables in the “Same-Store Analysis” sections below summarize the results for the year ended December 31, 2014 on a same store basis by revenue source and compare these results to the same period in 2013. An acquired or open point dealership may take as long as two years in order to reach normal operating results. As a result, in order for an acquired or open point dealership to be included in our same store analysis, the dealership must be owned and operated by us for eight complete quarters. For example, if a dealership was acquired on December 1, 2011, the results of the acquired entity would be included in quarterly same store comparisons beginning with the quarter ended March 31, 2014 and in annual same store comparisons beginning with the year ended December 31, 2014. As a result, only dealerships opened or acquired prior to January 1, 2012 are included in this same store analysis. In addition, dealership divestitures are also not included in same store operating results. As a result, the current and historical operating results of Grande Prairie Volkwsagen (acquired in the first quarter of 2013), St. James Audi and Volkswagen (acquired in the second quarter of 2013), Courtesy Chrysler (acquired in the third quarter of 2013), Eastern Chrysler (acquired in the third quarter of 2013), BMW Canbec/MINI Mont Royal (acquired in June 2014), Dodge City (acquired in June 2014), the Hyatt Group (acquired in June/July 2014), North Edmonton Kia (opened in August 2014), Tower Chrysler (acquired in August 2014), Toronto Dodge (acquired in October 2014), and Laval BMW/MINI (acquired in December 2014) are not included in same store analysis. The GM stores are excluded from same store analysis as Lakewood Chevrolet was acquired in September 2014, Bridges Chevrolet was acquired in November 2014, and the remaining GM stores were treated as acquisitions as at July 11, 2014. For further information about acquisitions completed in 2014, please refer to “GROWTH, ACQUISITIONS, RELOCATIONS AND REAL ESTATE”.

Revenues – Same Store Analysis

Company management considers same store sales and gross profit information to be an important operating metric when comparing the results of the Company to other industry competitors. The following table summarizes the results for the year ended December 31, 2014 on a same store basis by revenue source and compares these results to the same period in 2013.

Same Store Revenue and Vehicles Sold

	For the Year Ended		
(in thousands of dollars)	**December 31, 2014**	**December 31, 2013**	**% Change**
Revenue Source			
New vehicles – Retail	711,924	663,665	7.3%
New vehicles – Fleet	134,973	139,005	(2.9)%
New vehicles	846,897	802,670	5.5%
Used vehicles – Retail	228,327	205,384	11.2%
Used vehicles – Wholesale	97,180	69,961	38.9%
Used Vehicles	325,507	275,345	18.2%
Finance, insurance and other	81,867	75,561	8.3%
Subtotal	1,254,271	1,153,576	8.7%
Parts, service and collision repair	135,116	122,298	10.5%
Total	1,389,387	1,275,874	8.9%

(in number of units)			
New retail vehicles sold	19,229	18,591	3.4%
New fleet vehicles sold	4,264	4,756	(10.3)%
Used retail vehicles sold	9,888	9,457	4.6%
Total	33,381	32,804	1.8%
Total vehicles retailed	29,117	28,048	3.7%

Same store total revenue increased by $113.5 million or 8.9% in the year ended December 31, 2014 when compared to 2013. New vehicle revenues increased by $44.2 million or 5.5% over the prior year due to an increase in new vehicle sales and an increase in the average revenue per new vehicle sold of $1,669 or 4.9%.

Same store used vehicle revenues increased by $50.2 million or 18.2% due to an increase in used vehicle sales of 431 units or 4.6% and an increase in the average revenue per used vehicle sold of $3,804 or 13.1%.

Same store finance, insurance and other revenue increased by $6.3 million or 8.3% due to an decrease in the number of new and used vehicles retailed of 1,069 units or 3.8%.

Same store parts, service and collision repair revenue increased by $12.8 million or 10.5%, due to an increase in overall repair orders completed of 16,020 and a $20 or 5.3% increase in the average revenue per repair order completed.

Gross Profit

Gross profit increased by $127.1 million or 51.7% for the year ended December 31, 2014 when compared to the prior year due primarily to increases in gross profit across all four revenue streams. Gross profit on the sale of new vehicles increased by $30.2 million or 39.8% for the year ended December 31, 2014. The increase in new vehicles gross profit can be attributed to an increase in new vehicle unit sales of 11,023 units or 43.4%, offset by a decrease in the average gross profit per new vehicle retailed of $75. Gross profit from the sale of used vehicles sold increased by $9.2 million or 45.4%. This increase can be attributed to an increase in the number of used vehicles sold of 5,350 or 51.6%, offset by a reduction in the average gross profit per used vehicle retailed of $78. The Company's finance and insurance gross profit increased by $32.9 million or 43.2% in 2014 due to an increase in the number of units retailed of 15,173 offset by a decrease in the average gross profit per vehicle retailed of $98. Parts, service and collision repair gross profit increased by $54.8 million or 74.3% in 2014 due to an increase of 237,236 in the number of repair orders completed.

Gross Profit – Same Store Analysis

The following table summarizes the results for the year ended December 31, 2014, on a same store basis by revenue source, and compares these results to the same periods in 2013.

Same Store Gross Profit and Gross Profit Percentage

	For the Year Ended					
	Gross Profit			Gross Profit %		
(in thousands of dollars)	**December 31, 2014**	**December 31, 2013**	**% Change**	**December 31, 2014**	**December 31, 2013**	**% Change**
Revenue Source						
New vehicles – Retail	71,869	68,037	5.6%	10.1%	10.3%	(0.2)%
New vehicles – Fleet	1,272	1,171	8.6%	0.9%	0.8%	0.1%
New vehicles	73,141	69,208	5.7%	8.6%	8.6%	–%
Used vehicles – Retail	17,569	16,044	9.5%	7.7%	7.8%	(0.1)%
Used vehicles – Wholesale	1,288	2,830	(54.5)%	1.3%	4.0%	(2.7)%
Used Vehicles	18,857	18,874	(0.1)%	5.8%	6.9%	(1.1)%
Finance, insurance and other	75,267	69,115	8.9%	91.9%	91.5%	0.4%
Subtotal	167,265	157,197	6.4%	13.3%	13.6%	(0.3)%
Parts, service and collision repair	71,536	64,020	11.7%	52.9%	52.3%	0.6%
Total	238,801	221,217	7.9%	17.2%	17.3%	(0.1)%

Total same store gross profit increased by $17.6 million or 7.9% for the year ended December 31, 2014 when compared to the prior year. New vehicle gross profit increased by $3.9 million or 5.7% for the year ended December 31, 2014 when compared to the prior year which can be mainly attributed to an increase in the average gross profit per new vehicle sold of $149 or 5.0%.

Used vehicle gross profit remained constant for the year ended December 31, 2014 when compared to the prior year which was mainly due to a decrease in the average gross profit per vehicle retailed of $89 or 4.5%, partially offset by an increase in the number of vehicles retailed of 431 units.

Finance and insurance gross profit increased by $6.2 million or 8.9% for the year ended December 31, 2014 when compared to the prior year and can be attributed to an increase in the average gross profit per unit sold of $121 and an increase in units retailed of 1,069.

Parts, service and collision repair gross profit increased by $7.5 million or 11.7% for the year ended December 31, 2014 when compared to the prior year which can be mainly attributed to an increase in the number of repair orders completed of 16,020 and an increase in the average gross profit per repair order completed of $13 or 6.6%.

Operating expenses

Operating expenses increased by 54.3% or $102.4 million during the year ended December 31, 2014 as compared to the prior year due mainly to the acquisition of new stores. Since many operating expenses are variable in nature, management considers operating expenses as a percentage of gross profit to be a good indicator of expense control. Operating expenses as a percentage of gross profit remained relatively stable at 78.0% in 2014 from 76.6% in the prior year. Operating expenses consist of four major categories: employee costs, selling and administrative costs, facility lease costs and depreciation of property and equipment.

Employee costs

During the year ended December 31, 2014, employee costs increased by $64.3 million to $186.2 million from $121.9 million in the prior year period. Employee costs as a percentage of gross profit remained relatively constant at 49.9% in 2014 from 49.5% in 2013.

Selling and administrative costs

During the year ended December 31, 2014, selling and administrative costs increased by $28.9 million or 59.5% primarily due to the dealership acquisitions completed during 2014. Selling and administrative expenses as a percentage of gross profit remained a relatively constant 20.8% from 19.7% in the same period of the prior year. During the year, the Company incurred $1.4 million in professional fees related to acquisitions compared to $0.4 million in the prior year. These costs will vary based on the number of acquisitions completed each year.

Facility lease costs

During the year ended December 31, 2014, facility lease costs increased by $1.9 million or 16.2% to $13.6 million from $11.7 million due to the acquisitions completed during 2014, partially offset by the cost savings from the purchase of the real estate properties at the end of 2013.

Depreciation

During the year ended December 31, 2014, depreciation increased by $7.3 million or 114.7% to $13.6 million from $6.3 million in the prior year due to the purchase of real estate properties throughout 2014, including buildings acquired in the Lakewood Chevrolet, BMW/MINI Laval, and Bridges Chevrolet, the accounting consolidation of the General Motors stores on July 11, 2014, and the full year impact of owning additional 11 real estate properties purchased at the end of 2013.

Reversal of impairment of intangible assets

The Company performed its annual test for impairment of its cash generating units ("CGUs") in the fourth quarter of 2014. As a result of the tests performed, the Company determined that although the financial results improved in many of the Company's CGUs, in most cases, the value of its intangible assets had been fully recovered in 2011. Since impairments of intangible assets cannot be reversed to an amount greater than the intangible asset's original cost, the improved financial results of many of the Company's CGUs has limited impact on the value of the Company's intangible assets.

As a result of the tests performed, the Company recorded a net reversal of impairment of intangible assets in the amount of $1.8 million (2013 – $0.7 million).

Income from investments in associates

During the period from January 1, 2014 to July 10, 2014, the Company earned $3.5 million, net of acquisition costs, as a result of its investments in Dealer Holdings Ltd. ("DHL"), Green Isle G Auto Holdings Inc. ("Green Isle"), Prairie Auto Holdings Ltd. ("PAH"), and Waverley BG Holdings Inc. ("WBG"). On July 11, 2014, the Company completed a business combination under common control, resulting in the accounting consolidation of the General Motors dealerships. In addition to the income from investments in associates, the Company also earned $0.2 million in management services revenue from these subsidiaries from January 1, 2014 to July 10, 2014. The management services agreements provide for fixed monthly fees charged to the General Motors dealerships from AutoCanada in return for marketing, training, technological, and accounting support.

AutoCanada provides support services to all dealerships in which it owns and operates, however since the three dealerships are not wholly-owned by AutoCanada, the Company charges a management services fee in order to recover the costs of resources provided.

Related party transactions are measured based on the proportionate allocation of actual costs incurred multiplied by the number of resources and/or hours provided to or used by the related party. There are no ongoing or continuing obligations of the Company to provide these services or for the related parties to utilize these services.

See "GROWTH, ACQUISITIONS, RELOCATIONS AND REAL ESTATE" for more information related to the investments.

Finance costs

The Company incurs finance costs on its revolving floorplan facilities, long term indebtedness and banking arrangements. During the year ended December 31, 2014, finance costs on our revolving floorplan facilities increased by 41.9% to $10.5 million from $7.4 million in 2013, mainly due to the acquisitions completed during the year. Finance costs on long term indebtedness increased by $6.84 million or 678.9% over the prior year due primarily to finance costs related to the $150 million bond offering completed in May 2014.

Some of our manufacturers provide non-refundable credits on the finance costs for our revolving floorplan facilities to offset the dealership's cost of inventory that, on average, effectively provide the dealerships with interest-free floorplan financing for the first 45 to 60 days of ownership of each financed vehicle. During the year ended December 31, 2014, the floorplan credits earned were $12.2 million (2013 – $7.0 million). Floorplan credits are accounted for as a reduction in the cost of new vehicle inventory and subsequently a reduction in the cost of sales as vehicles are sold.

The following table summarizes the net floorplan credits that were received in 2014.

(in thousands of dollars)	Q1 2014	Q2 2014	Q3 2014	Q4 2014	TOTAL
Net floorplan credits	2,020	2,448	3,920	3,858	12,246

Management believes that a comparison of floorplan financing costs to floorplan credits earned can be used to evaluate the efficiency of our new vehicle sales relative to stocking levels. The following table details the carrying cost of vehicles based on floorplan interest net of floorplan assistance earned:

	For the Year Ended	
(in thousands of dollars)	December 31, 2014	December 31, 2013
Floorplan financing costs	10,452	7,353
Floorplan credits earned	(12,246)	(7,043)
Net carrying cost of vehicle inventory	(1,794)	310

Income Taxes

For the year ended December 31, 2014, income tax expense increased by $4.6 million from $13.7 million to $18.3 million. As a result of the reversal of impairments of intangible assets, the Company recorded deferred tax expense in the amount of $0.5 million (2013 – $0.2 million) due to the revised temporary differences between the tax basis and carrying value of these assets.

As a result of its improved earnings over the past three years, the Company recorded $21.6 million in current tax expense in 2014, as compared to $11.5 million in fiscal 2013. As described in further detail below, the Company effectively maintains a one year deferral of its partnership income (income earned by wholly-owned dealerships). As such, the current income tax expense for 2014 is mainly calculated based on our dealerships' income from 2013. The income earned by our dealerships in fiscal 2014 will be substantially deferred until next year; however, as described in further detail below, the Company's current tax payable contains the second instalment payment of its tax deferral, expected to be fully repaid over the next 3 years.

In December 2011, legislation was passed implementing tax measures outlined in the 2011 budget (Bill C-13), which included the elimination of the ability of a corporation to defer income as a result of timing differences in the year-end of the corporation and of any partnership of which it is a partner, subject to transitional relief over five years. The Company estimates the following amounts to be recorded as current income tax payable over the next three years in conjunction with the payment of the deferral. The Company notes that these estimated amounts will be paid in addition to the normal current income tax payable of future years:

(in thousands of dollars)	2015	2016	2017
Increase to current tax payable	1,366	1,366	1,707

The Company expects income tax to have a more significant effect on our free cash flow and adjusted free cash flow, as in fiscal 2012, the Company began to pay current income taxes and income tax instalments for the anticipated current tax expense for the fiscal year.

Prior to 2012, the Company had not paid any corporate tax or instalments for corporate tax. In 2014, the Company paid $16.7 million of cash taxes, which relates to the fiscal 2013 taxation year and instalments toward the 2014 taxation year. The payment of cash taxes will have an impact on adjusted free cash flow. Due to the tax deferral and subsequent addition of deferred tax to future years' taxes payable, investors are cautioned that the effective tax rate may exceed the historical rates experiences by the Company, and future cash flow from operating activities will be reduced due to this treatment.

RESULTS FROM OPERATIONS

Fourth Quarter Operating Results

EBITDA for the three month period ended December 31, 2014 increased by 65.5% to $24.5 million, from $14.8 million when compared to the results of the Company for the same period in the prior year. The increase in EBITDA for the quarter can be mainly attributed to the dealership acquisitions completed during 2014. The Company also purchased a number of real estate properties at the end of 2013 that have contributed to the increase in EBITDA. The Company's EBITDA was positively impacted by $0.4 million, included in share-based compensation, as a result of an 18.3% decrease in the Company's share price during the last quarter of the year. Adjusted EBITDA attributable to AutoCanada shareholders for the quarter ended December 31, 2014 increased by 60.7% to $24.1 million from $15.0 million when compared to the results of the Company in the prior year.

The following table illustrates EBITDA for the three month periods ended December 31, for the last three years of operations.

(in thousands of dollars) Period from October 1, 2014 to December 31, 2014	2014	2013	2012
Net earnings attributable to AutoCanada shareholders	14,918	9,553	6,606
Recovery of impairment of intangible assets	(1,767)	(746)	(222)
Income tax	4,316	3,490	2,540
Amortization of property and equipment	4,153	2,069	1,118
Interest on long-term indebtedness	2,907	388	257
EBITDA attributable to AutoCanada shareholders	24,527	14,754	10,299
Share-based compensation attributed to changes in share price	(447)	248	28
Adjusted EBITDA attributable to AutoCanada shareholders	24,080	15,002	10,327

Pre-tax earnings attributable to AutoCanada shareholders for the quarter ended December 31, 2014 increased by $7.1 million or 54.6% to $20.1 million from $13.0 million in 2013. Net earnings attributable to AutoCanada shareholders increased by $5.3 million or 55.2% to $14.9 million in 2014 from $9.6 million in 2013. Income tax expense attributable to AutoCanada shareholders increased by $1.7 million to $5.2 million in 2014 from $3.5 million in 2013 due to an increase in pre-tax earnings during the last quarter of 2014.

As the pre-tax net effects of recoveries of impairment of intangible assets for the year ended December 31, 2014 was $1.8 million, as compared to total recoveries of $0.7 million before taxes in 2013, the variances in the preceding paragraph include the effects of reversals of impairments, which resulted in an increase in overall net earnings in 2014 due to the increase in recoveries of impairment of intangible assets compared to the prior year.

Adjusted net earnings attributable to AutoCanada shareholders for the quarter ended December 31, 2014 increased by $4.3 million or 47.8% to $13.3 million in 2014 from $9.0 million in the prior year.

The following table reconciles net earnings to adjusted net earnings for the quarters ended December 31:

(in thousands of dollars)	2014	2013	2012
Net earnings attributable to AutoCanada shareholders	14,918	9,553	6,606
Recovery of impairment of intangible assets, net of tax	(1,310)	(746)	(222)
Share-based compensation attributed to changes in share price, net of tax	(332)	184	21
Adjusted net earnings attributable to AutoCanada shareholders	13,276	8,991	6,405
Weighted average number of shares – Basic	24,410,169	21,638,433	19,802,947
Adjusted net earnings per share attributable to AutoCanada shareholders – Basic	0.54	0.42	0.32
Adjusted net earnings per share attributable to AutoCanada shareholders – Diluted	0.53	0.42	0.32

Revenues

Revenues for the three months ended December 31, 2014 increased by $319.7 million or 95.8%, as compared to the same period of the prior year. This increase was mainly driven by increases in all four revenue streams. New vehicle sales increased by $182.0 million or 92.3% for the three month period ended December 31, 2014 to $379.1 million from $197.1 million in the same period of the prior year, mainly due to an increase in new vehicles sold of 5,086 or 92.7%. The various manufacturer incentives offered on new vehicles, combined with low interest rates, have made purchasing a new vehicle more affordable for our customers, which we believe to be a critical driver of new vehicle sales in the industry. Used vehicle sales increased by $73.4 million or 97.7% for the three month period ended December 31, 2014. The increase in new and used vehicle retail sales greatly contributed to the increase in finance and insurance revenue, which increased by $14.5 million or 71.4% in the three month period ended December 31, 2014. Parts, service and collision repair revenue increased by $49.8 million or 120.7% for the three month period ended December 31, 2014.

Revenues – Same Store Analysis

The following table summarizes the results for the three month period ended December 31, 2014 on a same store basis by revenue source and compares these results to the same period in 2013.

Same Store Revenue and Vehicles Sold

	For the Three Months Ended		
(in thousands of dollars)	**December 31, 2014**	**December 31, 2013**	**% Change**
Revenue Source			
New vehicles – Retail	156,602	150,463	4.1%
New vehicles – Fleet	24,748	16,767	47.6%
New vehicles	181,350	167,230	8.4%
Used vehicles – Retail	53,225	47,655	11.7%
Used vehicles – Wholesale	23,410	17,031	37.5%
Used vehicles	76,635	64,686	18.5%
Finance, insurance and other	18,781	17,754	5.8%
Subtotal	276,766	249,670	10.9%
Parts, service and collision repair	35,889	32,271	11.2%
Total	312,655	281,941	10.9%
New retail vehicles sold	4,307	4,191	2.8%
New fleet vehicles sold	896	515	74.0%
Used retail vehicles sold	2,329	2,177	7.0%
Total	7,532	6,883	9.4%
Total vehicles retailed	6,636	6,368	4.2%

Total same store revenue increased by $30.7 million or 10.9% in the three month period ended December 31, 2014 when compared to the same period in 2013. New vehicle revenues increased by $14.1 million or 8.4% for the fourth quarter of 2014 over the prior year due to an increase in new vehicle sales of 497 units or 10.6%.

Same store used vehicle revenues increased by $11.9 million or 18.5% for the three month period ended December 31, 2014 over the same period in the prior year due to an increase in the average revenue per used vehicle sold of $3,192 or 10.7%, and an increase in used vehicle sales of 152 units or 7.0%.

Same store finance, insurance and other revenue increased by $1.0 million or 5.8% for the three month period ended December 31, 2014 over the same period in 2013. This was due to an increase in the average revenue per unit retailed of $42 or 1.5% and an increase in the number of new and used vehicles retailed of 268 units.

Same store parts, service and collision repair revenue increased by $3.6 million or 11.2% for the fourth quarter of 2014 compared to the prior period and was primarily a result of an increase in overall repair orders completed of 9,913 or 12.6% and a $5 or 1.2% decrease in the average revenue per repair order completed.

Gross Profit

Gross profit increased by $50.1 million or 80.4% for the three month period ended December 31, 2014 when compared to the same period in the prior year. As with revenues, gross profit increased due to increases across all four revenue streams. Gross profit on the sale of new vehicles increased by $10.1 million or 54.9% for the three month period ended December 31, 2014. The increase in new vehicle gross profit can be attributed to an increase in the number of new vehicles sold of 5,086 or 92.7%, offset by a decrease in average gross profit per new vehicle sold of $660 or 19.7%. During the three month period ended December 31, 2014, gross profit from used vehicles increased by

$3.4 million or 75.7% over the same period in the prior year due to an increase in the number of used vehicles sold of 2,283 or 89.1% and a decrease in the average gross profit per used vehicle sold of $123 or 7.1%. The Company's finance and insurance gross profit increased by $11.9 million or 63.4% during the fourth quarter of 2014. This increase can mainly be attributed to an increase in the total number of vehicles retailed of 6,251 or 83.4% and a decrease in the average gross profit per unit retailed of $297 or 11.8%. Parts, service and collision repair gross profit increased by $24.8 million or 119.1% in the fourth quarter of 2014, due primarily to an increase in the number of repair orders completed of 118,119 or 123.1%.

Gross Profit – Same Store Analysis

The following table summarizes the results for the three month period ended December 31, 2014, on a same store basis by revenue source, and compares these results to the same periods in 2013.

