AutoCanada Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)
September 30, 2012
(expressed in Canadian dollar thousands except share and per share amounts)

AutoCanada Inc.

Condensed Interim Consolidated Statement of Comprehensive Income

(Unaudited)

(in thousands of Canadian dollars except for share and per share amounts)

	Three month period ended September 30, 2012	Three month period ended September 30, 2011	Nine month period ended September 30, 2012	Nine month period ended September 30, 2011
	$	$	$	$
Revenue (Note 6)	298,681	269,134	842,193	770,874
Cost of sales (Note 7)	(248,569)	(224,235)	(700,172)	(643,965)
Gross profit	50,112	44,899	142,021	126,909
Operating expenses (Note 8)	(38,361)	(35,742)	(111,402)	(102,760)
Operating profit before other income	11,751	9,157	30,619	24,149
(Loss) Gain on disposal of assets	(1)	1	(61)	29
Income from investment in associate (Note 11)	130	-	213	-
Operating profit	11,880	9,158	30,771	24,178
Finance costs (Note 9)	(3,136)	(2,651)	(8,410)	(7,564)
Finance income (Note 9)	442	369	1,303	925
Net comprehensive income for the period before taxation	9,186	6,876	23,664	17,539
Income tax (Note 10)	2,379	1,646	6,036	4,365
Net comprehensive income for the period	6,807	5,230	17,628	13,174
Earnings per share				
Basic	0.344	0.263	0.888	0.663
Diluted	0.344	0.263	0.888	0.663
Weighted average shares				
Basic	19,804,014	19,880,930	19,853,694	19,880,930
Diluted	19,804,014	19,880,930	19,853,694	19,880,930

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

Approved on behalf of the Company:

(Signed) "Gordon R. Barefoot", Director

(Signed) "Robin Salmon", Director

AutoCanada Inc.

Condensed Interim Consolidated Statement of Financial Position
(Unaudited)

(in thousands of Canadian dollars)

	September 30, 2012 (Unaudited) $	December 31, 2011 (Audited) $
ASSETS		
Current assets		
Cash and cash equivalents	54,255	53,641
Trade and other receivables (Note 12)	54,148	42,448
Inventories (Note 13)	193,990	137,016
Other current assets	1,794	1,120
	304,187	234,225
Property and equipment	37,125	25,975
Investment in associate (Note 11)	4,367	-
Intangible assets	66,181	66,181
Goodwill	380	380
Other long-term assets	7,810	7,609
	420,050	334,370
LIABILITIES		
Current liabilities		
Trade and other payables (Note 15)	35,665	32,279
Revolving floorplan facilities (Note 16)	212,840	150,816
Current tax payable	4,600	2,046
Current lease obligations (Note 17)	1,783	1,204
Current indebtedness (Note 16)	5,973	2,859
	260,861	189,204
Long-term indebtedness (Note 16)	26,039	20,115
Deferred tax	11,897	12,056
	298,797	221,375
EQUITY	121,253	112,995
	420,050	334,370

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

AutoCanada Inc.

Condensed Interim Consolidated Statement of Changes in Equity
For the Period Ended
(Unaudited)

(in thousands of Canadian dollars)

	Share capital	Treasury shares	Contributed surplus	Total capital	Accumulated deficit	Equity
	$	$	$	$	$	$
Balance, January 1, 2012	190,435	-	3,918	194,353	(81,358)	112,995
Net comprehensive income	-	-	-	-	17,628	17,628
Dividends declared on common shares (Note 20)	-	-	-	-	(8,935)	(8,935)
Common shares repurchased (Note 20)	-	(910)	-	(910)	-	(910)
Share-based compensation	-	-	475	475	-	475
Balance, September 30, 2012	190,435	(910)	4,393	193,918	(72,665)	121,253

	Share capital	Treasury shares	Contributed surplus	Total capital	Accumulated deficit	Equity
	$	$	$	$	$	$
Balance, January 1, 2011	190,435	-	3,918	194,353	(111,979)	82,374
Net comprehensive income	-	-	-	-	13,174	13,174
Dividends declared on common shares (Note 20)	-	-	-	-	(3,777)	(3,777)
Balance, September 30, 2011	190,435	-	3,918	194,353	(102,582)	91,771

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

AutoCanada Inc.