Same Store Gross Profit and Gross Profit Percentage

	For the Three Months Ended					
	Gross Profit			Gross Profit %		
(in thousands of dollars)	December 31, 2014	December 31, 2013	% Change	December 31, 2014	December 31, 2013	Change
Revenue Source						
New vehicles – Retail	14,626	15,563	(6.0)%	9.3%	10.3%	(1.0)%
New vehicles – Fleet	550	49	1,022.4%	2.2%	0.3%	1.9%
New vehicles	15,176	15,612	(2.8)%	8.4%	9.3%	(0.9)%
Used vehicles – Retail	3,759	2,230	68.6%	7.1%	4.7%	2.4%
Used vehicles – Wholesale	63	1,970	(96.8)%	0.3%	11.6%	(11.3)%
Used vehicles	3,822	4,200	(9.0)%	5.0%	6.5%	(1.5)%
Finance, insurance and other	17,283	16,017	7.9%	92.0%	90.2%	1.8%
Subtotal	36,281	35,829	1.3%	13.1%	14.4%	(1.3)%
Parts, service and collision repair	19,069	16,550	15.2%	53.1%	51.3%	1.8%
Total	55,350	52,379	5.7%	17.7%	18.6%	(0.9)%

Total same store gross profit increased by $3.0 million or 5.7% for the three month period ended December 31, 2014 when compared to the same period in the prior year. New vehicle gross profit decreased by $0.4 million or 2.8% in the three month period ended December 31, 2014 when compared to 2013 as a result of a decrease in the average gross profit per new vehicle sold of $401 or 12.1%, partially offset by an increase in new vehicle sales of 497 units or 10.6%.

Used vehicle gross profit decreased by $0.4 million or 9.0% in the three month period ended December 31, 2014 over the prior year. This was due to a decrease of $288 in the average gross profit per used vehicle retailed, partially offset by an increase in the number of used vehicles sold of 152 units.

Finance and insurance gross profit increased by 7.9% or $1.3 million in the three month period ended December 31, 2014 when compared to the prior year as a result of an increase in the average gross profit per unit sold of $89 and an increase in units retailed of 268.

Parts, service and collision repair gross profit increased by $2.5 million or 15.2% in the three month period ended December 31, 2014 when compared to the same period in the prior year as a result of an increase in the number of repair orders completed of 9,913 and an increase in the average gross profit per repair order completed of $5 or 2.4%.

Operating expenses

Operating expenses increased by 84.7% or $41.0 million during the three month period ended December 31, 2014 as compared to the same period in the prior year. Since many operating expenses are variable in nature, management considers operating expenses as a percentage of gross profit to be a good indicator of expense control. Operating expenses as a percentage of gross profit increased to 79.6% in the fourth quarter of 2014 from 77.7% in the same period of the prior year. Operating expenses consist of four major categories: employee costs, selling and administrative costs, facility lease costs and amortization.

Employee costs

During the three month period ended December 31, 2014, employee costs increased by $24.8 million to $55.3 million from $30.5 million in the prior year period due to the number of dealerships acquired during the year. Employee costs as a percentage of gross profit for the quarter ended December 31, 2014 remained constant at 49.2% from 49.0% in the prior year.

Selling and administrative costs

During the three month period ended December 31, 2014, selling and administrative costs increased by $11.6 million or 87.1% primarily due to the acquisitions completed in 2014. Selling and administrative expenses as a percentage of gross profit remained relatively constant at 22.2% in the fourth quarter of 2014 from 21.4% in the comparable period of 2013. During the three month period ended December 31, 2014, the Company incurred $0.4 million in professional fees related to acquisitions compared to $0.05 million in comparable period of 2013. These costs will vary based on the number of acquisitions completed each quarter.

Facility lease costs

During the three month period ended December 31, 2014, facility lease costs increased by 92.0% to $4.8 million from $2.5 million primarily due to the acquisitions completed during 2014, partially offset by the cost savings from the real estate purchases completed at the end of 2013.

Depreciation

During the three month period ended December 31, 2014, depreciation increased to $4.4 million from $2.1 million in the same period of the prior year. This increase is a result of the real estate purchase in the fourth quarter of 2013 and the dealership acquisitions that occurred during 2014 for which real estate was purchased.

Finance costs

During the three month period ended December 31, 2014, finance costs on our revolving floorplan facilities increased by 73.7% to $3.3 million from $1.9 million during the fourth quarter of 2013, mainly due to the increased number of dealerships compared to the same quarter in the prior year. Finance costs on long term indebtedness increased by $2.5 million in the fourth quarter of 2014 due primarily to finance costs related to the notes offering completed in May 2014.

During the three month period ended December 31, 2014, the floorplan credits earned were $3.9 million (2013 – $1.6 million). Accounting standards require the floorplan credits to be accounted for as a reduction in the cost of new vehicle inventory and subsequently a reduction in the cost of sales as vehicles are sold.

The following table details the carrying cost of vehicles based on floorplan interest net of floorplan assistance earned:

	For the Three Months Ended	
(in thousands of dollars)	**December 31, 2014**	**December 31, 2013**
Floorplan financing costs	3,293	1,887
Floorplan credits earned	(3,858)	(1,569)
Net carrying cost of vehicle inventory	(565)	318

Sensitivity

Based on our historical financial data, management estimates that an increase or decrease of one new retail vehicle sold (and the associated finance and insurance income on the sale) would have resulted in a corresponding increase or decrease in our estimated free cash flow of approximately $1,500 – $2,000 per vehicle. The net earnings achieved per new vehicle retailed can fluctuate between individual dealerships due to differences between the manufacturers, geographical locations of our dealerships and the demographic of which our various dealerships' marketing efforts are directed. The above sensitivity analysis represents an average of our dealerships as a group and may vary depending on increases or decreases in new vehicles retailed at our various locations.

GROWTH, ACQUISITIONS, RELOCATIONS AND REAL ESTATE

The Company operates 48 automotive dealerships (56 franchises), 38 of which are wholly owned and 8 General Motors dealerships and 2 BMW dealerships which the Company controls and consolidates for accounting purposes.

Acquisitions

The Company acquired 17 dealerships (19 franchises) in 2014, five of which were investments in General Motors dealerships. All wholly-owned acquisitions have been accounted for using the acquisition method. Acquisitions completed during the year are as follows:

Saskatoon Motor Products and Mann-Northway Auto Source

On March 10, 2014, the Company invested a total of $41.7 million, consisting of $32.6 million in cash and 205,000 common shares of AutoCanada issued (at a value of $9.1 million) to acquire an 82.353% equity interest in Prairie Auto Holdings Ltd. ("PAH"). PAH is an entity formed between a subsidiary of AutoCanada and Priestner. PAH acquired an 85% equity interest in the shares of Saskatoon Motor Products Ltd. ("SMP"), a Chevrolet dealership in Saskatoon, Saskatchewan, and Mann-Northway Auto Source ("MNAS"), a Chevrolet Buick GMC Cadillac dealership in Prince Albert, Saskatchewan.

McNaught Buick Cadillac GMC

On April 1, 2014, the Company invested a total of $11.3 to acquire an 80.0% participating, non-voting common share interest in Waverley BG Holdings Inc. ("WBG"). WBG is an entity formed between a subsidiary of AutoCanada and Priestner. WBG was formed to acquire General Motors of Canada ("GM Canada") franchised dealerships, whereby Priestner is required to maintain voting control of the dealerships, in accordance with the agreement with GM Canada. WBG acquired 100% of the operating assets of McNaught Buick Cadillac GMC ("McNaught") in Winnipeg, Manitoba.

BMW Canbec and MINI Mont Royal

On June 1, 2014, the Company purchased 100% of the shares of Automobile Canbec Inc. ("BMW Canbec"), which owns and operates a BMW franchise and a MINI franchise, both located in Montreal, Quebec, for cash consideration of $27.0 million. The purchase of this business was the Company's first BMW and MINI franchises and first dealership in Quebec.

Dodge City

On June 16, 2014, the Company purchased substantially all of the operating and fixed assets of Dodge City Auto 1984 Ltd. ("Dodge City"), in Saskatoon, Saskatchewan, for total cash consideration of $34.2 million. The purchase of this business complemented the Company's other Chrysler dealerships and further expanded its presence in Saskatoon, Saskatchewan.

Hyatt Group of Dealerships

Between the period of June 23, 2014 and July 1, 2014, the Company purchased all of the operating and fixed assets of 678938 Alberta Ltd. ("Calgary Hyundai"), 1446691 Alberta Ltd. ("Crowfoot Hyundai"), 998699 Alberta Ltd. ("Hyatt Mitsubishi"), 588338 Alberta Ltd. ("Northland Volkswagen"), 969642 Alberta Ltd. ("Fish Creek Nissan"), and 1791109 Alberta Ltd. ("Hyatt Infiniti"), herein referred to as (the "Hyatt Group"), located in Calgary, Alberta, for total cash consideration of $91.4 million. In addition, the Company acquired the exclusive right to build and operate a Nissan motor vehicle dealership on a designated property in southeast Calgary. The purchase of the Hyatt Group complemented the Company's existing and open point brands and expanded its presence in Calgary, Alberta.

Tower Chrysler

On August 18, 2014, the Company purchased substantially all of the operating and fixed assets of Tower Chrysler Plymouth Ltd. ("Tower Chrysler"), in Calgary, Alberta, for total cash consideration of $20.4 million. The purchase of this business complemented the Company's other Chrysler dealerships and further expanded its presence in Calgary, Alberta.

Lakewood Chevrolet

On September 2, 2014, the Company purchased a 75% non-voting equity interest in the shares of Lakewood Chevrolet ("Lakewood"), a Chevrolet dealership located in Edmonton, Alberta, for total cash consideration of $19.8 million. The Company also purchased the dealership land and facility through a wholly-owned subsidiary, Lakewood Properties Inc., for $19.0 million.

Toronto Chrysler

On October 20, 2014, the Company purchased substantially all of the operating and fixed assets of Toronto Dodge Chrysler Ltd. ("Toronto Chrysler"), in Toronto, Ontario, for total cash consideration of $2.2 million. The purchase of this business complemented the Company's other Chrysler dealerships and further expanded its presence in the greater Toronto area.

Bridges Chevrolet

On November 24, 2014, the Company purchased an 80% non-voting equity interest in the assets of Bridges Chevrolet Buick GMC Ltd. ("Bridges Chevrolet"), a Chevrolet dealership located in North Battleford, Saskatchewan, for total cash consideration of $4.6 million. The acquisition was financed with cash from operations. The Company also purchased the dealership land and facility through a wholly-owned subsidiary, NBFG Properties Inc., for $3.0 million. Of the $4.0 million goodwill purchased on the acquisition of the land and building, 15% was purchased by Mr. Priestner.

BMW Laval and MINI Laval

On December 15, 2014, the Company purchased an 85% interest in the assets of Auto Boulevard St. Martin Inc. ("BMW Laval") which owns and operates a BMW franchise and a MINI franchise, both located in Laval, Quebec, for total cash consideration of $22.5 million and contingent consideration with a present value of $2.4 million. The purchase of this business complemented the Company's other BMW/MINI franchises and further expanded its presence in Quebec.

As part of the transaction, the Company entered into an agreement with the former majority owner of BMW Laval, whereby he retained the remaining ownership interest in the two Laval dealerships as well as acquired a 15% ownership interest in BMW Canbec from the Company as part of the transaction. The non-controlling interest in BMW Canbec at the date of the transaction was equal to $2.7 million.

In addition to the business, the Company also purchased the land and a building used for business operations for $31.2 million.

Integration of New Dealerships and Investments

Over the past year, the Company has opened and acquired a number of dealerships and has been dedicating resources to ensure a successful integration of its newly acquired dealerships. As noted in our same store analysis, experience has shown that it takes a minimum of two full years in order to successfully integrate a store and achieve its anticipated performance objectives; however, the Company endeavours to reduce this integration time.

The dealerships acquired in 2014 appear to be integrating well into their respective platforms and within the Company. The newly acquired dealerships are currently meeting Management's expectations with respect to sales and financial performance and the Company's integration team at DSS continues to work with newly acquired dealerships on sales process, marketing initiatives, and other important aspects associated with a successful integration.

The investments in dealerships that we made in the third and fourth quarters are fairly recent. As a result, there is very little tangible evidence of our progress made with respect to integration of these investments. The Company intends to provide further insight into the integration of these investments in future quarterly reports.

We will continue to dedicate significant resources to newly acquired dealerships in order to successfully integrate acquisitions in an efficient manner. As a result, we expect to incur additional selling and administrative costs in the future in order to successfully integrate new dealerships under our model.

Volkswagen – Sherwood Park, Alberta

In February 2014, the Company announced that it had been awarded the right to a Volkswagen open point dealership in Sherwood Park, Alberta. The Company intends to construct an approximately 45,000 square foot facility in Sherwood Park, designed to Volkswagen Canada image standards, with construction anticipated to be completed in the first quarter of 2016. The Volkswagen open point has a planning potential of 800 new vehicles annually which the Company anticipates achieving in two to three years of operation.

Nissan – Calgary, Alberta

On July 1, 2014, as part of the Company's purchase of the Hyatt Group, the Company acquired the exclusive right to build and operate a Nissan dealership on a designated property in southeast Calgary. The purchase price for transfer of the right was $1.5 million, which was satisfied by the issuance of 18,753 common shares of AutoCanada at a deemed price of $79.99. The dealership will begin construction in 2015 with anticipated opening in 2016. The dealership will be constructed by a third party and subsequently leased by the Company.

North Edmonton Kia

During the third quarter of 2014, the Company opened its North Edmonton Kia open point dealership. The Company expects to incur operating losses over the first year of operations as the dealership builds its customer base and, in particular, its service customer base. Management is very pleased to have opened its first Kia dealership and expects the dealership to continue to drive higher volume over the coming months.

North Winnipeg Kia

In March 2015, the Company announced that it has signed a Letter of Intent with Kia Canada Inc. ("Kia") which, subject to the completion of requirements contained in the Letter of Intent, will award AutoCanada an open point Kia dealership in North Winnipeg, Manitoba. AutoCanada intends to operate the dealership out of a new facility, designed to Kia image standards, with construction anticipated to commence in late Q4, 2015 or Q1, 2016.

Capital Plan

The Company maintains a capital plan for contemplated future capital projects. Details of the capital plan are described below:

Dealership Relocations

Management estimates the total capital requirements of additional potential planned dealership relocations to be approximately $142.3 million by the beginning of fiscal 2017. As noted above, the Company expects dealership relocations to provide long term earnings sustainability and result in significant improvements in revenues and overall profitability. Management continually updates its capital plan and as such the estimates provided may vary as delays occur or projects are added or removed.

Current Dealership Expansion and Imaging Requirements

The Company has identified approximately $35.1 million in capital costs that it may incur in order to expand or renovate various current locations by the beginning of fiscal 2018. The Company is required by its Manufacturers to undertake periodic imaging upgrades to its facilities. Included above are the estimated costs and timing related to the re-imaging requirements by Hyundai Canada. The Company expects re-imaging to attract more customers to its dealerships.

Open Point Opportunities

Management regularly reviews potential open point opportunities. If successful in being awarded these opportunities, Management would then estimate additional capital costs in order to construct suitable facilities for open points. The Company estimates approximately $29.4 million in capital costs that it may incur by the middle of fiscal 2016 related to currently awarded open points. If awarded in the future, Management will provide additional cost estimates and timing of construction. In order to be successful in some opportunities, Management may be required to secure appropriate land for the potential open points, in which case, additional land purchase costs may be incurred in the future.

LIQUIDITY AND CAPITAL RESOURCES

Our principal uses of funds are for capital expenditures, repayment of debt, funding the future growth of the Company and dividends to Shareholders. We have historically met these requirements by using cash generated from operating activities and through short term and long term indebtedness. Due to the significant increase in acquisition activity, the Company completed an offering of senior unsecured notes during the second quarter of 2014 in order to replenish its capital and execute on acquisitions during the year. On July 11, 2014, the Company also completed an equity offering which was used to pay down its revolving credit facility and replenish its capital in order to execute on future acquisitions.

The Company maintains working capital in excess of manufacturer requirements which may be used for capital expenditures. The Company's analysis of its available capital based on the balance sheet at December 31, 2014 is as follows:

- **The Company had approximately $100.4 million in working capital. At December 31, 2014, the Company's aggregate net manufacturer working capital requirements were $84.1 million. As such, the Company had approximately $16.3 million in cash available for growth expenditures.**
- **The Company had drawn $38.9 million on its $200.0 million revolving term facility, leaving approximately $161.1 million available for further growth expenditures.**

As a result of the above initiatives, as at December 31, 2014, the Company currently has approximately $177.4 million in readily available liquidity, not including future retained cash from operations, that it may deploy for growth expenditures including acquisitions.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The amounts below have been determined based on the undiscounted contractual maturities of the financial liabilities. Contractual interest payable includes interest that will accrue to these liabilities except where the Company is entitled and intends to repay the liability before its maturity.

	2015 $	2016 $	2017 $	2018 $	Thereafter $	Total $
December 31, 2014						
Trade and other payables	82,670	–	–	–	–	82,670
Revolving floorplan facilities	527,780	–	–	–	–	527,780
Redemption liabilities	7,665	–	34,133	–	–	41,798
Senior unsecured notes	–	–	–	–	149,739	149,739
HSBC revolving term facility	–	–	–	38,925	–	38,925
Vehicle repurchase obligations	1,539	–	–	–	–	1,539
RBC lease financing	2,690	2,690	2,690	2,454	–	10,524
Scotiabank lease financing	422	364	197	63	–	1,046
BMO lease financing	352	352	352	45	–	1,101
Servus mortgage	230	239	248	258	4,811	5,786
VCCI mortgage	56	56	56	56	869	1,093
BMW mortgage	742	737	768	797	17,879	20,923
Other long-term debt	159	1,556	1,439	16	–	3,170
Contractual interest payable	11,739	11,614	11,491	10,240	34,306	79,390
	636,044	17,608	51,374	52,854	207,604	965,484

	2014 $	2015 $	2016 $	2017 $	Thereafter $	Total $
December 31, 2013						
Trade and other payables	50,428	–	–	–	–	50,428
Revolving floorplan facilities	264,178	–	–	–	–	264,178
HSBC revolving term facility	–	40,124	–	–	–	40,124
HSBC ATB syndicated facility	–	35,251	–	–	–	35,251
HSBC fixed rate term loan	176	2,764	–	–	–	2,940
BMO fixed rate term loan	2,469	–	–	–	–	2,469
Vehicle repurchase obligations	1,398	–	–	–	–	1,398
Servus mortgage	221	230	239	248	5,068	6,006
Contractual interest payable	2,649	1,696	830	785	6,133	12,093
	321,519	80,065	1,069	1,033	11,201	414,887

Use of proceeds

The following table details the Company's use of proceeds from the notes offering:

(in thousands of dollars)	Amount
Proceeds from notes offering	150,000
Issuance fees	(3,638)
Repayment of long-term indebtedness	(118,600)
General corporate purposes	(27,762)
	–

The following table details the Company's use of proceeds from the equity offering:

(in thousands of dollars)	Amount
Proceeds from equity offering	200,070
Issuance fees	(8,808)
Repayment of long-term indebtedness	(143,000)
General corporate purposes	(48,262)
	–

Funds allocated to general corporate purposes (as noted in the tables above) were used in various acquisitions throughout the year. See "GROWTH, ACQUISITIONS, RELOCATIONS AND REAL ESTATE."

Cash Flow from Operating Activities

Cash flow from operating activities (including changes in non-cash working capital) of the Company for the year ended December 31, 2014 was $71.1 million (cash provided by operating activities of $66.8 million plus net increase in non-cash working capital of $4.3 million) compared to $38.0 million (cash provided by operating activities of $48.0 million less net decrease in non-cash working capital of $10.0 million) in the same period of the prior year.

Cash Flow from Investing Activities

For the year ended December 31, 2014, cash flow from investing activities of the Company was a net outflow of $331.1 million as compared to a net outflow of $124.0 million in the same period of the prior year. During 2014, the Company completed $270.0 million in business acquisitions and $43.9 million in investments in associates and purchased $23.4 million of real estate, property and equipment.

Cash Flow from Financing Activities

For the year ended December 31, 2014, cash flow from financing activities was a net inflow of $295.2 million as compared to $86.6 million in the same period of 2013. The increase was due primarily to the net proceeds from issuance of treasury shares of $191.3 million and proceeds from the senior unsecured notes of $146.4 million. Net repayments of long-term indebtedness during 2014 of $17.5 million slightly offset the proceeds from the common shares and notes offerings.

Credit Facilities and Floorplan Financing

On May 22, 2014, the Company amended the existing credit agreement (the "Credit Agreement") with HSBC Bank Canada ("HSBC"), Alberta Treasury Branches ("ATB"), and Royal Bank of Canada ("RBC"), with HSBC acting as administrative agent to the Credit Agreement. The Credit Agreement provides the Company with a $200.0 million revolving operating facility that may be used for general corporate purposes, including repayment of existing indebtedness, funding working capital requirements, capital expenditures, and financing acquisitions. Fees and interest on borrowings under the Credit Agreement are subject to a pricing grid whereby the pricing level is determined by the leverage ratio. Based on the Company's Leverage Ratio, as defined by the Lender, the interest rate on the loan ranges from HSBC's prime rate plus 0.75% to HSBC's prime rate plus 2.00%. As at December 31, 2014, the Company is in the second of five tiers of the pricing grid, with the second tier providing interest rates of HSBC's prime rate plus 1.50% (4.50% at December 31, 2014). Amounts drawn under the Credit Agreement as at December 31, 2014 are due May 22, 2018 and may be extended annually for an additional 365 days at the request of the Company and upon approval by the lenders. The Credit Agreement is collateralized by all of the present and future assets of AutoCanada Holdings Inc., a subsidiary of AutoCanada Inc., and all of its subsidiaries. As part of a priority agreement signed by HSBC, Scotiabank, VCCI, BMW Financial, CIBC, and the Company, the collateral for the Credit Agreement excludes all new, used and demo inventory financed with Scotiabank, VCCI, RBC and BMW Financial revolving floorplan facilities.

VW Credit Canada Inc. provides the Company with a mortgage (the "VCCI Mortgage"), which bears a floating rate of interest per annum equal to the Royal Bank of Canada's prime rate plus 0.50% (3.50% at December 31, 2014). The VCCI Mortgage is repayable with fifty-nine equal blended monthly payments of $0.08 million amortized over a twenty year period with term expiring in April 2019. The VCCI Mortgage has certain reporting requirements and financial covenants and is collateralized by a general security agreement consisting of a first fixed charge over the property. At December 31, 2014, the carrying amount of the property was $1.8 million.