Condensed Interim Consolidated Statement of Cash Flows
(Unaudited)

(in thousands of Canadian dollars)

	Three month period ended September 30, 2012	Three month period ended September 30, 2011	Nine month period ended September 30, 2012	Nine month period ended September 30, 2011
Cash flows from operating activities:				
Net comprehensive income	6,807	5,230	17,628	13,174
Income taxes (Note 10)	2,379	1,646	6,036	4,365
Amortization of prepaid rent	113	113	339	339
Amortization of property and equipment (Note 8)	1,139	1,044	3,189	3,141
Gain (Loss) on disposal of assets	1	(1)	61	(29)
Share-based compensation	205	-	565	-
Income from investment in associate (Note 11)	(130)	-	(213)	-
Income taxes paid	(485)	-	(3,584)	-
Net change in non-cash working capital	(794)	2,818	(4,704)	(681)
	9,235	10,850	19,317	20,309
Cash flows from investing activities:				
Business acquisitions (Note 11)	-	-	(4,154)	-
Purchases of property and equipment (Note 14)	(9,161)	(694)	(13,150)	(2,236)
Disposal of other assets	-	2	-	7
Prepayments of rent (Note 21)	-	(540)	(540)	(1,620)
Proceeds on sale of property and equipment	-	-	28	-
Proceeds on divestiture of subsidiary	-	-	-	1,464
	(9,161)	(1,232)	(17,816)	(2,385)
Cash flows from financing activities:				
Proceeds from long-term debt (Note 16)	6,250	-	9,250	-
Repayment of long-term indebtedness	(98)	(2,102)	(292)	(2,322)
Common shares repurchased (Note 20)	-	-	(910)	-
Dividends paid (Note 20)	(3,169)	(1,987)	(8,935)	(3,777)
	2,983	(4,089)	(887)	(6,099)
Increase in cash	3,057	5,529	614	11,825
Cash and cash equivalents at beginning of period	51,198	43,837	53,641	37,541
Cash and cash equivalents at end of period	54,255	49,366	54,255	49,366

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

1 General Information

AutoCanada Inc. (“AutoCanada” or “The Company”) is a corporation from 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, Manitoba, Ontario, 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 condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The condensed interim consolidated financial statements should be read in conjunction with the Company's IFRS annual financial statements for the year ended December 31, 2011, which have been prepared in accordance with IFRS as issued by the IASB.

The condensed interim consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through the statement of comprehensive income.

These financial statements were approved by the Board of Directors on November 8, 2012.

3 Significant Accounting Policies

The significant accounting policies used in the preparation of these condensed interim consolidated financial statements are the same accounting policies and methods of computation as disclosed in the annual financial statements for the year ended December 31, 2011, except for the following standards, which the Company elected to early adopt during the period ended September 30, 2012:

- IFRS 10, *Consolidated financial statements*, replaces all the guidance on control and consolidation in IAS 27, *Consolidated and separate financial statements*, and SIC-12, *Consolidation - special purpose entities*. Full retrospective application is required in accordance with the transition provisions of the standard, unless impracticable, in which case the Company applies it from the earliest practicable date.

- IAS 27 was amended following the issuance of IFRS 10. The revised IAS 27 deals only with the accounting for subsidiaries, associates and joint ventures in the separate financial statements of the parent company.

- IFRS 11, *Joint Arrangements*, supercedes IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities - Non-monetary Contributions by Venturers*. Under IAS 31, entities have the choice to proportionately consolidate or equity account for interests in jointly controlled entities. IFRS 11 requires an entity to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures are accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation.

3 Significant Accounting Policies continued

- IFRS 12, *Disclosure of Interests in Other Entities*, establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure that address the nature of, and risks associated with, an entity's interest in other entities.
- IAS 28 was amended following the issuance of IFRS 11. The revised IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The Company has applied the above standards retrospectively. The above standards did not result in significant changes to the Company's previously filed financial statements and related disclosures.

Investment in associate

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 associate 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 income statement.

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 income statement.

3 Significant Accounting Policies continued

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 releated 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 selling, general and administrative expense in the statement of comprehensive income.

4 Critical accounting estimates, judgments & measurement uncertainty

The preparation of interim 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.

In preparing these condensed interim consolidated financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimated uncertainty were the same as those that applied to the audited consolidated financial statements for the year ended December 31, 2011, with the exception of changes in estimates that are required in determining the provision for income taxes and judgments made in relation to the investment in associate.

Investment in associate

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.

Critical accounting estimates, judgments & measurement uncertainty continued

AutoCanada has a non-voting equity interest in an entity, Dealer Holdings Ltd. ("DHL"), for which the voting interests are held 100% by the Company's CEO (as described in Note 11). When assessing whether the Company has control of DHL, management has considered the Company's relationship with its CEO and whether the Company has the ability to direct decision-making rights of the CEO pertaining to their investment in DHL. In making this assessment, the Company considered that the CEO has de facto control over AutoCanada; therefore, the CEO should not be perceived to be a de facto agent of AutoCanada. The following facts were considered to assess the relationship between AutoCanada and its CEO:

- Regardless of employment at AutoCanada, the CEO's interest in DHL would remain with full ability to control decisions as they pertain to DHL.
- The CEO has not relied on any financial support from the Company in making his investment, and therefore the risk of loss and reward to the CEO personally is significant.
- There are no contractual rights providing the Company with decision making power over the CEO.
- The CEO's level of expertise and knowledge in operating DHL.

When combining these considerations with the fact that the CEO has the casting vote on decisions of the Board of DHL, and therefore governs relevant activities of the investee, management has concluded that the Company does not have power over DHL, and therefore does not consolidate this investment.

Should the nature of the relationship between the CEO and the Company change in the future, this assessment would need to be further evaluated.

5 Economic dependence

The Company has significant commercial and economic dependence on Chrysler Canada and Ally Credit. As a result, the Company is subject to significant risk in the event of the financial distress of Chrysler Canada, one of our major vehicle manufacturers and parts suppliers, and Ally Credit, which provides the Company with revolving floorplan facilities for 22 of its 24 wholly-owned dealerships.

The Company's condensed interim consolidated financial statements include the operations of franchised automobile dealerships, representing the product lines of eight global automobile manufacturers. The Company's Chrysler, Jeep, Dodge, Ram ("CJDR") dealerships, which generated 74% of the Company's revenue in the nine month period ended September 30, 2012 (2011 – 73%), purchase all new vehicles and a significant portion of parts and accessories from Chrysler Canada. In addition to these inventory purchases, the Company is eligible to receive monetary incentives from Chrysler Canada if certain sales volume targets are met and is also eligible to receive payment for warranty service work that is performed for eligible vehicles.

At September 30, 2012 and December 31, 2011, the Company had recorded the following assets that relate to transactions it has entered into with Chrysler Canada:

	September 30, 2012 $	December 31, 2011 $
Accounts receivable	5,258	5,032
New vehicle inventory	116,132	72,749
Demonstrator vehicle inventory	4,534	4,338
Parts and accessories inventory	4,633	6,081

At September 30, 2012 and December 31, 2011, the Company had recorded the following assets and liabilities that relate to transactions it has entered into with Ally Credit:

	September 30, 2012 $	December 31, 2011 $
Cash and cash equivalents	33,715	38,730
Revolving floorplan facility - Ally Credit	207,997	148,587

Chrysler Canada is a subsidiary of Chrysler Group LLC ("Chrysler Group") in the United States. The viability of Chrysler Canada is directly dependent on the viability of Chrysler Group.

6 Revenue

	Three month period ended September 30, 2012 $	Three month period ended September 30, 2011 $	Nine month period ended September 30, 2012 $	Nine month period ended September 30, 2011 $
New vehicles	190,139	172,688	524,171	497,842
Used vehicles	62,816	55,351	186,092	152,311
Finance, insurance and other	17,133	14,115	47,304	38,828
Parts, service and collision repair	28,593	26,980	84,626	81,893
	298,681	269,134	842,193	770,874

7 Cost of sales

	Three month period ended September 30, 2012 $	Three month period ended September 30, 2011 $	Nine month period ended September 30, 2012 $	Nine month period ended September 30, 2011 $
New vehicles	174,678	159,948	482,018	461,404
Used vehicles	58,822	50,331	173,448	139,504
Finance, insurance and other	1,554	1,468	4,388	4,093
Parts, service and collision repair	13,515	12,488	40,318	38,964
	248,569	224,235	700,172	643,965