BMW Financial provides the Company with a mortgage (the "BMW Mortgage"), which bears a fixed rate of interest per annum of 3.80%. The BMW Mortgage is repayable with sixty equal blended monthly payments of $124, amortized over a twenty year period with term expiring on

December 31, 2019. The BMW Mortgage has certain reporting requirements and is collateralized by the property and any other present and future property, rights and assets, movable or immovable, and a general security agreement consisting of a first fixed charge over the property. At December 31, 2014, the carrying amount of the property was $31.2 million.

In 2012, the Company arranged a mortgage agreement with Servus Credit Union ("Servus"), whereby Servus would provide the Company a $6.25 million commercial mortgage to facilitate the purchase of land and building to be used for the operations of the Kia open point dealership. The mortgage bears an annual interest rate of 3.90%, fixed, payable and calculated monthly in arrears, originally amortized over a 20 year period with term expiring 5 years after the fund date. The Servus Mortgage requires certain reporting requirements and is collateralized by general security agreement consisting of a first fixed charge over the land and building. With respect to financial covenants, a subsidiary of the Company is required to maintain a minimum annual Debt Service Coverage ratio of 1.25:1.

RBC provides financing for the lease vehicles of two of the Company's GM dealerships (the "RBC lease financing"). The RBC lease financing bear interest rates of RBC's CF Rate (1.92% at December 31, 2014) and provide a maximum amount of financing of $11.0 million, repayable over the terms of the contract in varying amounts of principal. The RBC lease financing are collateralized by the lease vehicles under the related lease agreements.

Revolving Floorplan Facilities

On April 23, 2014, the Company announced that it had increased its existing syndicated floorplan facility ("Floorplan Facility") with The Bank of Nova Scotia ("Scotiabank") and The Canadian Imperial Bank of Commerce ("CIBC") by $200.0 million, bringing total availability to $550.0 million. All significant terms and conditions of the previous facility remain unchanged. The Floorplan Facility bears a rate of Bankers' Acceptance plus 1.15% (2.63% as at December 31, 2014) per annum. The Facility is collateralized by each individual dealership's inventories that are directly financed by Scotiabank, a general security agreement with each dealership financed, and a guarantee from AutoCanada Holdings Inc., a subsidiary of the Company. The facility has been provided to 34 of the 48 dealerships in which AutoCanada operates. The terms and conditions of the facility apply only to the collective group of 34 dealerships which are to be funded.

Additional information relating to the Credit Agreement, including a copy of the agreement can be obtained on SEDAR at www.sedar.com.

VW Credit Canada Inc. provides revolving floorplan facilities ("VCCI facilities") to finance new and used vehicles for the Company's Volkswagen and Audi dealerships. The VCCI facilities bear interest at the Royal Bank of Canada ("RBC") prime rate for new vehicles and RBC prime rate plus 0.25-1.00% for used vehicles (RBC prime rate was 3.00% at December 31, 2014). The maximum amount of financing provided by the VCCI facilities is $45.0 million. The VCCI facilities are collateralized by all of the dealerships' assets financed by VCCI and all cash and other collateral in the possession of VCCI and a general security agreement from the Company's Volkswagen and Audi dealerships. The individual notes payable of the VCCI facilities are due when the related vehicle is sold, as outlined in the agreement with VW Credit Canada, Inc. The VCCI Facilities require maintenance of financial covenants which require all dealerships to maintain minimum cash and equity balances. At December 31, 2014 the financial covenants had been met.

The Company signed Inventory Financing and Security Agreements (the "BMW facilities") with BMW Financial Services Canada ("BMW Financial"), a division of BMW Canada Inc., to finance new and used vehicles for the Company's BMW and MINI dealerships. The BMW facilities has a current advance limit of $100.9 million. The BMW Facilities bears a variable interest rate of prime minus 0.40% per 360-day annum (2.63% at December 31, 2014). The BMW facilities are collateralized by the dealerships' movable and immovable property. The agreements require the Company to maintain certain working capital ratios which were maintained throughout the period.

In conjunction with the combination of entities under common control completed on July 11, 2014, the Company consolidated the financial results of its investments in associates. The Royal Bank of Canada ("RBC") provides floorplan financing for new and used vehicles for six of the Company's General Motors dealerships (the "RBC Facilities"). The RBC Facilities bear interest rates of RBC's Cost of Funds Rate (1.920% as at December 31, 2014) plus 0.0-1.35% and provide a maximum amount of financing of $109.4 million. The RBC Facilities are collateralized by the new, used, and demo inventory financed by RBC and a general security agreement from the Company's GM dealerships financed by RBC.

In conjunction with the combination of entities under common control completed on July 11, 2014, the Company consolidated the financial results of its investments in associates. Scotiabank provides floorplan financing for new and used vehicles for two of the Company's General Motors dealerships (the "Scotiabank Facilities"). The Scotiabank Facilities bear interest rates of Scotia Fixed Flooring Rate (1.35% at December 31, 2014) plus 0.93-1.70% and provide a maximum amount of financing of $32.4 million. The Scotiabank Facilities are collateralized by the new, used, and demo inventory financed by Scotiabank and a general security agreement from the Company's GM dealerships financed by Scotiabank.

RBC provides financing for the lease vehicles of two of the Company's GM dealerships (the "RBC lease financing"). The RBC lease financing bear interest rates of RBC's CF Rate (1.920% at December 31, 2014) and provide a maximum amount of financing of $11.0 million repayable over the terms of the contract in varying amounts of principal. The RBC lease financing are collateralized by the lease vehicles under the related lease agreements.

Our ability to finance our new, used and demonstrator inventory is a significant factor in the Company's liquidity management. The Company is generally able to increase or decrease the number of vehicles it finances, subject to limits imposed by floorplan lenders, as part of its treasury management function. If floorplan limits are reduced, the Company may not be able to maintain its current level of inventories which may impact our future results.

Key Financial Covenants

The Company is required by its debt agreements to comply with several financial covenants. The following is a summary of the Company's actual performance against its key financial covenants as at December 31, 2014:

Key Financial Covenants	Requirement	Actual Calculation
Syndicated Revolver:		
Senior Secured Leverage Ratio	Shall not exceed 2.25	0.76
Adjusted Total Leverage Ratio	Shall not exceed 4.75	3.95
Fixed Charge Coverage Ratio	Shall not be less than 1.20	3.09
Current Ratio	Shall not be less than 1.05	1.18
Syndicated Floorplan:		
Current Ratio	Shall not be less than 1.10	1.14
Tangible Net Worth	Shall not be less than $40 million	$86.3 million
Debt to Tangible Net Worth	Shall not exceed 7.50	4.55

The covenants above are based on consolidated financial statements of the dealerships that are financed directly by Scotiabank. As a result, the actual performance to covenant does not reflect the actual performance to covenant of AutoCanada. The Company is required to comply with other covenants under the terms of its remaining credit agreements.

As at December 31, 2014, the Company is in compliance with all of its financial covenants.

Financial Instruments

Details of the Company's financial instruments, including risks and uncertainties are included in Note 23 of the annual audited consolidated financial statements for the year ended December 31, 2014.

Growth vs. Non-Growth Capital Expenditures

Non-growth capital expenditures are capital expenditures incurred during the period to maintain existing levels of service. These include capital expenditures to replace property and equipment and any costs incurred to enhance the operational life of existing property and equipment. Non-growth capital expenditures can fluctuate from period to period depending on our needs to upgrade or replace existing property and equipment. Over time, we expect to incur annual non-growth capital expenditures in an amount approximating our amortization of property and equipment reported in each period.

Additional details on the components of non-growth property and equipment purchases are as follows:

(in thousands of dollars)	October 1, 2014 to December 31, 2014	January 1, 2014 to December 31, 2014
Computer equipment	681	1,297
Furniture and fixtures	195	544
Machinery and equipment	321	1,398
Company & lease vehicles	94	303
Leasehold improvements	712	1,238
	2,003	4,780

Amounts relating to the expansion of sales and service capacity are considered growth expenditures. Growth expenditures are discretionary, represent cash outlays intended to provide additional future cash flows and are expected to provide benefit in future periods. During the year ended December 31, 2014, growth capital expenditures of $63.9 million were incurred. These expenditures related primarily to land that was purchased for future dealership operations during the second quarter of 2013 for $5.2 million and the real estate purchased completed in the last quarter of 2013 for $58.7 million. Dealership relocations are included as growth expenditures if they contribute to the expansion of sales and service capacity of the dealership.

The following table provides a reconciliation of the purchase of property and equipment as reported on the Statement of Cash Flows to the purchase of non-growth property and equipment as calculated in the free cash flow section below

(in thousands of dollars)	October 1, 2014 to December 31, 2014	January 1, 2014 to December 31, 2014
Purchase of property and equipment from the Statement of Cash Flows	10,073	23,441
Less: Amounts related to the expansion of sales and service capacity	(8,070)	(18,661)
Purchase of non-growth property and equipment	2,003	4,780

Repairs and maintenance expenditures are expensed as incurred and have been deducted from earnings for the period. Repairs and maintenance expense incurred during the three months and year ended December 31, 2014, were $1.1 million and $3.5 million (2013 - $0.8 million and $2.8 million), respectively.

Planned Capital Expenditures

Our capital expenditures consist primarily of leasehold improvements, the purchase of furniture and fixtures, machinery and equipment, service vehicles, computer hardware and computer software. Management expects that our annual capital expenditures will increase in the future, as a function of increases in the number of locations requiring maintenance capital expenditures, the cost of opening new locations and increased spending on information systems.

For further information regarding planned capital expenditures, see “GROWTH, ACQUISITIONS, RELOCATIONS AND REAL ESTATE”.

Financial Position

The following table shows selected audited balances of the Company (in thousands) for December 31, 2014 and December 31, 2013, as well as unaudited balances of the Company at September 30, 2014, June 30, 2014, March 31, 2014, September 30, 2013, June 30, 2013, and March 31, 2013:

(in thousands of dollars)	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Cash and cash equivalents	72,462	64,559	91,622	41,541	35,113	37,940	35,058	41,991
Trade and other receivables	92,138	115,074	85,837	69,747	57,771	62,105	69,656	57,663
Inventories	563,277	471,664	324,077	261,764	278,091	236,351	232,319	217,268
Assets	1,354,755	121,152	910,715	667,016	619,078	530,406	504,374	454,889
Revolving floorplan facilities	527,780	437,935	313,752	261,263	264,178	228,526	246,325	225,387
Non-current debt and lease obligations	223,009	179,434	294,289	123,811	83,580	33,647	8,744	40,340

Net Working Capital

The automobile manufacturers represented by the Company require the Company to maintain net working capital for each individual dealership. At December 31, 2014, the aggregate of net working capital requirements was approximately $84.1 million. At December 31, 2014, all working capital requirements had been met by each dealership. The working capital requirements imposed by the automobile manufacturers' may limit our ability to fund capital expenditures, acquisitions, dividends, or other commitments in the future if sufficient funds are not generated by the Company. Net working capital, as defined by automobile manufacturers, may not reflect net working capital as determined using GAAP measures. As a result, it is possible that the Company may meet automobile manufacturers' net working capital requirements without having sufficient aggregate working capital using GAAP measures. The Company defines net working capital amounts as current assets less current liabilities as presented in the annual consolidated financial statements. At December 31, 2014, the Company had aggregate working capital of approximately $100.4 million.

The net working capital requirements above restrict the Company's ability to transfer funds up from its subsidiaries, as each subsidiary dealership is required to be appropriately capitalized as explained above. In addition, our VCCI Facilities required the VW and Audi dealerships to maintain minimum cash and equity, which also restricts our ability to transfer funds.

Off Balance Sheet Arrangements

The Company has operating lease commitments, with varying terms through 2037, to lease premises and equipment used for business purposes.

The minimum lease payments over the upcoming fiscal years will be as follows:

(in thousands of dollars)	$
2015	16,785
2016	16,401
2017	15,104
2018	12,605
2019	10,596
Thereafter	107,235
Total	178,726

At December 31, 2014, the Company is committed to capital expenditure obligations in the amount of $39.7 million.

Information regarding our contractual obligations with respect to long-term debt, capital lease obligations and other long-term obligations is included in the *Liquidity Risk* section of *Note 23 – Financial Instruments* of the Company's annual consolidated financial statements.

Related Party Transactions

Note 32 of the annual consolidated financial statements of the Company for the period ended December 31, 2014 summarize the transactions between the Company and its related parties.

Administrative support fees

The Company currently earns $1.1 million (2013 – $0.8 million) of annual administrative support fees from companies controlled by the Executive Chairman of AutoCanada. The administrative support fees consist of a portion of human resource and fixed costs associated with providing technological and accounting support to these companies. The Company believes that providing support services to these companies provides value to both the companies supported and AutoCanada. By providing support, AutoCanada is able to reduce its overall fixed costs associated with accounting and information technology.

Related party transactions are measured based on the proportionate allocation of actual costs incurred multiplied by the number of resources and/or hours provided to or used by the related party. There are no ongoing or continuing obligations of the Company to provide these services or for the related parties to utilize these services.

OUTSTANDING SHARES

As at December 31, 2014, the Company had 24,509,683 common shares outstanding. Basic and diluted weighted average number of shares outstanding for the year ended December 31, 2014 were 23,018,588 (2013 – 20,868,726) and 23,159,553 (2013 – 20,868,726), respectively. As at December 31, 2014, the value of the shares held in trust was $3.3 million (2013 – $1.3 million) which was comprised of 100,027 in shares (2013 – 82,841) with a nil aggregate cost (2013 – nil). As at March 19, 2015, there were 24,509,683 shares issued and outstanding.

DIVIDENDS

Dividends to Shareholders

Management reviews the Company's financial results on a monthly basis. The Board of Directors reviews the financial results periodically to determine whether a dividend shall be paid based on a number of factors.

The following table summarizes the dividends declared by the Company in 2014 (in thousands of dollars):

Record date	Payment date	Per Share $	Total $
February 28, 2014	March 17, 2014	0.22	4,760
May 30, 2014	June 16, 2014	0.23	5,022
August 29, 2014	September 15, 2014	0.24	5,858
November 28, 2014	December 15, 2014	0.25	6,105
		0.94	21,745

On February 17, 2015, the Board declared a quarterly eligible dividend of $0.25 per common share on AutoCanada's outstanding shares, payable on March 16, 2015 to shareholders of record at the close of business on February 28, 2015. The quarterly eligible dividend of $0.25 represents an annual dividend rate of $1.00 per share.

As per the terms of the HSBC facility, we are restricted from declaring dividends and distributing cash if we are in breach of financial covenants or our available margin and facility limits or if such dividend would result in a breach of our covenants or our available margin and facility limits. At this time, the Company is well within its covenants, and as such, Management does not believe that a restriction from declaring dividends is likely in the foreseeable future.

Free Cash Flow

The Company has defined free cash flow to be cash flows provided by operating activities (including changes in non-cash operating working capital) less capital expenditures (excluding capital assets acquired by acquisitions or purchases of real estate).

(in thousands of dollars, except share and per share amounts)	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Cash provided by operating activities	42,276	9,093	10,918	8,850	9,674	7,787	14,391	6,125
Deduct:								
Purchase of property and equipment	(2,454)	(2,834)	(1,057)	(1,069)	(1,319)	(608)	(892)	(590)
Free cash flow [1]	39,822	6,259	9,861	7,781	8,355	7,179	13,499	5,535
Weighted average shares outstanding at end of period	24,410,169	24,103,670	21,832,777	21,685,876	21,638,433	21,638,882	20,346,713	19,802,048
Free cash flow per share	1.631	0.260	0.452	0.359	0.386	0.332	0.663	0.280
Free cash flow – 12 month trailing	63,723	32,256	33,176	36,814	34,568	27,115	28,660	21,320

1 *This financial measure is identified and defined under the section "NON-GAAP MEASURES".*

Management believes that the free cash flow (see "NON-GAAP MEASURES") can fluctuate significantly as a result of historical fluctuations in our business operations that occur on a quarterly basis as well as the resulting fluctuations in our trade receivables and inventory levels and the timing of the payments of trade payables and revolving floorplan facilities.

Changes in non-cash working capital consist of fluctuations in the balances of trade and other receivables, inventories, other current assets, trade and other payables and revolving floorplan facilities. Factors that can affect these items include seasonal sales trends, strategic decisions regarding inventory levels, the addition of new dealerships, and the day of the week on which period end cutoffs occur.

The following table summarizes the net increase (decrease) in cash due to changes in non-cash working capital for the years ended:

(in thousands of dollars)	December 31, 2014	December 31, 2013
Trade and other receivables	(2,735)	(7,092)
Inventories	(45,065)	(43,205)
Finance lease receivables	(4,587)	–
Other current assets	(1,317)	88
Trade and other payables	8,179	11,023
Vehicle repurchase obligations	126	144
Revolving floorplan facilities	49,738	29,074
	4,339	(9,968)

Adjusted Free Cash Flow

The Company has defined adjusted free cash flow to be cash flows provided by operating activities (before changes in non-cash operating working capital) less non-growth capital expenditures.

(in thousands of dollars, except share and per share amounts)	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Cash provided by operating activities before changes in non-cash working capital	19,125	23,192	16,497	7,984	12,894	15,234	14,258	5,564
Deduct:								
Purchase of non-growth property and equipment	(2,003)	(1,079)	(996)	(638)	(963)	(608)	(892)	(573)
Adjusted free cash flow (1)	17,122	22,113	15,501	7,346	11,931	14,626	13,366	4,991
Weighted average shares outstanding at end of period	24,410,169	24,103,670	21,832,777	21,685,876	21,638,433	21,638,882	20,346,713	19,802,048
Adjusted free cash flow per share	0.701	0.917	0.710	0.339	0.551	0.676	0.657	0.252
Adjusted free cash flow - 12 month trailing	62,082	56,891	49,404	47,269	44,914	41,961	36,853	32,730

1 *This financial measure is identified and defined under the section "NON-GAAP MEASURES".*

Management believes that non-growth property and equipment is necessary to maintain and sustain the current productive capacity of the Company's operations and cash available for growth. Management believes that maintenance capital expenditures should be funded by cash flow provided by operating activities. Capital spending for the expansion of sales and service capacity is expected to improve future free cash and as such is not deducted from cash flow provided by operating activities before changes in non-cash working capital in arriving at adjusted free cash flow. Adjusted free cash flow is a measure used by management in forecasting and determining the Company's available resources for future capital expenditure, repayment of debt, funding the future growth of the Company and dividends to Shareholders.

In the year ending December 31, 2014, the Company paid approximately $16.7 million in corporate income taxes and tax installments. Accordingly, this reduced our adjusted free cash flow by this amount. Due to the tax deferral and subsequent addition of deferred tax to future years' taxes payable, investors are cautioned that the effective tax rate may exceed the historical rates experiences by the Company, and future cash flow from operating activities will be reduced due to this treatment. See "RESULTS FROM OPERATIONS – Fourth Quarter Operating Results – Income Taxes" for further detail regarding the impact of corporate income taxes on cash flow.

Adjusted Return on Capital Employed

The Company has defined Adjusted Return on Capital Employed to be EBIT (EBITDA, as defined in "NON-GAAP MEASURES", less depreciation and amortization) divided by Average Capital Employed in the Company (average of shareholders' equity and interest bearing debt, excluding floorplan financing, for the period, less the comparative adjustment defined below). Calculations below represent the results on a quarterly basis, except for the adjusted return on capital employed – 12 month trailing which incorporates the results based on the trailing 12 months for the periods presented.

(in thousands of dollars, except share and per share amounts)	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
EBITDA[1,2]	26,043	32,136	21,702	14,453	14,754	16,607	16,463	10,511
Deduct:								
Depreciation of property and equipment	(4,423)	(4,139)	(2,550)	(2,512)	(2,069)	(1,599)	(1,489)	(1,186)
EBIT[1,2]	21,620	27,997	19,152	11,941	12,685	15,008	14,974	9,325
Average long-term debt	208,465	244,105	214,438	108,120	62,959	25,725	28,871	36,293
Average shareholder's equity	440,513	326,410	205,613	196,608	187,652	181,576	152,983	126,188
Average capital employed[1]	648,978	570,515	420,051	304,728	250,611	207,301	181,854	162,481
Return on capital	3.3%	4.9%	4.6%	3.9%	5.1%	7.2%	8.2%	5.7%
Comparative adjustment[3]	(17,264)	(15,951)	(15,951)	(15,951)	(15,951)	(15,542)	(15,542)	(15,542)
Adjusted average capital employed[1]	632,369	554,564	404,100	288,777	234,864	191,759	166,312	146,939
Adjusted return on capital employed[1]	3.4%	5.0%	4.7%	4.1%	5.4%	7.8%	9.0%	6.3%
Adjusted return on capital employed – 12 month trailing	18.6%	19.2%	20.6%	25.1%	27.9%	29.7%	29.4%	27.6%

1 *These financial measures are identified and defined under the section "NON-GAAP MEASURES".*

2 *EBITDA and EBIT used in the calculation of Adjusted Return on Capital Employed is calculated using the financial results including non-controlling interests.*

3 *A comparative adjustment has been made in order to adjust for impairments and reversals of impairments of intangible assets. Due to the increased frequency of impairments and reversals of impairments, management has provided an adjustment in order to freeze intangible assets at the pre-IFRS amount of $43,700. As a result, all differences from January 1, 2010 forward under IFRS have been adjusted at the post-tax rate at the time the adjustment to the intangible asset carrying amount was made. Management believes that the adjusted return on capital employed provides more useful information about the return on capital employed.*

Management believes that Adjusted Return on Capital Employed (see "NON-GAAP MEASURES") is a good measure to evaluate the profitability of our invested capital. As a corporation, management of AutoCanada may use this measure to compare potential acquisitions and other capital investments against our internally computed cost of capital to determine whether the investment shall create value for our shareholders. Management may also use this measure to look at past acquisitions, capital investments and the Company as a whole in order to ensure shareholder value is being achieved by these capital investments.

CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICY DEVELOPMENTS

A complete listing of critical accounting policies, estimates, judgments and measurement uncertainty can be found in Note 3 of the annual consolidated financial statements for the year ended December 31, 2014.