8 Operating expenses

	Three month period ended September 30, 2012 $	Three month period ended September 30, 2011 $	Nine month period ended September 30, 2012 $	Nine month period ended September 30, 2011 $
Employee costs	24,168	22,160	70,020	62,012
Administrative costs (1)	10,064	9,728	29,290	28,937
Facility lease costs	2,990	2,810	8,903	8,670
Amortization	1,139	1,044	3,189	3,141
	38,361	35,742	111,402	102,760

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

9 Finance costs and finance income

	Three month period ended September 30, 2012 $	Three month period ended September 30, 2011 $	Nine month period ended September 30, 2012 $	Nine month period ended September 30, 2011 $
Long term debt	267	296	753	902
Floorplan financing	2,645	2,190	7,091	6,185
Other interest expense	224	165	566	477
	3,136	2,651	8,410	7,564
Short term bank deposits	(442)	(369)	(1,303)	(925)

Cash interest paid during the nine-month period ended September 30, 2012 was $8,235 (2011 - $7,655).

10 Taxation

Components of income tax expense were as follows:

	Three month period ended September 30, 2012 $	Three month period ended September 30, 2011 $	Nine month period ended September 30, 2012 $	Nine month period ended September 30, 2011 $
Current	(392)	(680)	6,195	2,121
Deferred tax	2,771	2,326	(159)	2,244
Income tax expense	2,379	1,646	6,036	4,365

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual rate used for the nine month period ended September 30, 2012 was 26%.

11 Investment in associate

During the second quarter of 2012, the Company invested a total of $4,154 to acquire 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 Mr. Patrick Priestner ("Mr. Priestner"), the Company's Chief Executive Officer. DHL was formed to acquire future General Motors of Canada ("GM Canada") franchised dealerships, whereby Mr. 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 acquired. DHL's principal place of business is Alberta, Canada.

Although the Company holds no voting rights in DHL, the Company exercises significant influence by virtue of its involvement in the board of directors of DHL and the ability to participate in financial and operating policy decisions of DHL. However, the Company does not have the power to make key decisions or block key decisions due to a casting vote held by Mr. Priestner. As a result, the Company has accounted for its investment in DHL under the equity method. There are no guarantees to DHL or significant relationships other than those disclosed in Note 21.

During the second quarter of 2012, DHL acquired a 49% voting common share interest in Nicholson Chevrolet ("Nicholson") with an option to increase its interest to 51% upon Nicholson's successful relocation to a new facility. In conjunction with the Nicholson investment, DHL is subject to a put option with Romland Development Holdings Ltd. ("Romland"), the owner of the dealership and body shop real estate used in Nicholson's operations, whereby DHL may be required to purchase up to 49% of Romland. Upon Romland exercising the put option, DHL will have 180 days to purchase its portion of shares of Romland, which would require further investment in DHL from its shareholders.

During the second quarter of 2012, DHL acquired a 51% voting common share interest in Petersen Buick GMC ("Petersen").

The Nicholson and Petersen dealerships are both subject to financial covenants as part of its borrowing arrangements that may restrict their ability to transfer funds to DHL if the payment of such funds resulted in a breach of covenants. The dealerships are also subject to minimum working capital requirements imposed by GM Canada, which may restrict the dealerships' ability to transfer funds to DHL if minimum working capital requirements are not met.

As a result of DHL's investments, the Company has indirectly acquired a 29.79% interest in Nicholson and a 31% interest in Petersen. Summarized information in respect of the investment in DHL is as follows:

	Carrying amount	**Fair value adjustments**	**Fair value**	**Interest in Dealer Holdings Ltd.**
	$	**$**	**$**	**$**
Current assets	29,831	(92)	29,739	9,038
Non-current assets	18,050	592	18,642	5,667
Current liabilities	24,611	-	24,611	7,484
Non-current liabilities	10,050	-	10,050	3,067
Net assets	13,220	500	13,720	4,154

11 Investment in associate continued

From the date of acquisition to September 30, 2012, on a consolidated basis, DHL generated revenue of $51,886 and total net comprehensive income of $350. For the nine month period ended September 30, 2012, no dividends has been received from DHL. The fair value of the Company's investment in DHL approximates the carrying value presented below. The following table summarizes the Company's carrying value of its investment in DHL:

	Three month period ended September 30, 2012	**Nine month period ended September 30, 2012**
	$	**$**
Balance, beginning of the period	4,237	-
Investment in Dealer Holdings Ltd.	-	4,154
Equity earnings	130	213
Balance, end of period	4,367	4,367

12 Trade and other receivables

	September 30, 2012	**December 31, 2011**
	$	**$**
Trade receivables	52,495	41,294
Less: Allowance for doubtful accounts	(512)	(359)
Net trade receivables	51,983	40,935
Other receivables	2,165	1,513
Trade and other receivables	54,148	42,448

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.

13 Inventories

	September 30, 2012 $	December 31, 2011 $
New vehicles	152,336	101,135
Demonstrator vehicles	6,838	6,302
Used vehicles	27,105	21,531
Parts and accessories	7,711	8,048
	193,990	137,016

During the three month period ended September 30, 2012, $248,569 of inventory (2011 - $224,235) was expensed as cost of goods sold which included a net write-down on used vehicle inventory allowances of $220 (2011 - $263 net recovery of write-down). During the three month period ended September 30, 2012, $267 of demonstrator expense (2011 - $327) was included in selling, general, and administration expense. During the three month period ended September 30, 2012, demonstrator reserves decreased by $79 (2011 - $67 increase).

During the nine month period ended September 30, 2012, $700,172 of inventory (2011 - $643,965) was expensed as cost of goods sold which included a net write-down on used vehicle inventory allowances of $601 (2011 - $263). During the nine month period ended September 30, 2012, $824 of demonstrator expense (2011 - $954) was included in selling, general, and administration expense. During the nine month period ended September 30, 2012, demonstrator reserves increased by $217 (2011 - $759). As at September 30, 2012 and December 31, 2011, the Company had recorded reserves for inventory write downs of $1,824 and $1,581, respectively.

14 Property and equipment

During the quarter ended September 30, 2012, the Company purchased $9,161 of fixed assets, which included land and a building purchased at a cost of $8,650. The land and building is currently being rented to the previous tenant until December 2013, when it will be used for the Company's Kia open point dealership.

15 Trade and other payables

	September 30, 2012 $	December 31, 2011 $
Trade payables	15,359	15,093
Accruals and provisions	6,308	5,302
Sales tax payable	2,145	2,239
Wages and witholding taxes payable	11,853	9,645
	35,665	32,279

16 Indebtedness

	September 30, 2012 $	December 31, 2011 $
Current indebtedness		
Current portion of indebtedness (iv, v, vi)	5,973	2,859
Revolving floorplan facilities - Ally (i)	207,997	148,587
Revolving floorplan facilities - VCCI (ii)	4,843	2,229
	218,813	153,675
Non-current indebtedness		
HSBC revolving term loan (iii)	20,000	17,000
HSBC non-revolving fixed term loan (iv)	-	3,115
Servus mortgage (vi)	6,039	-
Total indebtedness	244,852	173,790

Terms and conditions of outstanding loans were as follows:

i The revolving floorplan facilities ("Ally facilities") are available to the Company from Ally Credit to finance new, demonstrator and used vehicles bears interest at the Prime Rate plus 0.20% (4.20% at September 30, 2012) and is payable monthly in arrears. Prime Rate is defined as the greater of the Royal Bank of Canada ("RBC") prime rate (3.00% at September 30, 2012) or 4.00%. The maximum amounts of financing provided by the Ally facilities are based on a maximum number of new, used and demonstrator vehicles to be financed on an individual dealership basis. The Ally facilities are collateralized by all of the dealerships' new, used and demonstrator inventory financed by the Ally facilities and a general security agreement and cross guarantee from each of the Company's dealerships. The individual notes payable of the Ally facilities are due when the related vehicle is sold or according to an aging based repayment policy as mandated by Ally Credit.

ii The revolving floorplan facilities ("VCCI facilities") are available to the Company from VW Credit Canada, Inc. ("VCCI") to finance new and used vehicles for the Abbotsford and Chilliwack Volkswagen dealerships. The VCCI facilities bear interest at the Royal Bank of Canada ("RBC") prime rate (3.00% at September 30, 2012) plus 0.75% for new vehicles and 1.25% for used vehicles. The maximum amount of financing provided by the VCCI facilities is $7,300. The VCCI facilities are collateralized by both 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 Abbotsford and Chilliwack Volkswagen 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.