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are not yet effective for the period ended December 31, 2014. The standards impacted that are applicable to the Company are as follows:

- **IFRS 9, *Financial Instruments* – the new standard will ultimately replace IAS 39, *Financial Instruments: Recognition and Measurement.* The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase. This standard becomes effective on January 1, 2018, with earlier adoption permitted.**
- **IFRS 15, *Revenue from Contracts with Customer*s – in May 2014, the IASB issued IFRS 15, which supersedes IAS 18, Revenue, IAS 11, *Construction Contracts,* and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single model to determine how and when an entity should recognize revenue, as well as requiring entities to provide more informative, relevant disclosures in respect of its revenue recognition criteria. IFRS 15 is to be applied prospectively and is effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.**

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure Controls & Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in reports filed with securities regulatory authorities is recorded, processed, summarized, and reported on a timely basis, and is accumulated and communicated to the Company's management, including the Chief Executive Office ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure.

As of December 31, 2014, the Company's management, with participation of the CEO and CFO, evaluated the effectiveness of the design and operation of its disclosure controls and procedures, as defined in National Instrument 52-109 of the Canadian Securities Administrators, and have concluded that the Company's disclosure controls and procedures are effective.

Internal Controls over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal controls over financial reporting. These controls include policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

All control systems contain inherent limitations, no matter how well designed. As a result, the Company's management acknowledges that its internal controls over financial reporting will not prevent or detect all misstatements due to error or fraud. In addition, management's evaluation of controls can provide only reasonable, not absolute, assurance that all control issues that may result in material misstatements, if any, have been detected.

Management, under the supervision of and with the participation of the Company's CEO and CFO, evaluated the effectiveness of the Corporation's internal controls over financial reporting (as defined under national Instrument 52–109 – Certification of Disclosure in Issuers' Annual and Interim Filings). In making this evaluation, management used the criteria set forth by the *Committee of Sponsoring Organizations of the Treadway Commissions* ("COSO") in *Internal Control – Integrated Framework (2013)*. Based on that evaluation, management and the CEO and CFO have concluded that, as at December 31, 2014, the Corporation's internal controls over financial reporting were effective. This evaluation took into consideration the Corporation's Corporate Disclosure Policy and the functioning of its Disclosure Policy Committee.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting during the year ended December 31, 2014.

RISK FACTORS

We face a number of business risks that could cause our actual results to differ materially from those disclosed in this MD&A (See "FORWARD LOOKING STATEMENTS") Investors and the public should carefully consider our business risks, other uncertainties and potential events as well as the inherent uncertainty of forward looking statements when making investment decisions with respect to AutoCanada. If any of the business risks identified by AutoCanada were to occur, our business, financial condition, results of operations, cash flows or prospects could be materially adversely affected. In such case, the trading price of our shares could decline. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also adversely affect our business and operations. A comprehensive discussion of the known risk factors of AutoCanada and additional business risks is available in our 2014 Annual Information Form dated March 19, 2015 available on the SEDAR website at www.sedar.com.

Additional Information

Additional information relating to the Company, including all public filings, is available on SEDAR (www.sedar.com). The Company's shares trade on the Toronto Stock Exchange under the symbol ACQ.

FORWARD LOOKING STATEMENTS

Certain statements contained in management's discussion and analysis are forward-looking statements and information (collectively "forward-looking statements"), within the meaning of the applicable Canadian securities legislation. We hereby provide cautionary statements identifying important factors that could cause our actual results to differ materially from those projected in these forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "will likely result", "are expected to", "will continue", "is anticipated", "projection", "vision", "goals", "objective", "target", "schedules", "outlook", "anticipate", "expect", "estimate", "could", "should", "expect", "plan", "seek", "may", "intend", "likely", "will", "believe" and similar expressions are not historical facts and are forward-looking and may involve estimates and assumptions and are subject to risks, uncertainties and other factors some of which are beyond our control and difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. Therefore, any such forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this document.

In particular, material forward-looking statements in management's discussion and analysis include:

- **the belief that, as the Company continues to grow, operating expenses as a percentage of gross profit should continue to improve as the Company achieves greater economies of scale;**
- **the impact of income taxes on future cash flow;**
- **the impact of an increase or decrease of one new retail vehicle sold on estimated free cash flow;**
- **expectations to incur additional selling and administrative costs in the future to successfully integrate new dealerships;**
- **the belief that, if the Company can continue to perform well, it will be able to build upon its current brand portfolios and hopefully gain the acceptance of other new manufacturers over time;**
- **commitments regarding future investments in additional GM dealerships;**
- **expectations to incur additional selling, general, and administrative costs in the future to facilitate the growth anticipated by the Company due to increased acquisition activity;**
- **estimates, intentions, and expectations regarding the capital plan, potential relocation of certain dealerships, dealership expansion needs, and open point opportunities;**
- **our belief that relocation of certain dealerships may provide incremental long-term earnings growth and better align some of our dealerships with the growth expectations of our manufacturer partners;**
- **the impact of dealership real estate relocations and purchases and its impact on liquidity, financial performance and the Company's capital requirements;**
- **our belief that under a high growth scenario, cash from operating activities may not be sufficient to meet future capital needs and the potential need to seek additional capital in the form of debt or equity;**
- **our belief that our available liquidity is sufficient to complete our current capital expenditure commitments and to execute on additional dealership acquisitions;**
- **the impact of a significant decline in sales as a result of the inability to procure adequate supply of vehicles and/or lower consumer demand on cash flows from operations and our ability to fund capital expenditures;**
- **our expectation to incur annual non-growth capital expenditures in an amount approximating our amortization of property and equipment reported in each period;**
- **our expectation that growth expenditures will provide additional future cash flows and future benefit;**
- **our expectation to increase annual capital expenditures and the reasons for this expected increase;**
- **the impact of working capital requirements and its impact on future liquidity;**
- **the belief that a restriction from declaring dividends is not likely in the foreseeable future;**
- **our belief that free cash flow can fluctuate significantly and the impact of these fluctuations on our operations and performance;**
- **our belief that maintenance capital expenditures should be funded by cash flow provided by operating activities;**
- **our potential use of Adjusted Return on Capital Employed as a measure for comparison and analysis;**
- **guidance with respect to future acquisition and open point opportunities;**
- **our assumption on the amount of time it may take for an acquisition or open point to achieve normal operating results;**
- **expectations and estimates regarding income taxes and their effect on cash flow and dividends;**
- **assumptions over non-GAAP measures and their impact on the Company;**

- **management's assumptions and expectations over the future economic and general outlook;**
- **the impact of economic stress on our compensation costs;**
- **belief that the recession experienced during fiscal 2008 and 2009 should not be used as a proxy to forecast an impact in 2015;**
- **the impact of economic uncertainty on the Company's acquisition opportunities;**
- **the impact of seasonality on financial performance;**
- **outlook regarding vehicle sales in Canada in 2015;**
- **the impact of the decline in the exchange rate of the Canadian dollar to the US dollar;**
- **expectations to incur operating losses over the first year of operations at North Edmonton Kia and the reasons for this;**
- **expectations to continue to drive higher volume over the coming months at North Edmonton Kia;**
- **expectations of capital costs related to currently awarded open points;**
- **expectations that re-imaging will attract more customers to its dealerships;**
- **our belief that improvements in technology and process in its parts and service departments will continue to produce results;**
- **estimates regarding additional legal and administration expense for each acquisition; and**
- **the impact on the Company as a result of the lower oil prices and any related expectations.**

Although we believe that the expectations reflected by the forward-looking statements presented in this release are reasonable, our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about ourselves and the businesses in which we operate. Information used in developing forward-looking statements has been acquired from various sources including third-party consultants, suppliers, regulators, and other sources. In some instances, material assumptions are disclosed elsewhere in this release in respect of forward-looking statements. We caution the reader that the following list of assumptions is not exhaustive. The material factors and assumptions used to develop the forward-looking statements include but are not limited to:

- **no significant adverse changes to the automotive market, competitive conditions, the supply and demand of vehicles, parts and service, and finance and insurance products;**
- **no significant construction delays that may adversely affect the timing of dealership relocations and renovations;**
- **no significant disruption of our operations such as may result from harsh weather, natural disaster, accident, civil unrest, or other calamitous event;**
- **no significant unexpected technological event or commercial difficulties that adversely affect our operations;**
- **continuing availability of economical capital resources; demand for our products and our cost of operations;**
- **no significant adverse legislative and regulatory changes;**
- **stability of general domestic economic, market, and business conditions;**
- **assumptions regarding other automobile manufacturer agreements; and**
- **assumptions regarding provincial government regulations in jurisdictions in which we do not operate.**

Because actual results or outcomes could differ materially from those expressed in any forward-looking statements, investors should not place undue reliance on any such forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes will not occur. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- **rapid appreciation or depreciation of the Canadian dollar relative to the U.S. dollar;**
- **a sustained downturn in consumer demand and economic conditions in key geographic markets;**
- **adverse conditions affecting one or more of our automobile manufacturers;**
- **the ability of consumers to access automotive loans and leases;**
- **competitive actions of other companies and generally within the automotive industry;**
- **our dependence on sales of new vehicles to achieve sustained profitability;**
- **levels of unemployment in our markets and other macroeconomic factors;**
- **our suppliers ability to provide a desirable mix of popular new vehicles;**
- **the ability to continue financing inventory under similar interest rates;**
- **our suppliers ability to continue to provide manufacturer incentive programs;**
- **the loss of key personnel and limited management and personnel resources;**
- **the ability to refinance credit agreements in the future;**
- **changes in applicable environmental, taxation and other laws and regulations as well as how such laws and regulations are interpreted and enforced**
- **risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations; and**
- **the ability to obtain automotive manufacturers' approval for acquisitions.**

The Company's most recent Annual Information Form and other documents filed with securities regulatory authorities (accessible through the SEDAR website www.sedar.com) describe the risks, material assumptions and other factors that could influence actual results and which are incorporated herein by reference.

Further, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

NON-GAAP MEASURES

Our MD&A contains certain financial measures that do not have any standardized meaning prescribed by Canadian GAAP. Therefore, these financial measures may not be comparable to similar measures presented by other issuers. Investors are cautioned these measures should not be construed as an alternative to net earnings (loss) or to cash provided by (used in) operating, investing, and financing activities determined in accordance with Canadian GAAP, as indicators of our performance. We provide these measures to assist investors in determining our ability to generate earnings and cash provided by (used in) operating activities and to provide additional information on how these cash resources are used. We list and define these "NON-GAAP MEASURES" below:

EBITDA

EBITDA is a measure commonly reported and widely used by investors as an indicator of a company's operating performance and ability to incur and service debt, and as a valuation metric. The Company believes EBITDA assists investors in comparing a company's performance on a consistent basis without regard to depreciation and amortization and asset impairment recoveries which are non-cash in nature and can vary significantly depending upon accounting methods or non-operating factors such as historical cost.

References to “EBITDA” are to earnings before interest expense (other than interest expense on floorplan financing and other interest), income taxes, depreciation, amortization and asset impairment charges.

Adjusted EBITDA

Adjusted EBITDA is an indicator of a company’s operating performance and ability to incur and service debt prior to recognizing the portion of share-based compensation related to changes in the share price and its impact on the Company’s cash-settled portions of its share-based compensation programs. The Company considers this expense to be non-cash in nature as we maintain a share purchase trust in which we purchase shares on the open market as these units are granted to reduce the cash flow risk associated with fluctuations in the share price. Share-based compensation, a component of employee remuneration, can vary significantly with changes in the price of the Company’s common shares. The Company believes adjusted EBITDA provides improved continuity with respect to the comparison of our operating results over a period of time.

Adjusted net earnings and Adjusted net earnings per share

Adjusted net earnings and adjusted net earnings per share are measures of our profitability. Adjusted net earnings is calculated by adding back the after-tax effect of impairment or reversals of impairment of intangible assets, impairments of goodwill, and the portion of share-based compensation related to changes in the share price and its impact on the Company’s cash-settled portions of its share-based compensation programs. The Company considers this expense to be non-cash in nature as we maintain a share purchase trust in which we purchase shares on the open market as these units are granted to reduce the cash flow risk associated with fluctuations in the share price. Share-based compensation, a component of employee remuneration, can vary significantly with changes in the price of the Company’s common shares. Adding back these amounts to net earnings allows management to assess the net earnings of the Company from ongoing operations. Adjusted net earnings per share is calculated by dividing adjusted net earnings by the weighted-average number of shares outstanding.

EBIT

EBIT is a measure used by management in the calculation of Return on capital employed (defined below). Management’s calculation of EBIT is EBITDA (calculated above) less depreciation and amortization.

Adjusted pre-tax earnings

Adjusted pre-tax earnings are calculated by adding back the impairment or reversals of impairment of intangible assets and impairments of goodwill. Adding back these non-cash charges to pre-tax net earnings allows management to assess the pre-tax net earnings of the Company from ongoing operations.

Free Cash Flow

Free cash flow is a measure used by management to evaluate its performance. While the closest Canadian GAAP measure is cash provided by operating activities, free cash flow is considered relevant because it provides an indication of how much cash generated by operations is available after capital expenditures. It shall be noted that although we consider this measure to be free cash flow, financial and non-financial covenants in our credit facilities and dealer agreements may restrict cash from being available for distributions, re-investment in the Company, potential acquisitions, or other purposes. Investors should be cautioned that free cash flow may not actually be available for growth or distribution of the Company. References to “Free cash flow” are to cash provided by (used in) operating activities (including the net change in non-cash working capital balances) less capital expenditure (not including acquisitions of dealerships and dealership facilities).

Adjusted Free Cash Flow

Adjusted free cash flow is a measure used by management to evaluate its performance. Free cash flow is considered relevant because it provides an indication of how much cash generated by operations before changes in non-cash working capital is available after deducting expenditures for non-growth capital assets. It shall be noted that although we consider this measure to be adjusted free cash flow, financial and non-financial covenants in our credit facilities and dealer agreements may restrict cash from being available for distributions, reinvestment in the Company, potential acquisitions, or other purposes. Investors should be cautioned that adjusted free cash flow may not actually be available for growth or distribution of the Company. References to "Adjusted free cash flow" are to cash provided by (used in) operating activities (before changes in non-cash working capital balances) less non-growth capital expenditures.

Absorption Rate

Absorption rate is an operating measure commonly used in the retail automotive industry as an indicator of the performance of the parts, service and collision repair operations of a franchised automobile dealership. Absorption rate is not a measure recognized by GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, absorption rate may not be comparable to similar measures presented by other issuers that operate in the retail automotive industry. References to ''absorption rate'' are to the extent to which the gross profits of a franchised automobile dealership from parts, service and collision repair cover the costs of these departments plus the fixed costs of operating the dealership, but does not include expenses pertaining to our head office. For this purpose, fixed operating costs include fixed salaries and benefits, administration costs, occupancy costs, insurance expense, utilities expense and interest expense (other than interest expense relating to floorplan financing) of the dealerships only.

Average Capital Employed

Average capital employed is a measure used by management to determine the amount of capital invested in AutoCanada and is used in the measure of Return on Capital Employed (described below). Average capital employed is calculated as the average balance of interest bearing debt for the period (including current portion of long term debt, excluding revolving floorplan facilities) and the average balance of shareholders equity for the period. Management does not include future income tax, non-interest bearing debt, or revolving floorplan facilities in the calculation of average capital employed as it does not consider these items to be capital, but rather debt incurred to finance the operating activities of the Company.

Adjusted Average Capital Employed

Adjusted average capital employed is a measure used by management to determine the amount of capital invested in AutoCanada and is used in the measure of Adjusted Return on Capital Employed (described below). Adjusted average capital employed is calculated as the average balance of interest bearing debt for the period (including current portion of long term debt, excluding revolving floorplan facilities) and the average balance of shareholders equity for the period, adjusted for impairments of intangible assets, net of deferred tax. Management does not include future income tax, non-interest bearing debt, or revolving floorplan facilities in the calculation of adjusted average capital employed as it does not consider these items to be capital, but rather debt incurred to finance the operating activities of the Company.

Return on Capital Employed

Return on capital employed is a measure used by management to evaluate the profitability of our invested capital. As a corporation, management of AutoCanada may use this measure to compare potential acquisitions and other capital investments against our internally computed cost of capital to determine whether the investment shall create value for our shareholders. Management may also use this measure to look at past acquisitions, capital investments and the Company as a whole in order to ensure shareholder value is being achieved by these capital investments. Return on capital employed is calculated as EBIT (defined above) divided by Average Capital Employed (defined above).

Adjusted Return on Capital Employed

Adjusted return on capital employed is a measure used by management to evaluate the profitability of our invested capital. As a corporation, management of AutoCanada may use this measure to compare potential acquisitions and other capital investments against our internally computed cost of capital to determine whether the investment shall create value for our shareholders. Management may also use this measure to look at past acquisitions, capital investments and the Company as a whole in order to ensure shareholder value is being achieved by these capital investments. Adjusted return on capital employed is calculated as EBIT (defined above) divided by Adjusted Average Capital Employed (defined above).

Cautionary Note Regarding Non-GAAP Measures

EBITDA, EBIT, Free Cash Flow, Absorption Rate, Average Capital Employed, Return on Capital Employed, Adjusted Average Capital Employed and Adjusted Return on Capital Employed are not earnings measures recognized by GAAP and do not have standardized meanings prescribed by GAAP. Investors are cautioned that these non-GAAP measures should not replace net earnings or loss (as determined in accordance with GAAP) as an indicator of the Company's performance, of its cash flows from operating, investing and financing activities or as a measure of its liquidity and cash flows. The Company's methods of calculating EBITDA, EBIT, Free Cash Flow, Absorption Rate, Average Capital Employed, Return on Capital Employed. Adjusted Average Capital Employed and Adjusted Return on Capital Employed may differ from the methods used by other issuers. Therefore, the Company's EBITDA, EBIT, Free Cash Flow, Absorption Rate, Average Capital Employed, Return on Capital Employed, Adjusted Average Capital Employed and Adjusted Return on Capital Employed may not be comparable to similar measures presented by other issuers.

AutoCanada

AutoCanada Inc.

Consolidated Financial Statements

December 31, 2014

Independent Auditor's Report

To the Shareholders of
AutoCanada Inc.

We have audited the accompanying consolidated financial statements of AutoCanada Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and December 31, 2013 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of AutoCanada Inc. and its subsidiaries as at December 31, 2014 and December 31, 2013 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants
March 19, 2015
Edmonton, Canada

AutoCanada Inc.

Consolidated Statements of Comprehensive Income
For the Years Ended
(in thousands of Canadian dollars except for share and per share amounts)

	December 31, 2014 $	December 31, 2013 $
Revenue (Note 7)	2,214,778	1,409,040
Cost of sales (Note 8)	(1,841,629)	(1,163,005)
Gross profit	373,149	246,035
Operating expenses (Note 9)	(290,904)	(188,519)
Operating profit before other income (expense)	82,245	57,516
Lease and other income, net	5,524	–
Loss on disposal of assets, net	(183)	(210)
Recovery of impairment of intangible assets (Note 22)	1,767	746
Income from investments in associates (Note 15)	3,490	2,241
Operating profit	92,843	60,293
Finance costs (Note 11)	(20,363)	(9,618)
Finance income (Note 11)	2,147	1,187
Net income for the year before taxation	74,627	51,862
Income tax (Note 12)	18,335	13,696
Net and comprehensive income for the year	56,292	38,166
Net and comprehensive income for the year attributable to:		
AutoCanada shareholders	53,132	38,166
Non-controlling interests	3,160	–
	56,292	38,166
Net earnings per share attributable to AutoCanada shareholders		
Basic	2.31	1.83
Diluted	2.30	1.83
Weighted average shares		
Basic	23,018,588	20,868,726
Diluted	23,139,403	20,934,828

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

Approved on behalf of the Company:

Gordon R. Barefoot, Director

Michael Ross, Director

AutoCanada Inc.

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	December 31, 2014 $	December 31, 2013 $
ASSETS		
Current assets		
Cash and cash equivalents (Note 17)	72,462	35,113
Trade and other receivables (Note 18)	92,138	57,771
Inventories (Note 19)	563,277	278,091
Current portion of finance lease receivables (Note 20)	3,537	–
Other current assets	5,166	1,603
	736,580	372,578
Property and equipment (Note 21)	214,938	122,915
Investments in associates (Note 15)	–	13,131
Intangible assets (Note 22)	356,612	96,985
Goodwill (Note 22)	29,620	6,672
Long-term portion of finance lease receivables (Note 20)	10,292	–
Other long-term assets (Note 24)	6,713	6,797
	1,354,755	619,078
LIABILITIES		
Current liabilities		
Bank indebtedness (Note 17)	2,181	–
Trade and other payables (Note 25)	82,670	50,428
Revolving floorplan facilities (Note 26)	527,780	264,178
Current tax payable	9,708	4,906
Vehicle repurchase obligations (Note 27)	1,539	1,398
Current indebtedness (Note 26)	4,651	2,866
Current portion of redemption liabilities (Notes 13 & 14)	7,665	–
	636,194	323,776
Long-term indebtedness (Note 26)	223,009	83,580
Deferred income tax (Note 12)	24,963	21,480
Redemption liabilities (Notes 13 & 14)	34,133	–
	918,299	428,836
EQUITY		
Attributable to AutoCanada shareholders	381,428	190,242
Attributable to Non-controlling interests	55,028	–
	436,456	190,242
	1,354,755	619,078

Commitments and contingencies (Note 28)

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

AutoCanada Inc.

Consolidated Statements of Changes in Equity
For the Years Ended
(in thousands of Canadian dollars)

	Attributable to AutoCanada shareholders					
	Share capital $	**Contributed surplus $**	**Accumulated deficit $**	**Total $**	**Non-controlling interests $**	**Total Equity $**
Balance, January 1, 2014	232,938	4,758	(47,454)	190,242	–	190,242
Net and comprehensive income	–	–	53,132	53,132	3,160	56,292
Dividends declared on common shares (Note 30)	–	–	(21,745)	(21,745)	–	(21,745)
Non-controlling interests arising on business combinations and acquisitions (Notes 13 & 14)	–	–	–	–	52,309	52,309
Recognition of redemption liability granted to non-controlling interests (Notes 13 & 14)	–	–	(41,798)	(41,798)	–	(41,798)
Dividends declared by subsidiaries to non-controlling interests (Note 16)	–	–	–	–	(441)	(441)
Common shares issued (Note 30)	203,655	–	–	203,655	–	203,655
Treasury shares acquired (Note 30)	(2,776)	–	–	(2,776)	–	(2,776)
Shares settled from treasury (Note 30)	755	(760)	–	(5)	–	(5)
Share-based compensation	–	723	–	723	–	723
Balance, December 31, 2014	434,572	4,721	(57,865)	381,428	55,028	436,456

	Attributable to AutoCanada shareholders					
	Share capital $	**Contributed surplus $**	**Accumulated deficit $**	**Total capital $**	**Non-controlling interests $**	**Equity $**
Balance, January 1, 2013	189,500	4,423	(69,423)	124,500	–	124,500
Net and comprehensive income	–	–	38,166	38,166	–	38,166
Dividends declared on common shares (Note 30)	–	–	(16,197)	(16,197)	–	(16,197)
Common shares issued (Note 30)	43,811	–	–	43,811	–	43,811
Treasury shares acquired (Note 30)	(579)	–	–	(579)	–	(579)
Shares settled from treasury (Note 30)	206	(240)	–	(34)	–	(34)
Share-based compensation	–	575	–	575	–	575
Balance, December 31, 2013	232,938	4,758	(47,454)	190,242	–	190,242

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

AutoCanada Inc.