16 Indebtedness continued

iii HSBC Bank Canada (“HSBC”) provides the Company with a fully committed, extendible revolving term loan (the “HSBC Revolver”) in the amount of $40,000 and may be increased by $10,000 subject to approval from HSBC. The facility is repayable on June 30, 2014 and may be extended for an additional 365 days at the request of the Company and upon approval by HSBC. The HSBC Revolver bears interest at HSBC’s Prime Rate plus 0.75% (3.75% at September 30, 2012). The HSBC Revolver is collateralized by all of the present and future assets of the subsidiaries of AutoCanada Inc, the various Limited Partnerships and the General Partners of each dealership within the Company. As part of a priority agreement signed by HSBC, Ally Credit, VCCI, and the Company, the collateral for the HSBC Revolver excludes all new, used and demonstrator inventory financed with the Ally and VCCI facilities.

iv HSBC provides the Company with a committed, extendible non-revolving term loan (the “HSBC Term Loan”). The HSBC Term Loan’s maturity date was September 30, 2012, however the facility may be extended at the request of the Company and upon approval by HSBC. If the HSBC Term Loan is not extended by HSBC, repayment of the outstanding amount is not due until September 30, 2013. The HSBC Term Loan bears interest at HSBC’s Prime Rate plus 1.75% (4.75% at September 30, 2012). Repayments are based on a 20 year amortization of the original loan amount; consisting of fixed monthly principal repayments of $15 plus applicable interest. The HSBC Term Loan requires maintenance of certain financial covenants and is collateralized by a first fixed charge in the amount of $3,510 registered over the Newmarket Infiniti Nissan property. At September 30, 2012, the carrying amount of the Newmarket Infiniti Nissan property was $5,417. The Company is currently in the renewal process for the HSBC Term Loan. HSBC has indicated they do not intend to call the loan on its maturity date, however as the HSBC Term loan is due on September 30, 2013, the Company has classified the entire balance as current. On October 1, 2012, the HSBC Term Loan was extended to January 31, 2013.

v Bank of Montreal provides the Company a Fixed Rate Term Loan (the “BMO Term Loan”). The BMO Term Loan matured on September 30, 2012 and bears interest at a fixed rate of 5.11%. Repayments consist of fixed monthly payments totaling $20 per month. The BMO Term Loan requires maintenance of certain financial covenants and is collateralized by a general security agreement consisting of a first fixed charge in the amount of $3,450 registered over the Cambridge Hyundai property. At September 30, 2012, the carrying amount of the Cambridge Hyundai property was $3,250. The Company is currently in the renewal process for the BMO Term Loan.

vi Servus Credit Union provides the Company a mortgage (the "Servus Mortgage"). The Servus Mortgage bears a fixed annual rate of 3.90% and is repayable with monthly blended instalments of $38, originally amortized over a 20 year period with term expiring September 27, 2017. The Servus Mortgage requires cetain reporting requirements and financial covenants and is collateralized by a general security agreement consisting of a first fixed charge over the property. At September 30, 2012, the carrying amount of the property was $8,613.

16 Indebtedness continued

vii On July 31, 2012, the Company entered into an agreement with The Bank of Nova Scotia ("Scotiabank"), whereby Scotiabank would provide the Company a revolving floorplan facility to finance new and used vehicle inventory in the total amount of $240,000. The facility for the new vehicle inventory bears interest at the lower of Scotiabank prime rate plus 0.5% (3.50% at September 30, 2012) or Bankers' Acceptance rate plus 1.80% per annum (3.05% at September 30, 2012). The facility for used vehicle inventory bears interest at Scotiabank prime rate plus 0.5% (3.50% at September 30, 2012). The facility is collateralized by the individual dealership's inventory which are directly financed by Scotiabank and a general security agreement with each dealership financed and a guarantee from AutoCanada Holdings Inc., a subsidiary of the Company. Subsequent to September 30, 2012, the Scotiabank facility was used to refinance the Ally facilities and was completed in October of 2012.

17 Leases

	September 30, 2012 $	December 31, 2011 $
Current		
Vehicle repurchase obligations (i)	1,742	1,082
Current finance lease obligations (ii)	41	122
Total lease obligations	1,783	1,204

Terms and conditions of lease obligations were as follows:

i The Company has committed to provide 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.

ii A number of equipment leases are classified as finance leases. At inception of the leases, the Company recognized an asset and a liability at an amount equal to the estimated fair value of the equipment. The imputed finance costs on the liability were determined based on the lower of the Company's incremental borrowing rate and the rates implicit in each lease.

18 Commitments and Contingencies

Commitments

The Company has operating lease commitments, with varying terms through 2029, to lease premises and equipment used for business purposes. The Company leases the majority of the lands and buildings used in its franchised automobile dealership operations from related parties (note 21) and other third parties. The future aggregate minimum lease payments under non-cancelable operating leases are as follows:

	September 30, 2012 $	December 31, 2011 $
2012	2,656	10,109
2013	10,605	8,611
2014	10,289	8,307
2015	9,967	7,984
2016	8,205	6,881
Thereafter	56,838	56,481
	98,560	98,373

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.

19 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 nine month periods ended:

	September 30, 2012 Number of RSUs	**September 30, 2011 Number of RSUs**
Outstanding, beginning of the period	12,245	-
Granted	76,916	11,752
Dividends reinvested	2,502	-
Outstanding, end of the period	91,663	11,752

20 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.

RSU 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" - see Note 19) are granted to when they are fully vested and can be exercised. The beneficiaries of the Trust are members of the Executive Management Team who participate in the long-term incentive compensation plan called the Restricted Share Unit Plan (the "Plan"). Under the Trust Agreement, the trustee will administer the distribution of cash and shares to the beneficiaries upon vesting, as directed by the Company. In June 2012, the Company contributed cash to the trustee to purchase a total of 76,916 shares of the Company at a total cost of $910 on the open market to fund the future payment of awards to eligible individuals under the Plan. The shares held in the Trust are accounted for as treasury shares and have been deducted from the Company's consolidated equity as at September 30, 2012. As the Company controls the Trust, it has consolidated the Trust in its condensed interim consolidated financial statements for the period ended September 30, 2012.

20 Share capital continued

The following table shows the change in shareholders' capital from January 1, 2012 to September 30, 2012:

	September 30, 2012 Number	September 30, 2012 Amount $
Outstanding, beginning of the period	19,880,930	190,435
Common shares repurchased	(76,916)	(910)
Outstanding, end of the period	19,804,014	189,525

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 nine month period ended September 30, 2012, eligible dividends totaling $0.45 per common share were declared and paid, resulting in a total payment of $8,935 (2011 - $3,777). On November 8, 2012, the Board of Directors of the Company declared a quarterly eligible dividend of $0.17 per common share on the Company's outstanding Class A common shares, payable on December 17, 2012 to shareholders of record at the close of business on November 30, 2012.

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. The Company does not have any dilutive stock options or other potentially dilutive securities. Earnings used in determining earnings per share from continuing operations are presented below:

	Three month period ended September 30, 2012 $	Three month period ended September 30, 2011 $	Nine month period ended September 30, 2012 $	Nine month period ended September 30, 2011 $
Earnings attributable to common shares	6,807	5,230	17,628	13,174

20 Share capital continued

Earnings per share continued

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

	Three month period ended September 30, 2012	Three month period ended September 30, 2011	Nine month period ended September 30, 2012	Nine month period ended September 30 2011
Weighted-average number of shares outstanding, opening	19,876	19,881	19,881	19,881
Common shares held in treasury	(72)	-	(27)	-
Weighted-average number of shares outstanding, closing	19,804	19,881	19,854	19,881

21 Related party transactions

Transactions with Companies Controlled by the CEO of AutoCanada

During the nine month period ended September 30, 2012, the Company had financial transactions with entities controlled by the Company's CEO. Mr. Priestner is the controlling shareholder of Canada One Auto Group ("COAG") and its subsidiaries, which beneficially own approximately 42.3% of the Company's shares. In addition to COAG, Mr. 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 transactions between AutoCanada and companies controlled by Mr. Priestner are approved by the Company's independent members of the Board of Directors.