Consolidated Statements of Cash Flows
For the Years Ended
(in thousands of Canadian dollars)

	December 31, 2014 $	December 31, 2013 $
Cash provided by (used in):		
Operating activities		
Net and comprehensive income	56,292	38,166
Income taxes (Note 12)	18,335	13,696
Amortization of prepaid rent	452	452
Depreciation of property and equipment (Note 21)	13,624	6,346
Loss on disposal of assets	183	210
Recovery of impairment of intangible assets (Note 22)	(1,767)	(746)
Share-based compensation – equity-settled	723	575
Share-based compensation – cash-settled	(487)	2,054
Income from investment in associates (Note 15)	(3,490)	(2,241)
Income taxes paid	(16,824)	(10,559)
Gain on embedded derivative	(243)	–
Net change in non-cash working capital (Note 33)	4,339	(9,968)
	71,137	37,985
Investing activities		
Business acquisitions, net of cash acquired (Note 13)	(269,983)	(65,368)
Investments in associates (Note 15)	(43,900)	(7,057)
Dividends received from investments in associates (Note 15)	1,458	897
Combination of entities under common control (Note 14)	4,699	–
Purchases of property and equipment (Note 21)	(23,441)	(67,105)
Proceeds on sale of property and equipment	32	3,304
Proceeds on divestiture of dealership	–	1,354
Reduction in restricted cash	–	10,000
	(331,135)	(123,975)
Financing activities		
Proceeds from long-term indebtedness	770,449	241,287
Repayment of long-term indebtedness	(787,945)	(181,757)
Common shares repurchased (Note 30)	(2,776)	(513)
Dividends paid (Note 30)	(21,745)	(16,197)
Dividends paid to non-controlling interests by subsidiaries (Note 16)	(441)	–
Proceeds from issuance of common shares (Note 30)	191,262	43,811
Proceeds from senior unsecured notes (Note 26)	146,362	–
	295,166	86,631
Increase in cash	35,168	641
Cash and cash equivalents at beginning of year (Note 17)	35,113	34,472
Cash and cash equivalents at end of year (Note 17)	70,281	35,113

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

AutoCanada Inc.

Notes to the Financial Statements
For the Years Ended December 31, 2014 and 2013
(in thousands of Canadian dollars except for share and per share amounts)

1 General Information

AutoCanada Inc. ("AutoCanada" or the "Company") is incorporated in Alberta, Canada with common shares listed on the Toronto Stock Exchange ("TSX") under the symbol of "ACQ". The business of AutoCanada, held in its subsidiaries, is the operation of franchised automobile dealerships in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia and New Brunswick. The Company offers a diversified range of automotive products and services, including new vehicles, used vehicles, vehicle parts, vehicle maintenance and collision repair services, extended service contracts, vehicle protection products and other after-market products. The Company also arranges financing and insurance for vehicle purchases by its customers through third-party finance and insurance sources. The address of its registered office is 200, 15505 Yellowhead Trail, Edmonton, Alberta, Canada, T5V 1E5.

2 Basis of Presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB") and Canadian Generally Accepted Accounting Principles ("GAAP") as set out in the CPA Canada Handbook – Accounting ("CPA Handbook").

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are described in Note 5.

These financial statements were approved for issue by the Board of Directors on March 19, 2015.

3 Significant Accounting Policies

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of all financial assets and financial liabilities to fair value, including derivative instruments, redemption liabilities and liabilities for cash-settled share-based payment arrangements.

Principles of consolidation

The consolidated financial statements comprise the financial statements of AutoCanada and its subsidiaries. Subsidiaries are all entities over which the Company has control. For accounting purposes, control is established by an investor when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are no longer consolidated on the date control ceases.

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is generally presented as a component of equity; in situations where the non-controlling interest holder has a contractual right to require the Company to repurchase the interest, it is presented as a liability.

Intercompany transactions, balances, income and expenses, and gains or losses on transactions are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Company.

Business combinations

Business combinations are accounted for using the acquisition method of accounting. This involves recognizing identifiable assets (including intangible assets not previously recognised by the acquiree) and liabilities (including contingent liabilities) of acquired businesses at fair value at the acquisition date. The excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill. If the acquisition cost is less than the fair value of the net assets acquired, the fair value of the net assets is re-assessed and any remaining difference is recognized directly in the consolidated statement of comprehensive income. Transaction costs are expensed as incurred.

Investments in associates

An associate is an entity over which the Company has significant influence, but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights, but with considerations over the relationships between the investors and the investees. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Company's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss, where appropriate.

The Company's share of post-acquisition profit or loss is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Company determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to its share of profit or loss of the associate in the consolidated statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Company and its associate are recognized in the Company's financial statements only to the extent of unrelated investors' interests in the associate. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company. Dilution gains and losses arising from the investment in the associate are recognized in the consolidated statement of comprehensive income.

Revenue recognition

(a) Vehicles, parts, service and collision repair

Revenue from the sale of goods and services is measured at the fair value of the consideration receivable, net of rebates. It excludes sales related taxes and intercompany transactions.

Revenue is recognized when the risks and rewards of ownership have been transferred to the customer, the revenue and costs can be reliably measured and it is probable that economic benefits will flow to the Company. In practice, this means that revenue is recognized when vehicles are invoiced and physically delivered to the customer and payment has been received or credit approval has been obtained by the customer. Revenue for parts, service and collision repair is recognized when the service has been performed.

(b) Finance and insurance

The Company arranges financing for customers through various financial institutions and receives a commission from the lender based on the difference between the interest rate charged to the customer and the interest rate set by the financing institution, or a flat fee.

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

Taxation

(a) Deferred tax

Deferred tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax liabilities:

- **are generally recognized for all taxable temporary differences; and**
- **are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.**

Deferred tax assets:

- **are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and**
- **are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.**

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

(b) Current tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Manufacturer incentives and other rebates

Various incentives from manufacturers are received based on achieving certain objectives, such as specified sales volume targets. These incentives are typically based upon units sold to retail or fleet customers. These manufacturer incentives are recognized as a reduction of new vehicle cost of sales when earned, generally at the latter of the time the related vehicles are sold or upon attainment of the particular program goals.

Manufacturer rebates to our dealerships and assistance for floorplan interest are reflected as a reduction in the carrying value of each vehicle purchased by us. These incentives are recognized as a reduction to the cost of sales as the related vehicles are sold.

Advertising

Manufacturer advertising rebates that are reimbursements of costs associated with specific advertising expenses are earned in accordance with the respective manufacturers' reimbursement-based advertising assistance programs, which is typically after the corresponding advertising expenses have been incurred, and are reflected as a reduction in advertising expense included in administrative costs as an operating expense in the consolidated Statement of Comprehensive Income.

Financial instruments

Financial assets and financial liabilities are recognized on the consolidated Statement of Financial Position when the Company becomes a party to the contractual provisions of the financial instrument. All financial instruments are required to be measured at fair value on initial recognition. The Company's own credit risk and the credit risk of the counter-party are taken into consideration in determining the fair value of financial assets and financial liabilities.

The Company's financial assets, including cash and cash equivalents and trade and other receivables, are classified as loans and receivables at the time of initial recognition. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents include amounts on deposit with financial institutions and amounts with the Bank of Nova Scotia ("Scotiabank") that are readily available to the Company (See Note 23 – Financial instruments – Credit risk for explanation of credit risk associated with amounts held with Scotiabank).

Trade and other receivables

Trade and other receivables are amounts due from customers, financial institutions and suppliers from providing services or sale of goods in the ordinary course of business. Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated Statement of Comprehensive Income within operating expenses.

When a trade and other receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated Statement of Comprehensive Income.

Inventories

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

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

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end. Land is not depreciated. Other than as noted below, depreciation of property and equipment is provided for over the estimated useful life of the assets on the declining balance basis at the following annual rates:

Machinery and equipment	20%
Furniture, fixtures and other	20%
Company & lease vehicles	30%
Computer hardware	30%

Buildings are depreciated on a straight-line basis over the estimated useful lives of the buildings. Useful lives are determined based on independent appraisals.

The useful life of leasehold improvements is determined to be the lesser of the lease term or the estimated useful life of the improvement. Leasehold improvements are depreciated using the straight-line method over the life of the lease.

Depreciation of leased vehicles is based on a straight line depreciation of the difference between the cost and the estimated residual value at the end of the lease over the term of the lease. Leased vehicle residual values are regularly reviewed to determine whether depreciation rates are reasonable.

Intangible assets and goodwill

(a) Intangible assets

Intangible assets consist of rights under franchise agreements with automobile manufacturers ("dealer agreements"). The Company has determined that dealer agreements will continue to contribute to cash flows indefinitely and, therefore, have indefinite lives due to the following reasons:

- **Certain of our dealer agreements continue indefinitely by their terms; and**
- **Certain of our dealer agreements have limited terms, but are routinely renewed without substantial cost to the Company.**

Intangible assets are carried at cost less accumulated impairment losses. When acquired in a business combination, the cost is determined in connection with the purchase price allocation based on their respective fair values at the acquisition date. When market value is not readily determinable, cost is determined using generally accepted valuation methods based on revenues, costs or other appropriate criteria.

(b) Goodwill

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate a potential impairment, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of a cash-generating unit ("CGU") include the carrying amount of goodwill relating to the CGU sold.

Impairment

Impairments are recorded when the recoverable amount of assets are less than their carrying amounts. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. Impairment losses, other than those relating to goodwill, are evaluated for potential reversals of impairment when events or changes in circumstances warrant such consideration.

(a) Non-financial assets

The carrying values of non-financial assets with finite lives, such as property and equipment, are assessed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(b) Intangible assets and goodwill

The carrying values of all intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Additionally, the carrying values of identifiable intangible assets with indefinite lives and goodwill are tested annually for impairment. Specifically:

- **Our dealer agreements with indefinite lives are subject to an annual impairment assessment. For purposes of impairment testing, the fair value of our dealer agreements is determined using a combination of a discounted cash flow approach and earnings multiple approach.**
- **For the purpose of impairment testing, goodwill is allocated to cash-generating units ("CGU") based on the level at which management monitors it, which is not higher than an operating segment before aggregation. Goodwill is allocated to those CGU's that are expected to benefit from the business combination in which the goodwill arose.**

Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost, and are classified as current liabilities if payment is due within one year or less.

Provisions represent liabilities for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provision due to passage of time is recognized as interest expense.

Leases

Lease obligations are classified as either operating or finance, based on the substance of the transaction at inception of the lease. Classification is re-assessed if the terms of the lease are changed.

(a) Finance leases

Leases in which substantially all the risks and rewards of ownership are transferred are classified as finance leases.

The Company as a lessor:

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

The method for allocating gross earnings to accounting periods is referred to as the “actuarial method”. The actuarial method allocates rentals between finance income and repayment of capital in each accounting period in such a way that finance income will emerge as a constant rate of return on the lessor’s net investment in the lease.

The Company as a lessee:

Assets meeting finance lease criteria are capitalized at the lower of the present value of the related lease payments or the fair value of the leased asset at the inception of the lease. Minimum lease payments are apportioned between the finance charge and the liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(b) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

The Company as a lessor:

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. Lease income on operating leases is recognised over the term of the lease on a straight-line basis.

The Company as a lessee:

Payments under an operating lease (net of any incentives received from the lessor) are recognized on a straight-line basis over the period of the lease.

Redemption liabilities

The potential cash payments related to put options issued by the Company over the equity of subsidiary companies are accounted for as financial liabilities when such options may only be settled other than by exchange of a fixed amount of cash, or another financial asset, or for a fixed number of shares in the subsidiary. The amount that may become payable under the option on exercise is initially recognised at fair value within redemption liabilities with a corresponding charge directly to equity attributable to AutoCanada shareholders. Subsequently, if the Company revises its estimates, the carrying amount of the redemption liability is adjusted and the adjustment will be recognised as income or expenses in the consolidated statement of comprehensive income. Options that are not exercisable for at least one year from the balance sheet date are presented as non-current liabilities.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where any group company purchases the Company’s equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company’s shareholders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company’s shareholders.

Dividends

Dividends on common shares are recognized in the Company’s consolidated financial statements in the period the dividends are declared by the Company’s board of directors.

Earnings per share

Basic earnings per share is computed based on the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the treasury stock method, which assumes that the cash that would be received on the exercise of options is applied to purchase shares at the average price during the period and that the difference between the number of shares issued on the exercise of options and the number of shares obtainable under this computation, on a weighted average basis, is added to the number of shares outstanding. Antidilutive options are not considered in computing diluted earnings per share.

Changes in accounting policies

The Company has adopted the following interpretation, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions:

- **IFRIC 21, *Levies*, requires the Company to consider certain government imposed payments, or levies, such as property tax, to determine whether the obligating event requiring recognition of a liability arises at a point in time, or over a period of time. The adoption of IFRIC 21 did not require any current or retrospective adjustments at January 1, 2014.**

New accounting policies

During the year ended December 31, 2014 the Company adopted the following accounting policies:

- ***Acquisition of entities under common control*. There is currently no guidance in IFRS on the accounting treatment for business combinations among entities under common control. The Company has elected to apply the predecessor values method upon the date of acquisition. As such, all assets and liabilities of the acquiree are incorporated by the acquirer at their predecessor carrying values and no fair value adjustments are recorded. No goodwill arises from the transaction. In the financial statements the acquired entities' financial results and balance sheets are consolidated on the date of acquisition, with prospective application. The critical judgments as it pertains to this policy is further described in Note 5.**
- **IFRS 17, *Leases*, requires lessors to recognize assets held under a finance lease in their statements of financial position and present them as a receivable at an amount equal to the net investment in the lease. They are initially recognized at amounts equal to the present value of the minimum lease payments receivable. Payments considered to be part of the leasing arrangement are apportioned between a reduction in the finance lease receivable and finance lease income. Finance lease income is recognized in a manner that produces a constant rate of return on the Company's investment in the lease and is included in revenue.**

4 Accounting standards and amendments issued but not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are not yet effective for the financial year ended December 31, 2014. The standards issued that are applicable to the Company are as follows:

- **IFRS 9, *Financial Instruments* – the new standard will ultimately replace IAS 39, *Financial Instruments: Recognition and Measurement*. The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase. This standard becomes effective on January 1, 2018, with earlier adoption permitted.**
- **IFRS 15, *Revenue from Contracts with Customers* – in May 2014, the IASB issued IFRS 15, which supersedes IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and other interpretive guidance associated with revenue recognition.**

IFRS 15 provides a single model to determine how and when an entity should recognize revenue, as well as requiring entities to provide more informative, relevant disclosures in respect of its revenue recognition criteria. IFRS 15 is to be applied prospectively and is effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.

The Company is in the process of evaluating the impact that the new standards may have on the financial statements.

5 Critical accounting estimates, judgments & measurement uncertainty

The preparation of financial statements requires management to make estimates and judgments about the future. Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Critical estimates and assumptions in determining the value of assets and liabilities:

Intangible assets and goodwill

Intangible assets and goodwill generally arise from business combinations. The Company applies the acquisition method of accounting to these transactions, which involves the allocation of the cost of an acquisition to the underlying net assets acquired based on their respective estimated fair values. As part of this allocation process, the Company must identify and attribute values to the intangible assets acquired. These determinations involve significant estimates and assumptions regarding cash flow projections, economic risk and weighted average cost of capital.

These estimates and assumptions determine the amount allocated to intangible assets and goodwill. If future events or results differ significantly from these estimates and assumptions, the Company may record impairment charges in the future.

The Company tests, at least annually, whether intangible assets and goodwill have suffered impairment, in accordance with its accounting policies. The recoverable amounts of CGU's have been estimated based on the greater of fair value less costs to sell and value-in-use calculations (see Note 22).

Inventories

Inventories are recorded at the lower of cost and net realizable value with cost determined on a specific item basis for new and used vehicles. In determining net realizable value for new vehicles, the Company primarily considers the age of the vehicles along with the timing of annual and model changeovers. For used vehicles, the Company considers recent market data and trends such as loss histories along with the current age of the inventory. The determination of net realizable value for inventories involves the use of estimates.

Redemption liabilities

Redemption liabilities arise during business combinations where non-controlling interest shareholders have the right to require the Company to redeem their equity interests in certain non-wholly owned subsidiaries (See Note 16). The redemption amounts are determined with reference to the future profitability generated by those subsidiaries and their operating businesses. The Company will initially recognise a financial liability at the present value of the estimated redemption amount, and at the end of each subsequent reporting period, the Company will revisit their estimates. If the Company revises its estimates, the Company will adjust the carrying amount of the financial liability to reflect revised estimated profitability and the adjustments will be recognised as income or expenses in the consolidated statement of comprehensive income.

Critical judgments in applying accounting policies:

Investments in associates

When assessing control over an investee, an investor considers the nature of its relationship with other parties and whether those other parties are acting on the investor's behalf; that is, acting as a de facto agent. The determination of whether other parties are acting as de facto agents requires judgment, considering not only the nature of the relationship but also how those parties interact with each other and the investor.

On July 11, 2014, Canada One Auto Group Ltd. ("COAG"), a company controlled by Mr. Patrick Priestner ("Priestner"), the Chief Executive Officer ("CEO") of the Company, completed a secondary offering of shares in AutoCanada held by COAG and its subsidiaries. As a result of the transaction, COAG reduced its ownership interest in AutoCanada to 9.6% of the outstanding common voting shares. This caused the Company to re-evaluate its significant judgment dealing with the accounting for its investments in associates (the "investees"). Since the Company does not hold voting shares in the investees, the Company evaluated whether it exercised power over the investees through a de facto agency relationship with its then CEO.

The following facts were considered to assess the relationship between AutoCanada and its then CEO:

- **The Company has the ability to control the decision making of the CEO by virtue of the employment agreement with the CEO. Should the CEO no longer be employed by the Company, this assessment would need to be further evaluated.**
- **The directors and officers of the investees are related parties to the Company; and**
- **The Company is involved in the operational decision making of its investees.**

Prior to the secondary offering, the CEO was considered to have de facto control over AutoCanada, which was considered an overarching factor in concluding that he also controlled the investees. The loss of de facto control over AutoCanada changed the Company's assessment with respect to a number of factors, including those listed above. As a result of its assessment, management has concluded that, as of July 11, 2014, the Company has power over its investees, and has consolidated the results of its investees on a common control basis using the predecessor values method. (See Note 14).

Effective January 1, 2015, Priestner transitioned out of the role of CEO and into the role of Executive Chair and remains an employee of the Company. The Company has assessed that this change does not change the nature of his relationship with the Company. Should the nature of the relationship and/or the relevant agreements between Priestner and the Company change in the future, this assessment would need to be further evaluated.

Combinations with entities under common control

There is currently no guidance in IFRS on the accounting treatment for business combinations among entities under common control. As such, the Company has elected to consolidate the assets and liabilities of the investees using the predecessor values method on a prospective basis. The application of this method applies the concept of IAS 8 *Accounting Policies, Changes in Estimates, and Errors* whereby if no applicable standard or interpretation exists, then management must develop a policy that is relevant to the decision-making needs of the users, and that is reliable.

6 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"), the Company's CEO, who is responsible for allocating resources and assessing performance of the operating segment. The Company has identified one reportable business segment since the Company is operated and managed on a dealership basis. Dealerships operate a number of business streams such as new and used vehicle sales, parts, service and collision repair and finance and insurance products. Management is organized based on the dealership operations as a whole rather than the specific business streams.

These dealerships are considered to have similar economic characteristics and offer similar products and services which appeal to a similar customer base. As such, the results of each dealership have been aggregated to form one reportable business segment. The CODM assesses the performance of the operating segment based on a measure of both revenue and gross profit.

7 Revenue

	2014 $	2013 $
New vehicles	1,342,346	882,858
Used vehicles	495,352	300,881
Finance, insurance and other	121,373	82,958
Parts, service and collision repair	255,707	142,343
	2,214,778	1,409,040

8 Cost of sales

	2014 $	2013 $
New vehicles	1,236,344	807,023
Used vehicles	465,851	280,608
Finance, insurance and other	12,293	6,786
Parts, service and collision repair	127,141	68,588
	1,841,629	1,163,005

9 Operating expenses

	2014 $	2013 $
Employee costs (Note 10)	186,161	121,854
Administrative costs [1]	77,478	48,571
Facility lease costs	13,641	11,748
Depreciation of property and equipment (Note 21)	13,624	6,346
	290,904	188,519

[1] *Administrative costs include professional fees, consulting services, technology-related expenses, selling and marketing, and other general and administrative costs.*

10 Employees

Operating expenses incurred in respect of employees were:

	2014 $	2013 $
Wages, salaries and commissions	170,804	113,417
Withholding taxes and insurance	8,040	5,196
Employee benefits	6,677	3,241
Other benefits	640	–
	186,161	121,854

11 Finance costs and finance income

	2014 $	2013 $
Finance costs:		
Interest on long-term indebtedness	7,850	1,007
Unrealized gain on embedded derivative	(243)	–
Floorplan financing	10,452	7,353
Other interest expense	2,304	1,258
	20,363	9,618
Finance income:		
Short-term bank deposits	(2,147)	(1,187)

Cash interest paid during the year ended December 31, 2014 was $20,605 (2013 – $9,556).

12 Taxation

Components of income tax expense were as follows:

	2014 $	2013 $
Current tax	21,610	11,478
Deferred tax	(3,275)	2,218
Total income tax expense	18,335	13,696

Factors affecting tax expense for the year:

	2014 $	2013 $
Comprehensive income before taxes	74,627	51,863
Comprehensive income before tax multiplied by the standard rate of Canadian corporate tax of 25.8% (2013 – 25.7%)	19,276	13,329
Effects of:		
Impact of non-deductible (non-taxable) items	(259)	209
Change in deferred tax rate	60	(91)
Difference between future and current rate	16	(52)
Reversal of deferred tax on outside basis of equity investments	(754)	–
Other, net	(4)	301
Total income tax expense	18,335	13,696

The movements of deferred tax assets and liabilities are shown below:

Deferred tax assets (liabilities)	Deferred income from partnerships $	Property and equipment $	Goodwill and intangible assets $	Restricted partnership losses $	Other $	Total $
January 1, 2013	(8,309)	203	(6,637)	–	(66)	(14,809)
(Expense) benefit to consolidated statement of comprehensive income	(981)	(928)	(11)	(321)	23	(2,218)
Deferred tax acquired on acquisition	–	–	(4,453)	–	–	(4,453)
December 31, 2013	(9,290)	(725)	(11,101)	(321)	(43)	(21,480)
Benefit (expense) to consolidated statement of comprehensive income	2,702	2,886	(2,473)	321	(161)	3,275
Deferred tax acquired on acquisition	–	–	(5,090)	–	–	(5,090)
Deferred tax acquired on combination of entities under common control	–	–	(5,920)	–	–	(5,920)
Measurement period adjustment	–	–	2,416	–	–	2,416
Deferred tax on share issuance costs	–	–	–	–	1,820	1,820
Other	–	–	–	–	16	16
December 31, 2014	(6,588)	2,161	(22,168)	–	1,632	(24,963)

Changes in the deferred income tax components are adjusted through deferred tax expense. Of the above components of deferred income taxes, $6,588 of the deferred tax liabilities are expected to be recovered within 12 months. The increase in standard rate of Canadian corporate tax is due to the expansion of the Company to a new jurisdiction with a higher tax rate, and a small increases in the corporate tax rate in one jurisdiction in which the Company operates. The Company applies a blended rate in determining its overall income tax expense.

13 Business acquisitions

During the year ended December 31, 2014, the Company completed eight business acquisitions comprising thirteen automotive dealerships, including fifteen franchises. All acquisitions have been accounted for using the acquisition method. Acquisitions completed during this period are as follows:

BMW Canbec and MINI Mont Royal

On June 1, 2014, the Company purchased 100% of the voting shares of Automobile Canbec Inc. (“BMW Canbec”), which owns and operates a BMW franchise and a MINI franchise, both located in Montreal, Quebec, for total cash consideration of $27,000. The acquisition was funded by drawing on the Company’s revolving term facility. The purchase of this business is the Company’s first BMW and MINI franchises and first dealership in Quebec.

Dodge City

On June 16, 2014, the Company purchased substantially all of the operating and fixed assets of Dodge City Auto 1984 Ltd. (“Dodge City”), in Saskatoon, Saskatchewan, for total cash consideration of $34,229. The acquisition was financed by drawing on the Company’s revolving term facility. The purchase of this business complements the Company’s other Chrysler dealerships and further expands its presence in Saskatoon, Saskatchewan.

Hyatt Group of Dealerships

Between the period of June 23, 2014 and July 1, 2014, the Company purchased all of the operating and fixed assets of 678938 Alberta Ltd. (“Calgary Hyundai”), 1446691 Alberta Ltd. (“Crowfoot Hyundai”), 998699 Alberta Ltd. (“Hyatt Mitsubishi”), 588338 Alberta Ltd.

("Northland Volkswagen"), 969642 Alberta Ltd. ("Fish Creek Nissan"), and 1791109 Alberta Ltd. ("Hyatt Infiniti"), herein referred to as (the "Hyatt Group"), located in Calgary, Alberta, for total cash consideration of $91,389. The initial purchase price of the Hyatt Group was financed by drawing on the Company's revolving term facility. In addition, the Company issued 18,753 common shares at a deemed price of $79.99 per share (for total consideration of $1,500) on July 1, 2014 as consideration for the purchase of the exclusive right to build and operate a Nissan motor vehicle franchise on a designated property in southeast Calgary. The purchase of the Hyatt Group complements the Company's existing and open point brands and expands its presence in Calgary, Alberta.

Tower Chrysler

On August 18, 2014, the Company purchased substantially all of the operating and fixed assets of Tower Chrysler Plymouth Ltd. ("Tower Chrysler"), in Calgary, Alberta, for total cash consideration of $20,438. The acquisition was financed by drawing on the Company's revolving term facility. The purchase of this business complements the Company's other Chrysler dealerships and further expands its presence in Calgary, Alberta.

Lakewood Chevrolet

On September 2, 2014, the Company purchased a 75% non-voting equity interest in the shares of Lakewood Chevrolet ("Lakewood"), a Chevrolet dealership located in Edmonton, Alberta, for total cash consideration of $19,800. The acquisition was financed with cash from operations. To comply with GM Canada's approval, Priestner is required to have 100% voting control of Lakewood.

In accordance with the terms of the ownership structure for GM dealerships approved by GM Canada, the Company purchased a 75% non-voting equity interest, with Priestner being named Dealer Operator, personally holding a 15% equity interest and 100% voting control of the dealership. The remaining 10% equity interest is held by the dealership's general manager. The transaction was reviewed and approved by the Company's independent members of its Board of Directors. The purchase of this business complements the Company's other General Motors dealerships and further expands its presence in Edmonton, Alberta.

As part of the acquisition agreement, the non-controlling interest has an option to put the shares back to Lakewood at any time following the expiry of 36 months from the acquisition date. As a result, this interest has been recorded as a liability carried at fair value.

The Company also purchased the dealership land and facility through a wholly-owned subsidiary, Lakewood Properties Inc., for $19,000. Of the $1,200 goodwill purchased on the acquisition of the land and building, 17%, or $204, was purchased by Priestner.

Toronto Chrysler

On October 20, 2014, the Company purchased substantially all of the operating and fixed assets of Toronto Dodge Chrysler Ltd. ("Toronto Chrysler"), in Toronto, Ontario, for total cash consideration of $2,159. The acquisition was financed with cash from operations. The purchase of this business complements the Company's other Chrysler dealerships and further expands its presence in the greater Toronto area.

Bridges Chevrolet

On November 24, 2014, the Company, through an 80% owned subsidiary, NBFG Holdings Inc. ("NBFG"), purchased the assets of Bridges Chevrolet Buick GMC Ltd. ("Bridges Chevrolet"), a Chevrolet dealership located in North Battleford, Saskatchewan, for total cash consideration of $4,577. The acquisition was financed with cash from operations. To comply with GM Canada's approval, Priestner is required to have 100% voting control of Bridges Chevrolet.

In accordance with the terms of the ownership structure for GM dealerships approved by GM Canada, the Company purchased an 80% non-voting equity interest, with Priestner, being named Dealer Operator, personally holding a 15% equity interest and 100% voting control of the dealership. The remaining 5% equity interest is held by minority shareholders. The transaction was reviewed and approved by the Company's independent members of its Board of Directors. The purchase of this business complements the Company's other General Motors dealerships and further expands its presence in Saskatchewan.

The Company also purchased the dealership land and facility through a wholly-owned subsidiary, NBFG Properties Inc., for $3,000.

BMW Laval and MINI Laval

On December 15, 2014, the Company, through an 85% owned subsidiary, AutoCanada B Holdings Inc., purchased the assets of Auto Boulevard St. Martin Inc. ("BMW Laval") which owns and operates a BMW franchise and a MINI franchise, both located in Laval, Quebec, for total cash consideration of $22,516 and contingent consideration with a present value of $2,353. The acquisition was financed with cash from operations. The purchase of this business complements the Company's other BMW/MINI franchises and further expands its presence in Quebec.

As part of the transaction, the Company entered into an agreement with the former majority owner of BMW Laval, whereby he retained the remaining ownership interest in the two Laval franchises as well as acquired a 15% ownership interest in BMW Canbec from the Company for cash consideration. The non-controlling interest in BMW Canbec at the date of the transaction was equal to $2,729.

In addition to the business, the Company also purchased the land and a building used for business operations through a wholly-owned subsidiary, LMB Properties Inc., for $31,233.

Recognition of redemption liabilities

During the year $8,687 of redemption liabilities were recognized in connection with the business acquisitions completed. These liabilities relate to put options held by certain non-controlling interests.

The business acquisitions completed during the year ended December 31, 2014 are summarized as follows:

	BMW Canbec $	Dodge City $	Hyatt Group $	Tower Chrysler $	Lakewood Chevrolet $	Toronto Chrysler $	Bridges Chevrolet $	BMW Laval $	Total $
Current assets									
Cash and cash equivalents	–	3	2	2	2,350	–	1	2	2,360
Trade and other receivables	6,715	512	693	120	2,187	64	71	3,729	14,091
Inventories	25,504	16,075	48,448	16,175	12,216	2,031	1,576	36,386	158,411
Other current assets	312	121	223	37	53	67	12	14	839
	32,531	16,711	49,366	16,334	16,806	2,162	1,660	40,131	175,701
Long term assets									
Property and equipment	4,096	6,489	1,439	2,344	18,115	148	3,236	32,890	68,757
Intangible assets	15,078	24,494	82,415	14,659	25,417	1,643	3,625	18,042	185,373
Other long-term assets	12	–	–	–	–	–	–	423	435
Total assets	51,717	47,694	133,220	33,337	60,338	3,953	8,521	91,486	430,266
Current liabilities									
Bank indebtedness	1,435	–	–	–	–	–	–	–	1,435
Trade and other payables	2,113	658	348	318	2,887	–	175	3,112	9,611
Revolving floorplan facility	22,092	13,313	44,569	14,095	11,460	1,867	–	31,191	138,587
	25,640	13,971	44,917	14,413	14,347	1,867	175	34,303	149,633
Long term liabilities									
Long-term indebtedness	–	–	–	–	–	–	–	415	415
Deferred income tax	1,776	–	–	–	3,314	–	–	–	5,090
Total liabilities	27,416	13,971	44,917	14,413	17,661	1,867	175	34,718	155,138
Net assets acquired	24,301	33,723	88,303	18,924	42,677	2,086	8,346	56,768	275,128
Goodwill	2,699	506	3,086	1,514	2,723	73	375	3,724	14,700
Non-controlling interest	–	–	–	–	(6,804)	–	(1,144)	(4,390)	(12,338)
Total net assets acquired	27,000	34,229	91,389	20,438	38,596	2,159	7,577	56,102	277,490

Acquisitions completed during the year ended December 31, 2014 generated revenue and net earnings of $329,775 and $11,270, respectively, since the time of acquisition. The purchase prices allocated, as presented above, are estimates and subject to change due to finalization of the associated allocations. Acquisition related costs of $1,629 have been charged to administrative expenses in the consolidated statement of comprehensive income for the year ended December 31, 2014. The full amount of acquired receivables is expected to be collected.

Goodwill arose on these acquisitions due to the potential future revenue growth and synergies expected to occur. Goodwill generated on the acquisitions of BMW Canbec and Lakewood Chevrolet is not deductible for tax purposes. The Company used the fair value method to measure the non-controlling interest, resulting in goodwill including both the non-controlling interests' share and the parent's share of goodwill.

The following table summarizes the consideration paid for the Company's business acquisitions for the year ended December 31, 2014:

Consideration	
Cash	273,637
Equity instruments (18,753 Class A common shares)	1,500
Contingent consideration	2,353
Total consideration	277,490

Prior year business acquisitions

During the year ended December 31, 2013, the Company completed four business acquisitions comprising five automotive dealerships, including five franchises. All acquisitions have been accounted for using the acquisition method. Acquisitions completed during this period are as follows:

Grande Prairie Volkswagen

On January 4, 2013, the Company purchased substantially all of the operating and fixed assets of People's Automotive Ltd. ("Grande Prairie Volkswagen") for total cash consideration of $1,981. The acquisition was funded by drawing on the Company's VCCI facilities in the amount of $1,413 and the remaining $568 was financed with cash from operations. The purchase of this business complements the Company's other dealerships in Grande Prairie. In addition to the business, the Company also purchased land and a building used for business operations for $1,800.

St. James Audi and Volkswagen

On April 1, 2013, the Company purchased the shares of The St. James Group of Companies ("St. James"), which owns and operates an Audi and a Volkswagen franchise in Winnipeg, Manitoba, for total cash consideration of $22,831, which includes $9,307 paid for real estate assets. The acquisition was financed with cash from operations and the revolving term facility. The purchase of this business complements the Company's other Volkswagen franchises and is the Company's first Audi franchise.

Courtesy Chrysler

On July 1, 2013, the Company purchased substantially all of the operating and fixed assets, except real estate, of Courtesy Chrysler Dodge (1987) ("Courtesy Chrysler") for total cash consideration of $17,167. The acquisition was financed with cash from operations and the revolving term facility. The purchase of this business complements the Company's other Chrysler franchises and is the Company's first dealership in Calgary, Alberta.

Eastern Chrysler

On September 9, 2013, the Company purchased substantially all of the operating and fixed assets of Eastern Chrysler Plymouth Inc. ("Eastern Chrysler") for total cash consideration of $15,349. The acquisition was financed with cash from operations. The purchase of this business complements the Company's other Chrysler franchises and further expands its presence in Winnipeg, Manitoba. In addition to the business, the Company also purchased land and a building used for business operations for $6,560.

The business acquisitions completed during the year ended December 31, 2013 are summarized as follows:

	Grande Prairie Volkswagen $	St. James Audi and Volkswagen $	Courtesy Chrysler $	Eastern Chrysler $	Total $
Current assets					
Cash and cash equivalents	–	316	2	2	320
Trade and other receivables	16	1,779	581	475	2,851
Inventories	1,777	9,323	21,065	8,098	40,263
Other current assets	–	138	4	2	144
	1,793	11,556	21,652	8,577	43,578
Long term assets					
Property and equipment	1,897	10,668	731	13,527	26,823
Intangible assets	100	8,602	15,520	5,799	30,021
Total assets	3,790	30,826	37,903	27,903	100,422
Current liabilities					
Trade and other payables	9	1,214	351	225	1,799
Revolving floorplan facility	–	8,147	20,558	5,970	34,675
	9	9,361	20,909	6,195	36,474
Long term liabilities					
Deferred income tax	–	3,185	995	372	4,552
Total liabilities	9	12,546	21,904	6,567	41,026
Net assets acquired	3,781	18,280	15,999	21,336	59,396
Goodwill	–	4,551	1,168	573	6,292
Total net assets acquired	3,781	22,831	17,167	21,909	65,688

Acquisitions completed during the year ended December 31, 2013 generated revenue and net earnings of $113,879 and $4,496, respectively, during the year of acquisition. The purchase prices allocated, as presented above, are the original estimates and subject to change due to finalization of the associated allocations. During 2014 an adjustment of $2,416 to the purchase price was recorded to reflect a reduction in deferred tax liability acquired. As a result Goodwill related to the 2013 acquisitions has decreased by $2,416 and is reflected in Note 22. Acquisition related costs of $453 were charged to administrative expenses in the consolidated statement of comprehensive income for the year ended December 31, 2013.

Goodwill arose on these acquisitions due to the potential future revenue growth and synergies expected to occur. Goodwill generated on these acquisitions is not deductible for tax purposes.

14 Business combination under common control

Subsequent to the secondary offering completed on July 11, 2014 (see Note 30), the Company has consolidated its investments in associates, comprising six automotive dealerships (see Note 15), as a common control business combination using the predecessor values method (see Note 5).

The combining entities are ultimately controlled by the same parties prior and subsequent to the business combination, which is considered a transaction under common control. The Company elected to apply predecessor accounting to the transaction and, as such, all assets and liabilities are incorporated by the Company at their predecessor carrying values and no fair value adjustments are recorded. No goodwill arose as a result of the transaction. The combination was applied on a prospective basis. The Company used the fair value method to measure the non-controlling interests, as a result goodwill recorded includes both the non-controlling interests' share and the parent's share of the goodwill which was created on the date of the initial investment.

The business combination under common control as at July 11, 2014 is summarized as follows:

	Total $
Current assets	
Cash and cash equivalents	4,699
Trade and other receivables	17,541
Inventories	82,454
Other current assets	700
	105,394
Long term assets	
Property and equipment	12,920
Intangible assets	72,487
Finance lease receivables	9,242
Goodwill	10,664
Other long-term assets	640
Total assets	211,347
Current liabilities	
Trade and other payables	11,966
Revolving floorplan facility	75,277
Due to related parties	2,968
	90,211
Long term liabilities	
Long-term indebtedness	9,823
Provisions and other non-current liabilities	15
Deferred income tax	5,920
Total liabilities	105,969
Net assets acquired	105,378
Non-controlling interest	(37,242)
Total net assets acquired	68,136

Business combinations under common control during the year ended December 31, 2014 generated revenue and net earnings of $250,866 and $10,273, respectively, since the time of acquisition.

Recognition of redemption liabilities

During the year $33,111 of redemption liabilities were recognized in connection with the business combination under common control. These liabilities relate to put options held by certain non-controlling interests.

15 Investments in associates

Dealer Holdings Ltd.

During 2012, the Company acquired a 60.8% participating, non-voting common share interest in Dealer Holdings Ltd. ("DHL"). DHL is an entity formed between a subsidiary of AutoCanada and Priestner. DHL was formed to acquire General Motors of Canada ("GM Canada") franchised dealerships, whereby Priestner is required to maintain voting control of the dealerships, in accordance with the agreement with GM Canada. All shareholders participate equally in the equity and economic risks and rewards of DHL and its interests, based on the percentage of ownership. The investment in DHL was reviewed and approved by the independent members of AutoCanada's Board of Directors. DHL's principal place of business is Alberta, Canada.

During 2012, DHL acquired a 51% voting equity interest in Nicholson Chevrolet (now operating as Sherwood Park Chevrolet) and a 51% voting equity interest in Petersen Buick GMC (now operating as Sherwood Buick GMC), both dealerships are located in Sherwood Park, Alberta. As part of the acquisition agreement, the non-controlling interest has an option to put the shares back to Sherwood Park Chevrolet, Sherwood Park GMC commencing January 1, 2017. As a result of DHL's investments, the Company indirectly acquired a 31% interest in Sherwood Park Chevrolet and a 31% interest in Sherwood Park GMC.

Green Isle G Auto Holdings Inc.

On March 1, 2013, the Company invested a total of $7,057 to acquire an 80.0% participating, non-voting common share interest in Green Isle G Auto Holdings Inc. ("Green Isle"). Green Isle is an entity formed between a subsidiary of AutoCanada and Priestner. Green Isle was formed to acquire General Motors of Canada ("GM Canada") franchised dealerships, whereby Priestner is required to maintain voting control of the dealerships, in accordance with the agreement with GM Canada. All shareholders participate equally in the equity and economic risks and rewards of

Green Isle and its interests, based on the percentage of ownership. The investment in Green Isle was reviewed and approved by the independent members of AutoCanada's Board of Directors. Green Isle's principal place of business is British Columbia, Canada.

On March 1, 2013, a subsidiary of Green Isle acquired 100% of the operating assets of Peter Baljet Chevrolet Buick GMC ("Peter Baljet") in Duncan, British Columbia.

Prairie Auto Holdings Ltd.

On March 10, 2014, the Company invested a total of $41,651, consisting of $32,578 in cash and 205,000 common shares of AutoCanada issued (at a value of $9,073) to acquire an 82.353% equity interest in Prairie Auto Holdings Ltd. ("PAH"). PAH is an entity formed between a subsidiary of AutoCanada and Priestner. PAH was formed to acquire General Motors of Canada ("GM Canada") franchised dealerships, whereby Priestner is required to maintain voting control of the dealerships, in accordance with the agreement with GM Canada. All shareholders participate equally in the equity and economic risks and rewards of PAH and its interests, based on the percentage of ownership. The investment in PAH was reviewed and approved by the independent members of AutoCanada's Board of Directors. PAH's principal place of business is Saskatchewan, Canada.

On March 10, 2014, PAH acquired an 85% equity interest in the shares of Saskatoon Motor Products Ltd. ("SMP"), a Chevrolet dealership in Saskatoon, Saskatchewan, and Mann-Northway Auto Source ("MNAS"), a Chevrolet Buick GMC Cadillac dealership in Prince Albert, Saskatchewan. As part of the acquisition agreement, the non-controlling interest has an option to put the shares back to SMP and MNAS at any time following the expiry of 36 months from the acquisition date. To comply with GM Canada's approval, Priestner is required to have 100% voting control of PAH.

Waverley BG Holdings Ltd.

On April 1, 2014, the Company invested a total of $11,322 to acquire an 80.0% participating, non-voting common share interest in Waverley BG Holdings Inc. ("WBG"). WBG is an entity formed between a subsidiary of AutoCanada and Priestner. WBG was formed to acquire General Motors of Canada ("GM Canada") franchised dealerships, whereby Priestner is required to maintain voting control of the dealerships, in accordance with the agreement with GM Canada. All shareholders participate equally in the equity and economic risks and rewards of WBG and its interests, based on the percentage of ownership. The investment in WBG was reviewed and approved by the independent members of AutoCanada's Board of Directors. WBG's principal place of business is Manitoba, Canada.

On April 1, 2014, WBG acquired 100% of the operating assets of McNaught Buick Cadillac GMC ("McNaught") in Winnipeg, Manitoba.

Carrying value of Investments in Associates

The following table summarizes the Company's consolidated carrying value of its investments in associates as at December 31, 2014:

	DHL $	Green Isle $	PAH $	WBG $	Total $
Balance, beginning of the year	5,361	7,770	–	–	13,131
Investments during the year	–	–	41,651	11,322	52,973
Income from investment in associate	835	892	1,317	446	3,490
Dividends received	(458)	(1,000)	–	–	(1,458)
Combination of entities under common control (Note 14)	(5,738)	(7,662)	(42,968)	(11,768)	(68,136)
Balance, end of period	–	–	–	–	–

The following table summarizes the Company's consolidated carrying value of its investments in associates as at December 31, 2013:

	DHL $	Green Isle $	Total $
Balance, beginning of the year	4,730	–	4,730
Investment during the year	–	7,057	7,057
Income from investment in associate	1,224	1,017	2,241
Dividends received	(593)	(304)	(897)
Balance, end of period	5,361	7,770	13,131

Summarized financial information

There are no investments in associates as at December 31, 2014. The following table summarizes the financial information of the associates as at December 31, 2013:

	Carrying amount DHL $	Carrying amount Green Isle $
Current assets	54,518	9,555
Non-current assets	7,400	16,975
Current liabilities	43,283	6,825
Non-current liabilities	8,320	–

For the year ended December 31, 2013, on a consolidated basis, DHL generated revenue of $173,708 and total net income of $3,948. From the date of acquisition to December 31 2013, on a consolidated basis, Green Isle generated revenue of $33,868 and total net comprehensive income of $1,271.