a Prepaid rent

During the nine month period ended September 30, 2012, the Company prepaid rent to a company controlled by Mr. Priestner as part of an agreement for a long-term rent reduction, which was entered into in 2009. Total prepayments of rent for the nine month period ended September 30, 2012 was $540 (2011 - $1,620). The total unamortized prepayment of rent to the Company as at September 30, 2012 is $7,759, which is included in "Other long term assets" on the Condensed Interim Consolidated Statement of Financial Position. Prepayments of rent are amortized straight-line over the term of the lease as an increase in facilities lease costs. As such, a total of $339 (2011 - $339) has been amortized to current period facility lease costs.

21 Related party transactions continued

b Rent

During the nine month period ended September 30, 2012, total rent paid to companies controlled by Mr. Priestner amounted to $5,926 (2011 - $5,929). The Company currently leases thirteen of twenty-four properties in which the Company wholly-owns the dealership from COAG, a company controlled by Mr. Priestner. 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.

c Administrative support fees

During the nine month period ended September 30, 2012, total administrative support fees received from companies controlled by Mr. Priestner amount to $238 (2011 - $85). Administrative support fees consist of a fixed monthly fee in exchange for information technology, accounting, and other administrative support. The fees are determined annually based on the estimated cost of services provided.

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 Mr. Priestner. The future aggregate minimum lease payments under non-cancelable operating leases with COAG are as follows:

	September 30, 2012	**December 31, 2011**
	$	**$**
2012	1,990	7,811
2013	7,937	6,320
2014	7,916	6,299
2015	7,821	6,204
2016	6,169	5,211
Thereafter	45,293	44,522
	77,126	76,367

21 Related party transactions continued

Transactions with companies in which AutoCanada has significant influence

The Company has significant influence in Dealer Holdings Ltd. ("DHL"), an associate controlled by Mr. Priestner. During the nine month period ended September 30, 2012, the Company had financial transactions with DHL, which has investments in Nicholson Chevrolet and Petersen Buick GMC (the "Dealerships"). The Company has a management services agreement with the Dealerships whereby the Company provides marketing, technological and administrative support to the Dealerships. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

a Management fees

During the nine month period ended September 30, 2012, total management fees received from an associate of the Company amounted to $46 (2011 - nil). Management services consist of marketing, training, information technology, and acccounting support for the two dealerships. Management fees are fixed monthly fees that are determined annually based on the estimated cost of services to be provided.

22 Subsequent Events

Director DSU Plan

During the period ended September 30, 2012, the Board of Directors approved the Deferred Share Unit Plan ("Director DSU Plan") for Eligible Directors, whereby independent members of the Board of Directors may elect to receive up to 100% of their annual retainers and meeting fees in the form of Deferred Share Units ("DSUs"), in which the underlying security is the share price of AutoCanada shares. The DSUs earn additional units as dividends are declared on AutoCanada shares. Upon retirement of a Director, the Company shall settle the amount by cash payment to the Director based on the number of DSUs earned and the value of AutoCanada shares at the time of settlement. The Director DSU Plan was implemented on October 1, 2012.

*Land purchas*e

On October 3, 2012, the Company purchased land adjacent to its Crosstown Chrysler Jeep Dodge Ram FIAT dealership in Edmonton, Alberta for $2,060.

VW Credit Canada Inc. refinancing

On October 4, 2012, the Company entered into an agreement with VW Credit Canada, Inc. ("VCCI") to provide its Maple Ridge Volkswagen dealership with floorplan financing for new and used vehicle inventory. The agreement is structured similarly to the Company's existing agreements with VCCI for its other two Volkswagen dealerships.

Scotiabank Floorplan Facility

As described in Note 16 (vii), the Company fully refinanced its Ally facilities with the Scotiabank facilities, which was completed in October of 2012.

23 Seasonal nature of the business

The Company's results from operations for the period ended September 30, 2012 are not necessarily indicative of the results that may be expected for the full year due to seasonal variations in sales levels. The results from operations of the Company have historically 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 number of business days during the period. As a result, the Company's 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 also cause substantial fluctuations in operating results from quarter to quarter.

24 Comparative figures

Certain comparative figures have been reclassified to conform with the current period's interim consolidated financial statements presentation.