16 Interests in subsidiaries

The Company owns 100% of most subsidiaries, but also has a controlling interest in certain subsidiaries that also have non-controlling interests held by other parties. The interests in these subsidiaries are summarized as follows:

Subsidiary	Principal place of business	Proportion of ownership interests held by non-controlling interests	Proportion of voting rights held by non-controlling interests	Dividends paid to non-controlling interests $
Dealer Holdings Ltd.	Alberta	69%	100%	385
Green Isle G Auto Holdings Inc.	British Columbia	20%	100%	56
Prairie Auto Holdings Ltd.	Saskatchewan	30%	100%	–
Waverley BG Holdings Inc.	Manitoba	20%	100%	–
LWD Holdings Ltd.	Alberta	25%	100%	–
NBFG Holdings Inc.	Saskatchewan	20%	100%	–
AutoCanada B Holdings Inc.	Quebec	15%	15%	–

DHL, Green Isle, WBG, NBFG and AutoCanada B Holdings Inc. also have put options whereby the non-controlling shareholders are able to sell their shares back to the Company. These put options are recognized as redemption liabilities and measured at their fair value on the statement of financial position as $41,798 (2013 – nil). The fair value is determined based on the dealership equity value of the related subsidiary (Note 34).

The underlying nature of the subsidiaries are holding companies which hold automotive dealerships. For purposes of disclosures, the non-controlling interest profit and loss, and accumulated non-controlling interest of the subsidiaries at the end of the reporting period are reported in aggregate as the subsidiaires are similar in nature and risk based on assessment of the interest and industry classification.

17 Cash and cash equivalents

	December 31, 2014 $	December 31, 2013 $
Cash at bank and on hand	65,244	27,975
Short-term deposits	7,218	7,138
Cash and cash equivalents (excluding bank indebtedness)	72,462	35,113
Bank indebtedness	(2,181)	–
Cash and cash equivalents	70,281	35,113

Short-term deposits includes cash held with Scotiabank. The Company's revolving floorplan facility agreements allow the Company to hold excess cash in accounts with Scotiabank, which is used to offset finance costs on revolving floorplan facilities. The Company has immediate access to this cash unless in default of the facilities, in which case the cash may be used by Scotiabank in repayment of the facilities. See Note 23 for further detail regarding cash balances held with Scotiabank. The remaining short-term deposits are term deposits that bear interest at 0.55%.

18 Trade and other receivables

	December 31, 2014 $	December 31, 2013 $
Trade receivables	87,336	55,707
Less: Allowance for doubtful accounts	(968)	(518)
Net trade receivables	86,368	55,189
Other receivables	5,770	2,582
Trade and other receivables	92,138	57,771

The aging of trade and other receivables at each reporting date was at follows:

	December 31, 2014 $	December 31, 2013 $
Current	78,266	49,386
Past due 31 – 60 days	8,421	5,458
Past due 61 – 90 days	3,679	1,917
Past due 91 – 120 days	623	678
Past due > 120 days	1,149	332
	92,138	57,771

Included in the amounts greater than 120 days are amounts considered to be collectible. The Company is exposed to normal credit risk with respect to its accounts receivable and maintains provisions for potential credit losses. Potential for such losses is mitigated because there is no significant exposure to any single customer and because customer creditworthiness is evaluated before credit is extended.

19 Inventories

	December 31, 2014 $	December 31, 2013 $
New vehicles	427,341	224,373
Demonstrator vehicles	26,452	9,375
Used vehicles	84,349	33,454
Parts and accessories	25,135	10,889
	563,277	278,091

During the year ended December 31, 2014, $1,829,337 of inventory (2013 – $1,156,219) was expensed as cost of sales which included write-downs on used vehicles of $901 (2013 – $151). During the year ended December 31, 2014, $3,176 of demonstrator expense (2013 – $1,314) was included in administrative costs. During the year ended December 31, 2014, demonstrator reserves increased by $1,984 (2013 – $740). As at December 31, 2014, the Company had recorded reserves for inventory write downs of $4,896 (2013 – $2,011).

20 Finance lease receivables

	December 31, 2014 $	December 31, 2013 $
Current portion of finance lease receivables		
Finance lease receivables	4,308	–
Unearned finance income – current	(771)	–
	3,537	–
Long-term portion of finance lease receivables		
Finance lease receivables	11,153	–
Unearned finance income – long-term	(861)	–
	10,292	–
Gross receivables from finance leases:		
No later than 1 year	4,308	–
Later than 1 year and no later than 5 years	11,153	–
Later than 5 years	–	–
	15,461	–
Unearned future finance income on finance leases	(1,632)	–
Net investment in finance leases	13,829	–
Net investment in finance leases:		
No later than 1 year	3,537	–
Later than 1 year and no later than 5 years	10,292	–
Later than 5 years	–	–
	13,829	–

21 Property and equipment

	Company & lease vehicles $	Leasehold Improvements $	Machinery & Equipment $	Land & buildings $	Furniture, fixtures & other $	Computer hardware $	Total $
Cost:							
January 1, 2013	5,177	6,640	11,570	24,154	5,262	4,007	56,810
Capital expenditures	348	802	1,003	–	125	880	3,158
Acquisitions of dealership assets	6,458	384	1,684	17,637	653	7	26,823
Acquisitions of real estate	–	–	–	63,947	–	–	63,947
Disposals	–	(586)	(459)	(3,248)	(158)	(178)	(4,629)
Transfers out of inventory, net	(1,164)	–	–	–	–	–	(1,164)
December 31, 2013	10,819	7,240	13,798	102,490	5,882	4,716	144,945
Capital expenditures	280	2,084	1,709	–	953	1,591	6,617
Acquisitions of dealership assets	12,641	7,767	4,434	53,533	2,025	1,277	81,677
Acquisitions of real estate	–	–	–	16,824	–	–	16,824
Disposals	–	(35)	(209)	–	(294)	(245)	(783)
Transfers out of inventory, net	(4,825)	–	–	–	–	–	(4,825)
December 31, 2014	18,915	17,056	19,732	172,847	8,566	7,339	244,455
Accumulated depreciation:							
January 1, 2013	(1,521)	(2,532)	(6,845)	(1,699)	(3,046)	(2,654)	(18,297)
Depreciation	(1,729)	(695)	(1,376)	(1,410)	(559)	(577)	(6,346)
Disposals	–	576	455	–	141	91	1,263
Transfers out of inventory	1,350	–	–	–	–	–	1,350
December 31, 2013	(1,900)	(2,651)	(7,766)	(3,109)	(3,464)	(3,140)	(22,030)
Depreciation	(4,168)	(1,310)	(1,735)	(4,852)	(733)	(826)	(13,624)
Disposals	–	34	189	–	259	265	747
Transfers out of inventory	5,390	–	–	–	–	–	5,390
December 31, 2014	(678)	(3,927)	(9,312)	(7,961)	(3,938)	(3,701)	(29,517)
Carrying amount:							
December 31, 2013	8,919	4,589	6,032	99,381	2,418	1,576	122,915
December 31, 2014	18,237	13,129	10,420	164,886	4,628	3,638	214,938

Fully depreciated assets are retained in cost and accumulated depreciation accounts until such assets are removed from service. Proceeds from disposals are netted against the related assets and the accumulated depreciation and included in the statement of operations and comprehensive income.

Land and buildings with a carrying value of $42,575 (2013 – $6,960) are pledged as collateral against bank borrowings.

22 Intangible assets and goodwill

Intangible assets consist of rights under franchise agreements with automobile manufacturers ("dealer agreements").

	Intangible assets $	Goodwill $	Total $
Cost:			
January 1, 2013	74,004	380	74,384
Acquisitions	30,021	6,292	36,313
Divestitures	(1,828)	–	(1,828)
December 31, 2013	102,197	6,672	108,869
Acquisitions	185,373	14,700	200,073
Business combination under common control	72,487	10,664	83,151
Measurement period adjustment	–	(2,416)	(2,416)
December 31, 2014	360,057	29,620	389,677
Accumulated impairment:			
January 1, 2013	7,600	–	7,600
Recovery of impairment of intangible assets	(746)	–	(746)
Divestitures	(1,642)	–	(1,642)
December 31, 2013	5,212	–	5,212
Recovery of impairment of intangible assets	(1,767)	–	(1,767)
December 31, 2014	3,445	–	3,445
Carrying amount:			
December 31, 2013	96,985	6,672	103,657
December 31, 2014	356,612	29,620	386,232

Cash generating units have been determined to be individual dealerships. The following table shows the carrying amount of indefinite-lived identifiable intangible assets by cash generating unit:

Cash Generating Unit	December 31, 2014 $	December 31, 2013 $	Cash Generating Unit	December 31, 2014 $	December 31, 2013 $
AJ	27,807	–	D	9,626	9,626
AE	25,733	–	B	9,431	9,431
AN	25,417	–	AG	9,263	–
Y	24,494	–	AB	8,824	–
AI	21,809	–	U	8,602	8,602
A	21,687	21,687	E	8,497	8,497
AF	20,384	–	AH	6,591	–
AQ	18,044	–	W	5,799	5,799
V	15,520	15,520	AL	5,273	–
Z	15,077	–	C	4,634	3,420
AM	14,658	–	AP	3,625	–
AC	12,496	–	F	3,258	3,258
AA	11,431	–	Other CGUs less than $3,000	18,632	11,145
				356,612	96,985

The following table shows the impairments (recoveries) of impairment of indefinite-lived identifiable intangible assets by cash generating unit.

Cash Generating Unit	December 31, 2014 $	December 31, 2013 $
C	(1,215)	250
J	–	955
L	–	(1,951)
R	(531)	–
X	(21)	–
Net recovery	(1,767)	(746)

The valuation methodology used to assess the recoverable value of the CGUs uses level 2 inputs, indirectly derived from the market, where possible, for key assumptions such as the discount rate. Where level 2 inputs are not available, as is the case with the growth rate, the Company uses level 3 inputs, which are unobservable to the market, but reflect management's best estimates from historical performance and expectations for the future. The following table shows the recoverable amounts of CGUs with impairments or recoveries of impairments recorded in either the current year or prior year:

Cash Generating Unit	December 31, 2014 $	December 31, 2013 $
C	5,302	4,145
J	–	133
L	2,514	4,391
R	1,678	123
X	3,769	1,773

Impairment test of indefinite life intangible assets

The Company performed its annual test for impairment at December 31, 2014. As a result of the test performed, the Company recorded a recovery of previous impairment in the amount of $1,767 for the year ended December 31, 2014 (2013 – $746).

The valuation techniques, significant assumptions and sensitivities applied in the intangible assets impairment test are described as follows:

Valuation Techniques

The Company did not make any changes to the valuation methodology used to assess impairment since the impairment test on transition to IFRS. The recoverable amount of each CGU was based on the greater of fair value less cost to sell and value in use.

Value in Use

Value in use ("VIU") is predicated upon the value of the future cash flows that a business will generate going forward. The discounted cash flow ("DCF") method was used which involves projecting cash flows and converting them into a present value equivalent through discounting. The discounting process uses a rate of return that is commensurate with the risk associated with the business or asset and the time value of money. This approach requires assumptions about revenue growth rates, operating margins, and discount rates.

Fair value less costs to sell

Fair value less costs to sell ("FVLCS") assumes that companies operating in the same industry will share similar characteristics and that Company values will correlate to those characteristics. Therefore, a comparison of a CGU to similar companies may provide a reasonable basis to estimate fair value. Under this approach, fair value is calculated based on EBITDA ("Earnings before interest, taxes, depreciation and amortization") multiples comparable to the businesses in each CGU. Data for EBITDA multiples was based on recent comparable transactions and management estimates. Multiples used in the test for impairment for each CGU were in the range of 5.5 to 8.0 times forecasted EBITDA.

Significant Assumptions for Value in Use

Growth

The assumptions used were based on the Company's internal budget which is approved by the Board of Directors. The Company projected revenue, gross margins and cash flows for a period of one year, and applied growth rates for years thereafter commensurate with industry forecasts. Management applied a 2% terminal growth rate in its projections. In arriving at its forecasts, the Company considered past experience, economic trends and inflation as well as industry and market trends.

Discount Rate

The Company applied a discount rate in order to calculate the present value of its projected cash flows. The discount rate represented the Company's internally computed weighted average cost of capital ("WACC") for each CGU with appropriate adjustments for the risks associated with the CGU's in which intangible assets are allocated. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate. Determination of the discount rate requires separate analysis of the cost of equity and debt, and considers a risk premium based on an assessment of risks related to the projected cash flows of each CGU.

Significant Assumptions for Fair Value Less Costs to Sell

EBITDA

The Company's assumptions for EBITDA were based on the Company's internal budget which is approved by the Board of Directors. The Company projected EBITDA for a period of one year and reduced the amount for allocation of corporate overhead based on a percentage of gross profit for each CGU as compared to gross profit of the Company. As noted above, data for EBITDA multiples was based on recent comparable transactions and management estimates.

Costs to sell

Management applied a percentage of 2.5% of the estimated purchase price in developing an estimate of costs to sell, based on historical transactions.

Additional Assumptions

The key assumptions used in performing the impairment test, by CGU, were as follows:

	Basis of Recoverable Amount	Discount Rate	Perpetual Growth Rate
A	FVLCS	11.63%	2.00
B	FVLCS	11.93%	2.00
C	VIU	11.33%	2.00
D	FVLCS	12.23%	2.00
E	FVLCS	12.53%	2.00
F	FVLCS	11.63%	2.00
J	FVLCS	11.33%	2.00
U	FVLCS	11.03%	2.00
V	FVLCS	11.63%	2.00
W	FVLCS	11.33%	2.00
Y	FVLCS	11.93%	2.00
Z	VIU	11.03%	2.00
AA	FVLCS	11.33%	2.00
AB	FVLCS	11.63%	2.00
AC	VIU	11.63%	2.00
AE	FVLCS	11.03%	2.00
AF	VIU	11.63%	2.00
AG	VIU	11.63%	2.00
AH	FVLCS	11.63%	2.00
AI	FVLCS	11.63%	2.00
AJ	VIU	11.63%	2.00
AL	FVLCS	11.93%	2.00
AM	FVLCS	11.93%	2.00
AN	FVLCS	11.93%	2.00
AP	VIU	11.63%	2.00
AQ	FVLCS	11.03%	2.00
CGUs less than 3,000, combined	FVLCS/VIU	10.88-12.53%	2.00

Sensitivity

The recoverable amount for the CGUs that were in excess of their carrying values was 212% of the carrying values of the applicable CGUs based on a weighted average. As there are CGUs that have intangible assets with original costs that exceed their current year carrying values, the Company expects future impairments and recoveries of impairments to occur as market conditions change and risk premiums used in developing the discount rate change.

Based on sensitivity analysis, no reasonably possible change in key assumptions would cause the recoverable amount of any CGU to have a significant change from its current valuation. The recoverable amount of each CGU is sensitive to changes in market conditions and could result in material changes in the carrying value of intangible assets in the future.

23 Financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in the accounting policies. The Company's financial assets have been classified as loans and receivables. The Company's financial liabilities have been classified as other financial liabilities. Details of the Company's financial assets and financial liabilities are disclosed below:

	December 31, 2014 $	December 31, 2013 $
Financial assets		
Cash and cash equivalents	72,462	35,113
Trade and other receivables	92,138	57,771
Current portion of finance lease receivables	3,537	–
Long-term portion of finance lease receivables	10,292	–
Financial liabilities		
Current indebtedness	4,651	2,866
Long-term indebtedness	223,009	83,580
Revolving floorplan facilities	527,780	264,178
Trade and other payables	82,670	50,428
Current portion of redemption liabilities	7,665	–
Redemption liabilities	34,133	–

Financial Risk Management Objectives

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

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency and interest rates.

Foreign Currency Risk

Foreign currency risk arises from fluctuations in foreign exchange rates and the degree of volatility of these rates relative to the Canadian dollar. The Company is not significantly exposed to foreign currency risk with respect to its financial instruments as it engages in minimal transactions denominated in currencies other than the Canadian dollar.

Interest Rate Risk

The Company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note as well as the indebtedness note (see Note 26). The sensitivity analysis below has been determined based on the exposure to interest rates at the reporting date and stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. The amounts below represent the absolute change to the reported account, an increase in the basis point would result in a positive amount and a decrease in the basis point would result in a negative amount. A 100 basis point change and 200 basis point change is used when reporting interest risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

	+/- 200 Basis Point		+/- 100 Basis Point	
	2014 **$**	**2013** **$**	**2014** **$**	**2013** **$**
Finance costs	11,544	6,899	5,772	3,450
Finance income	143	135	72	68

Credit Risk

The Company's exposure to credit risk associated with its accounts receivable is the risk that a customer will be unable to pay amounts due to the Company or its subsidiaries. Concentration of credit risk with respect to contracts-in-transit and accounts receivable is limited primarily to automobile manufacturers and financial institutions. Credit risk arising from receivables with commercial customers is not significant due to the large number of customers dispersed across various geographic locations comprising our customer base. Details of the aging of the Company's trade and other receivables is disclosed in Note 18.

The Company evaluates receivables for collectability based on the age of the receivable, the credit history of the customer and past collection experience. Allowances are provided for potential losses that have been incurred at the balance sheet date. The amounts disclosed on the balance sheet for accounts receivable are net of the allowance for doubtful accounts, details of which are disclosed in Note 18.

Concentration of cash and cash equivalents exist due to the significant amount of cash held with Scotiabank (see Note 17 for further discussion of the Company's concentration of cash held on deposit with Scotiabank). The syndicated revolving floorplan facility (see Note 26) allows our dealerships to hold excess cash (used to satisfy working capital requirements of our various OEM partners) in an account with Scotiabank which bears interest at 2.43% at December 31, 2014. These cash balances are fully accessible by our dealerships at any time, however in the event of a default by a dealership in its floorplan obligation; the cash may be used to offset unpaid balances under the facility. As a result, there is a concentration of cash balances risk to the Company in the event of a default under the facility.

Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due or can do so only at excessive cost. The Company's activity is financed through a combination of the cash flows from operations, borrowing under existing credit facilities and the issuance of equity. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through adequate amounts of committed credit facilities. One of management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as cash flows.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The amounts below have been determined based on the undiscounted contractual maturities of the financial liabilities. Contractual interest payable includes interest that will accrue to these liabilities except where the Company is entitled and intends to repay the liability before its maturity.

	2015 $	2016 $	2017 $	2018 $	Thereafter $	Total $
December 31, 2014						
Trade and other payables	82,670	–	–	–	–	82,670
Revolving floorplan facilities	527,780	–	–	–	–	527,780
Redemption liabilities	7,665	–	34,133	–	–	41,798
Senior unsecured notes	–	–	–	–	149,739	149,739
HSBC revolving term facility	–	–	–	38,925	–	38,925
Vehicle repurchase obligations	1,539	–	–	–	–	1,539
RBC lease financing	2,690	2,690	2,690	2,454	–	10,524
Scotiabank lease financing	422	364	197	63	–	1,046
BMO lease financing	352	352	352	45	–	1,101
Servus mortgage	230	239	248	258	4,811	5,786
VCCI mortgage	56	56	56	56	869	1,093
BMW mortgage	742	737	768	797	17,879	20,923
Other long-term debt	159	1,556	1,439	16	–	3,170
Contractual interest payable	11,739	11,614	11,491	10,240	34,306	79,390
	636,044	17,608	51,374	52,854	207,604	965,484

	2014 $	2015 $	2016 $	2017 $	Thereafter $	Total $
December 31, 2013						
Trade and other payables	50,428	–	–	–	–	50,428
Revolving floorplan facilities	264,178	–	–	–	–	264,178
HSBC revolving term facility	–	40,124	–	–	–	40,124
HSBC ATB syndicated facility	–	35,251	–	–	–	35,251
HSBC fixed rate term loan	176	2,764	–	–	–	2,940
BMO fixed rate term loan	2,469	–	–	–	–	2,469
Vehicle repurchase obligations	1,398	–	–	–	–	1,398
Servus mortgage	221	230	239	248	5,068	6,006
Contractual interest payable	2,649	1,696	830	785	6,133	12,093
	321,519	80,065	1,069	1,033	11,201	414,887

24 Other long-term assets

	December 31, 2014 $	December 31, 2013 $
Prepaid rent	6,205	6,742
Other assets	508	55
	6,713	6,797

25 Trade and other payables

	December 31, 2014 $	December 31, 2013 $
Trade payables	42,378	26,479
Accruals and provisions	9,983	7,008
Sales tax payable	4,413	1,354
Wages and withholding taxes payable	25,896	15,587
	82,670	50,428

The following table provides a continuity schedule of all recorded provisions:

	Finance and insurance[a] $	Other $	Total $
January 1, 2013	1,053	551	1,604
Provisions arising during the year	1,131	689	1,820
Amounts expired or disbursed	(636)	(273)	(909)
December 31, 2013	1,548	967	2,515
Provisions arising during the year	1,374	228	1,602
Amounts expired or disbursed	(921)	(784)	(1,705)
December 31, 2014	2,001	411	2,412

(a) *Represents an estimated chargeback reserve provided by the Company's third party underwriter of finance and insurance products.*

26 Indebtedness

This note provides information about the contractual terms of the Company's interest-bearing debt, which is measured at amortized cost. For more information about the Company's exposure to interest rate, foreign currency and liquidity risk, see Note 23.

	December 31, 2014 $	December 31, 2013 $
Revolving floorplan facilities		
Revolving floorplan facilities – Syndicate (i)	340,829	248,329
Revolving floorplan facilities – VCCI (ii)	27,625	15,849
Revolving floorplan facilities – BMW Financial (iii)	66,017	–
Revolving floorplan facilities – RBC (iv)	78,431	–
Revolving floorplan facilities – Scotiabank (v)	14,878	–
	527,780	**264,178**
Indebtedness		
Senior unsecured notes (vi)		
Senior unsecured notes	149,739	–
Embedded derivative	18	–
Unamortized deferred financing costs	(3,444)	–
	146,313	–
HSBC revolving term facility (vii)		
HSBC revolving term facility	38,925	40,124
Unamortized deferred financing costs	(1,221)	(344)
	37,704	39,780
Other long-term debt:		
HSBC non-revolving fixed term loan	–	2,940
HSBC non-revolving term facility	–	35,251
Lease financing – RBC (viii)	10,524	–
Lease financing – Scotiabank (ix)	1,046	–
Lease financing – BMO (x)	1,101	–
Servus mortgage (xi)	5,786	6,006
VCCI mortgage (xii)	1,093	–
BMW mortgage (xiii)	20,923	–
Other long-term debt	3,170	2,469
Total indebtedness	**227,660**	**86,446**
Current indebtedness	**4,651**	**2,866**
Long-term indebtedness	**223,009**	**83,580**

Terms and conditions of outstanding loans are as follows:

i On April 23, 2014, the Company increased its existing syndicated floorplan credit facility (the "Facility") with Scotiabank and the Canadian Imperial Bank of Commerce ("CIBC") with Scotiabank serving as administrative agent to the Facility, by $200,000. The availability of the facility is now $550,000. All significant terms and conditions of the previous facility remain unchanged. The Facility bears a rate of Bankers' Acceptance plus 1.15% (2.63% as at December 31, 2014) per annum. The Facility is collateralized by each individual dealership's inventories that are directly financed by Scotiabank, a general security agreement with each dealership financed, and a guarantee from AutoCanada Holdings Inc., a subsidiary of the Company. The financial covenants and repayment terms of the Facility remain consistent with the Company's previous floorplan facility with Scotiabank.

ii The revolving floorplan facilities ("VCCI facilities") are available from VW Credit Canada, Inc. ("VCCI") to finance new and used vehicles for all of the Volkswagen and Audi dealerships. The VCCI facilities bear interest at the greater of Royal Bank of Canada ("RBC") prime rate for new vehicles and RBC prime rate plus 0.25-1.00% for used vehicles (RBC prime rate was 3.00% at December 31, 2014). The maximum amount of financing provided by the VCCI facilities is $44,980. The VCCI facilities are collateralized by all of the dealerships' assets financed by VCCI and all cash and other collateral in the possession of VCCI and a general security agreement over the Volkswagen and Audi dealerships. The individual notes payable of the VCCI facilities are due when the related vehicle is sold.

iii The Company signed Inventory Financing and Security Agreements (the "BMW Facilities") with BMW Financial Services Canada ("BMW Financial"), a division of BMW Canada Inc., to finance new, used, demo and mobility vehicles for the BMW and MINI dealerships. The BMW Facilities have a current advance limit of $100,850. The BMW Facilities bear a variable interest rate of prime minus 0.40% per 360-day annum (2.60% at December 31, 2014). The BMW Facilities are collateralized by the dealerships' movable and immovable property. The agreements require the Company to maintain certain working capital ratios.

iv The Royal Bank of Canada ("RBC") provides floorplan financing for new, used and demo vehicles for six of the Company's General Motors dealerships (the "RBC Facilities"). The RBC Facilities bear interest rates of RBC's Cost of Funds Rate (1.920% as at December 31, 2014) plus 0.00%-1.35% and provide a maximum amount of financing of $115,746. The RBC Facilities are collateralized by the new, used, and demo inventory financed by RBC and a general security agreement from the General Motors dealerships financed by RBC.

v Scotiabank provides floorplan financing for new, used and demo vehicles for two of the Company's General Motors dealerships (the "Scotiabank Facilities"). The Scotiabank Facilities bear interest rates of Scotia Fixed Flooring Rate (1.35% at December 31, 2014) plus 0.93%-1.70% and provide a maximum amount of financing of $32,400. The Scotiabank Facilities are collateralized by the new, used, and demo inventory financed by Scotiabank and a general security agreement from the Company's General Motors dealerships financed by Scotiabank.

vi On May 22, 2014 the Company completed a private offering of $150,000 5.625% Senior Unsecured Notes due May 25, 2021 (the "Notes"). The Notes were issued at par. Interest is payable semi-annually on May 15 and November 15 of each year the Notes are outstanding. In connection with the issuance of the Notes, the Company incurred issue costs of $3,638 which were recorded as a deduction from the carrying amount of the long-term debt. The proceeds from the Notes were used to repay the Company's revolving term facility. The Notes agreement contains certain redemption options whereby the Company can redeem all or part of the Notes at prices set forth in the agreement from proceeds of equity offering or following certain dates specified in the agreement. In addition, the Note holders have the right to require the Company to redeem the Notes or a portion thereof, at the redemption prices set forth in the agreement in the event of change in control or in the event certain asset sale proceeds are not re-invested in the time and manner specified in the agreement. These redemption features constitute embedded derivatives that are required to be separated from the Notes and measured at fair value. The embedded derivative components of these compound financial instruments are measured at fair value at each reporting date with gains or losses in fair value recognized through profit or loss.

vii On May 22, 2014, the Company amended the existing Credit Agreement with HSBC Bank Canada ("HSBC") Alberta Treasury Branches ("ATB"), and RBC, with HSBC acting as administrative agent to the Credit Agreement. The revised Credit Agreement provides the Company with a $200,000 revolving operating facility that may be used for general corporate purposes, including repayment of existing indebtedness, funding working capital requirements, capital expenditures and financing acquisitions.

Fees and interest on borrowings under the Credit Agreement are subject to a pricing grid whereby the pricing level is determined by the leverage ratio. Based on the Company's Leverage Ratio, as defined by the Lender, the interest rate on the loan ranges from HSBC's prime rate plus 0.75% to HSBC's prime rate plus 2.00%. As at December 31, 2014, the Company is in the second of five tiers of the pricing grid, with the second tier providing interest rates of HSBC's prime rate plus 1.50% (4.50% at December 31, 2014). Amounts drawn under the Credit Agreement as at December 31, 2014 are due May 22, 2018 and may be extended annually for an additional 364 days at the request of the Company and upon approval by the lenders. The Credit Agreement is collateralized by all of the present and future assets of AutoCanada Holdings Inc., a subsidiary of AutoCanada Inc., and all of its subsidiaries. As part of a priority agreement signed by HSBC, Scotiabank, VCCI, BMW Financial, and the Company, the collateral for the Credit Agreement excludes all new, used and demo inventory financed with Scotiabank, VCCI, RBC and BMW Financial revolving floorplan facilities.

viii RBC provides financing for the lease vehicles of two of the Company's GM dealerships (the "RBC lease financing"). The RBC lease financing bear interest rates of RBC's CF Rate (1.920% at December 31, 2014) and provide a maximum amount of financing of $13,000 repayable over the terms of the contract in varying amounts of principal. The RBC lease financing are collateralized by the lease vehicles under the related lease agreements.

ix Scotiabank provides financing for the lease vehicles of one of the Company's GM dealerships (the "Scotiabank lease financing"). The Scotiabank lease financing bear interest rates of Scotiabank's Cost of Funds Rate plus 1.25% (4.18% at December 31, 2014) and provide a maximum amount of financing of $2,000 repayable over the terms of the contract in varying amounts of principal. The Scotiabank lease financing is collateralized by the lease vehicles under the related lease agreement.

x The Bank of Montreal ("BMO") provides financing for the lease vehicles of one of the Company's GM dealerships (the "BMO lease financing"). The BMO lease financing bear interest rates of BMO's Dealership Finance Base Rate plus 1.65% (3.32%-3.80%, depending on term, at December 31, 2014) and provides financing of $1,101 repayable over the terms of the contract in varying amounts of principal. The BMO lease financing is collateralized by a general security agreement, a standard fixed rate prepayment agreement, and a priority agreement with General Motors Acceptance Corporation and other secured lenders.

xi Servus Credit Union provides the Company with a mortgage (the "Servus Mortgage"). The Servus Mortgage bears a fixed annual rate of 3.90% and is repayable with monthly blended installments of $38, originally amortized over a 20 year period with term expiring September 27, 2017. The Servus Mortgage requires certain reporting requirements and financial covenants and is collateralized by a general security agreement consisting of a first fixed charge over the property. At December 31, 2014, the carrying amount of the property was $9,579.

xii VCCI provides the Company with a mortgage (the "VCCI Mortgage"), which bears interest at a floating rate of interest per annum equal to the Royal Bank of Canada's prime rate plus 0.50% (3.50% at December 31, 2014). The VCCI Mortgage is repayable with fifty-nine equal blended monthly payments of $8 amortized over a twenty year period with term expiring in April 2019. The VCCI Mortgage has certain reporting requirements and financial covenants and is collateralized by a general security agreement consisting of a first fixed charge over the property. At December 31, 2014, the carrying amount of the property was $1,815.

xiii BMW Financial provides the Company with a mortgage (the "BMW Mortgage"), which bears a fixed rate of interest per annum of 3.80%. The BMW Mortgage is repayable with sixty equal blended monthly payments of $124, amortized over a twenty year period with term expiring on December 31, 2019. The BMW Mortgage has certain reporting requirements and is collateralized by the property and any other present and future property, rights and assets, movable or immovable, and a general security agreement consisting of a first fixed charge over the property. At December 31, 2014, the carrying amount of the property was $31,181.

27 Vehicle repurchase obligations

The Company provides a corporate fleet customer with vehicles for individual terms not to exceed six months, at which time the Company has an obligation to repurchase each vehicle at a predetermined amount. The Company has determined that the transactions shall be treated as operating leases, whereby the Company acts as lessor. As a result, the Company has recorded the contractual repurchase amounts as outstanding vehicle repurchase obligations and have classified the liability as current due to the short term nature of the instruments.

28 Commitments and contingencies

Commitments

The Company has operating lease commitments, with varying terms through 2037, to lease premises used for business purposes. The Company leases certain lands and buildings used in its franchised automobile dealership operations from related parties (Note 32) and other third parties. The future aggregate minimum lease payments under non-cancelable operating leases are as follows:

	December 31, 2014 $
2015	16,785
2016	16,401
2017	15,104
2018	12,605
2019	10,596
Thereafter	107,235
	178,726

Lawsuits and legal claims

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

In addition to the matters described above, the Company is engaged in various legal proceedings and claims that have arisen in the ordinary course of business. The outcome of all of the proceedings and claims against the Company, including those described above, is subject to future resolution, including the uncertainties of litigation. Based on information currently known to the Company and after consultation with outside legal counsel, management believes that the probable ultimate resolution of any such proceedings and claims, individually or in the aggregate, will not have a material adverse effect on the financial condition of the Company, taken as a whole.

Letters of guarantee

The Company has outstanding letters of guarantee totaling $470 as at December 31, 2014 (2013 – $510) with various due dates. The Company will settle obligations as they arise for which these letters have been issued as security and it is not the Company's intent that draws will be made on these letters.

Capital Commitments

At December 31, 2014, the Company is committed to capital expenditure obligations in the amount of $39,691 (2013 – nil).

29 Share-based payments

The Company operates a combination of cash and equity-settled compensation plan under which it receives services from employees as consideration for cash payments. The plan is described below:

Restricted Share Units (RSUs)

The Company grants RSUs to designated management employees entitling them to receive a combination of cash and common shares based on the Company's share price at each vesting date. The RSUs are also entitled to earn additional units based on dividend payments made by the Company and the share price on date of payment. The RSUs granted are scheduled to vest evenly over three years conditional upon continued employment with the Company.

The following table shows the change in the number of RSUs for the years ended:

	2014 Number of RSUs	2014 Amount $	2013 Number of RSUs	2013 Amount $
Outstanding, beginning of the year	107,680	2,559	92,710	1,599
Settled – equity	(26,222)	(1,345)	(16,131)	(281)
Settled – cash	(22,026)	(1,106)	(19,344)	(302)
Granted	23,823	1,148	47,608	1,413
Dividends reinvested	1,517	68	2,837	130
Outstanding, end of the year	84,772	1,324	107,680	2,559

Deferred Share Units (DSUs)

Independent members of the Board of Directors are paid a portion of their annual retainer in the form of DSUs. They may also elect to receive up to 100% of their remaining cash remuneration in the form of DSUs. The underlying security of DSUs are the Company's common shares and are valued based on the Company's average share price for the five business days prior to the date on which Directors' fees are paid. The DSUs are also entitled to earn additional units based on dividend payments made by the Company and the share price on date of payment. The DSUs granted are scheduled to vest upon the termination date of the Director, at which time, the DSUs will be settled in cash no earlier than the termination date and no later than December 15 of the calendar year following the Director's termination date.

The following table shows the change in the number of DSUs:

	2014 Number of DSUs	2014 Amount $	2013 Number of DSUs	2013 Amount $
Outstanding, beginning of the year	12,184	559	3,435	53
Settled	(838)	(37)	–	–
Granted	5,017	223	8,515	391
Dividends reinvested	249	11	234	11
Impact of movements in share price	–	(17)	–	104
Outstanding, end of the year	16,612	739	12,184	559

30 Share capital

Common shares of the Company are voting shares and have no par value. The authorized common share capital is an unlimited number of shares.

The following table shows the common shares issued from January 1, 2014 to December 31, 2014:

		Number	$/share	Amount
Acquisition of Prairie Auto Holdings Ltd. (Note 15)	March 10, 2014	205,000	44.26	9,073
Acquisition of Hyatt Group (Note 13)	July 1, 2014	18,753	79.99	1,500
Public offering[a]	July 11, 2014	2,565,000	78.00	193,082
		2,788,753		203,655

[a] *Share issuance amount is net of issuance costs of $8,808 and future income tax on the issuance costs of $1,820.*

The following table shows the common shares issued from January 1, 2013 to December 31, 2013:

		Number	$/share	Amount
Public offering[b]	June 3, 2013	1,840,000	25.00	43,811

[b] *Share issuance amount is net of issuance costs of $2,189.*

Restricted Share Unit Trust

In June 2012, the Company established a trust ("Trust") to hedge the risk of future share price increases from the time the Restricted Share Units ("RSU") and Deferred Share Units ("DSU") (see Note 29) are granted to when they are fully vested and can be exercised. The beneficiaries of the Trust are members of the Executive and Senior Management Team who participate in the long-term incentive compensation plan called the Restricted Share Unit Plan (the "Plan") and independent members of the Board of Directors who participate in the Deferred Share Unit Plan.

Under the Trust Agreement, the third party trustee will administer the distribution of cash and shares to the beneficiaries upon vesting, as directed by the Company. Dividends earned during the twelve month period ended December 31, 2014 on the shares held in trust of $98 are reinvested to purchase additional shares. The shares held in the Trust are accounted for as treasury shares and have been deducted from the Company's consolidated equity as at December 31, 2014. As the Company controls the Trust, it has included the Trust in its consolidated financial statements for the year ended December 31, 2014.

The following table shows the change in shareholders' capital:

	2014 Number	2014 Amount $	2013 Number	2013 Amount $
Outstanding, beginning of the year	21,638,089	232,938	19,802,149	189,500
Common shares issued	2,788,753	201,866	1,840,000	43,811
Treasury shares acquired	(41,833)	(2,687)	(17,925)	(513)
Dividends reinvested	(1,574)	(89)	(2,266)	(66)
Treasury shares settled	26,221	755	16,131	206
Outstanding, end of the year	24,409,656	432,783	21,638,089	232,938

As at December 31, 2014, 100,027 (2013 – 82,841) common shares were held in trust for the Restricted Share Unit Plan, resulting in a total of 24,509,683 (2013 – 21,720,930) common shares issued.

Dividends

Dividends are discretionary and are determined based on a number of factors. Dividends are subject to approval of the Board of Directors. During the year ended December 31, 2014, eligible dividends totaling $0.94 per common share were declared and paid, resulting in total payments of $21,745 (2013 – $16,197).

Earnings per share

Basic earnings per share was calculated by dividing earnings attributable to common shares by the sum of the weighted-average number of shares outstanding during the period. Basic earnings per share are adjusted by the dilutive impact of the RSUs to calculate the diluted earnings per share.

Earnings used in determining earnings per share from continuing operations are presented below:

	2014 $	2013 $
Earnings attributable to common shares	53,132	38,166

The weighted-average number of shares outstanding is presented below:

	2014	2013
Basic	23,018,588	20,868,726
Adjustment for RSUs	120,815	66,102
Diluted	23,139,403	20,934,828

31 Capital disclosures

The Company's objective when managing its capital is to safeguard the Company's assets and its ability to continue as a going concern while at the same time maximize the growth of the business, returns to shareholders, and benefits for other stakeholders. No specific targets or ratios are set by the Company. The Company views its capital as the combination of long-term indebtedness, long-term lease obligations and equity.

The calculation of the Company's capital is summarized below:

	December 31, 2014 $	December 31, 2013 $
Long-term indebtedness (Note 26)	223,009	83,580
Equity	436,456	190,242
	659,465	273,822

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

32 Related party transactions

Transactions with Companies Controlled by the CEO of AutoCanada

During the year ended December 31, 2014, the Company had financial transactions with entities controlled by the Company's CEO. Priestner is the controlling shareholder of Canada One Auto Company ("COAG") and its subsidiaries, which beneficially own approximately 9.6% of the Company's shares. In addition to COAG, Priestner is the controlling shareholder of other companies in which AutoCanada earns administrative fees. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. All significant transactions between AutoCanada and companies controlled by Priestner are approved by the Company's independent members of the Board of Directors.

a Rent paid to companies with common directors

During the year ended December 31, 2014, total rent paid to companies controlled by Priestner amounted to $2,853 (2013 – $7,061). The Company currently leases two of its leased facilities from affiliates of COAG. The Company's independent Board of Directors has received advice from a national real estate appraisal Company that the market rents at each of the COAG properties were at fair market value rates when the leases were entered into.

b Administrative support fees

During the year ended December 31, 2014, total administrative support fees received from companies controlled by Priestner amount to $848 (2013 – $766).

Commitments with Companies controlled by the CEO of AutoCanada

The Company has operating lease commitments, with varying terms through 2029, to lease the lands and buildings used in certain of its franchised automobile dealerships from COAG, a Company controlled by Priestner. The future aggregate minimum lease payments under non-cancelable operating leases with COAG are as follows:

	December 31, 2014 $
2015	2,458
2016	2,458
2017	2,458
2018	2,457
2019	2,457
Thereafter	22,720
	35,008

Key management personnel compensation

Key management personnel consists of the Company's executive officers and directors. Key management personnel compensation is as follows:

	2014 $	2013 $
Employee costs (including Directors)	4,451	4,484
Short-term employee benefits	209	165
Share-based payments	1,181	374
	5,841	5,023

Payable to related parties

Included in trade and other payables at December 31, 2014 is $2,327 (December 31, 2013 – $nil) payable to non-controlling interests. Theses amounts are unsecured and non interest bearing.

The following table summarizes the net increase in cash due to changes in non-cash working capital for the years ended:

	December 31, 2014 $	December 31, 2013 $
Trade and other receivables	(2,735)	(7,092)
Inventories	(45,065)	(43,205)
Finance lease receivables	(4,587)	–
Other current assets	(1,317)	88
Trade and other payables	8,179	11,023
Vehicle repurchase obligations	126	144
Revolving floorplan facilities	49,738	29,074
	4,339	(9,968)

33 Net change in non-cash working capital

Changes in non-cash working capital consist of fluctuations in the balances of trade and other receivables, inventories, other current assets, trade and other payables and revolving floorplan facilities. Factors that can affect these items include seasonal sales trends, strategic decisions regarding inventory levels, the addition of new dealerships, and the day of the week on which period end cutoffs occur.

34 Fair value of financial instruments

The Company's financial instruments at December 31, 2014 are represented by cash and cash equivalents, trade and other receivables, finance lease receivables, trade and other payables, revolving floorplan facilities, vehicle repurchase obligations, long-term indebtedness and redemption liabilities.

The fair values of cash equivalents, trade and other receivables, finance lease receivables, trade and other payables, and revolving floorplan facilities approximate their carrying values due to their short-term nature.

The long-term indebtedness has a carrying value that approximates the fair value due to the floating rate nature of the debt, While there is a portion that has a fixed rate, the long-term indebtedness has a carrying value that is not materially different from its fair value.

Embedded derivatives (Level 2) and redemption liabilities (Level 3) are remeasured at fair value each reporting period with the gain or loss being recognized through profit or loss.

The fair value was determined based on the prevailing and comparable market interest rates.

The fair value hierarchy categorizes fair value measurement into three levels based upon the inputs to valuation technique, which are defined as follows:

- **Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.**
- **Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).**
- **Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). There were no transfers between the levels of the fair value hierarchy during the year.**

35 Subsequent events

Dividends

On February 17, 2015, the Board of Directors of the Company declared a quarterly eligible dividend of $0.25 per common share on the Company's outstanding Class A common shares, payable on March 16, 2015 to shareholders of record at the close of business on February 28, 2015.

Normal course issuer bid

On February 20, 2015, the Company commenced a normal course issuer bid to repurchase a maximum of 490,193 common shares, being 2% of the issued and outstanding common shares of the Company. The normal course issuer bid will be in effect until February 19, 2016 or such earlier time as the bid is completed or terminated at the option of the Company. To date no purchases have been made.

Kia Open Point

On March 16, 2015 the Company announced that it had signed a Letter of Intent with Kia Canada Inc. ("Kia") which, subject to the completion of requirements and conditions contained in the Letter of Intent, will award AutoCanada an Open Point Kia dealership in Winnipeg, Manitoba. AutoCanada intends to operate the dealership out of a new facility, designed to Kia image standards, with construction anticipated to commence in Q4, 2015 or Q1, 2016.

CORPORATE INFORMATION

Shareholder Information

AutoCanada Inc.

Senior Management

Patrick Priestner,
Executive Chairman

Thomas Orysiuk,
President and Chief Executive Officer

Stephen Rose,
Chief Operating Officer

Christopher Burrows,
Chief Financial Officer

Erin Oor,
Vice-President Corporate Development and Administration

Jeffery Christie,
Vice-President, Operations

Board of Directors

Gordon Barefoot, Lead Director

Michael Ross

Dennis DesRosiers

Barry James

Maryann Keller

Patrick Priestner

Thomas Orysiuk

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Investor Relations

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Auditors

PricewaterhouseCoopers LLP
Edmonton, Alberta

Shares Listed

Toronto Stock Exchange
Trading Symbol: ACQ

Transfer Agent

Valiant Trust Company

Annual General Meeting

Friday May 8, 2015
9:30 a.m. Mountain Time
Hilton Doubletree West Edmonton Hotel
Room SBCC6
16615 – 109 Avenue
Edmonton, Alberta

AutoCanada Inc.

200 - 15505 Yellowhead Trail NW
Edmonton, AB T5V 1E5

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