AutoCanada Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)
September 30, 2014
(expressed in thousands of Canadian dollars except share and per share amounts)

AutoCanada Inc.

Condensed Interim Consolidated Statements of Comprehensive Income

(Unaudited)

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

	Three month period ended September 30, 2014	Three month period ended September 30, 2013	Nine month period ended September 30, 2014	Nine month period ended September 30, 2013
	$	$	$	$
Revenue (Note 6)	733,350	402,829	1,561,471	1,075,270
Cost of sales (Note 7)	(613,445)	(335,111)	(1,300,050)	(891,559)
Gross profit	119,905	67,718	261,421	183,711
Operating expenses (Note 8)	(89,713)	(51,080)	(199,035)	(140,072)
Operating profit before other income (expense)	30,192	16,638	62,386	43,639
Gain (loss) on disposal of assets, net	(1)	(27)	36	(34)
Income from investments in associates (Note 13)	359	555	3,490	1,405
Operating profit	30,550	17,166	65,912	45,010
Finance costs (Note 9)	(6,007)	(2,593)	(13,509)	(7,094)
Finance income (Note 9)	808	316	1,431	903
Net income for the period before taxation	25,351	14,889	53,834	38,819
Income tax (Note 10)	5,524	3,920	12,882	10,205
Net and comprehensive income for the period	19,827	10,969	40,952	28,614
Net and comprehensive income attributable to:				
AutoCanada shareholders	17,765	10,969	38,890	28,614
Non-controlling interests	2,062	-	2,062	-
	19,827	10,969	40,952	28,614
Earnings per share (Note 23)				
Basic	0.737	0.507	1.725	1.389
Diluted	0.737	0.507	1.725	1.389
Weighted average shares (Note 23)				
Basic	24,103,670	21,638,882	22,549,631	20,606,391
Diluted	24,103,670	21,638,882	22,549,631	20,606,391

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) "Michael Ross", Director

AutoCanada Inc.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited)

(in thousands of Canadian dollars)

	September 30, 2014 $	December 31, 2013 $
ASSETS		
Current assets		
Cash and cash equivalents	64,559	35,113
Trade and other receivables (Note 15)	115,074	57,771
Inventories (Note 16)	471,664	278,091
Current finance lease receivables	4,426	-
Other current assets	6,870	1,603
	662,593	372,578
Property and equipment (Note 17)	177,585	122,915
Investments in associates (Note 13)	-	13,131
Intangible assets (Note 18)	331,533	96,985
Goodwill (Note 18)	24,868	6,672
Finance lease receivables	7,394	-
Other long-term assets	7,554	6,797
	1,211,527	619,078
LIABILITIES		
Current liabilities		
Trade and other payables (Note 19)	95,084	50,428
Revolving floorplan facilities (Note 20)	437,935	264,178
Current tax payable	10,460	4,906
Current lease obligations	3,238	1,398
Current indebtedness (Note 20)	5,045	2,866
	551,762	323,776
Long-term lease obligations	13	-
Long-term indebtedness (Note 20)	179,434	83,580
Deferred income tax	23,962	21,480
Non-controlling interests - liability (Note 14)	11,787	-
	766,958	428,836
EQUITY		
Attributable to AutoCanada shareholders	413,083	190,242
Attributable to Non-controlling interests (Notes 11 & 12)	31,486	-
	444,569	190,242
	1,211,527	619,078

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

AutoCanada Inc.

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

(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	-	-	38,890	38,890	2,062	40,952
Dividends declared on common shares (Note 23)	-	-	(15,640)	(15,640)	-	(15,640)
Non-controlling interests arising on business combinations (Notes 11 & 12)	-	-	-	-	30,059	30,059
Dividends declared by subsidiaries to non-controlling interests (Note 14)	-	-	-	-	(635)	(635)
Common shares issued (Note 23)	201,746	-	-	201,746	-	201,746
Treasury shares acquired (Note 23)	(2,751)	-	-	(2,751)	-	(2,751)
Shares settled from treasury (Note 23)	755	(760)	-	(5)	-	(5)
Share-based compensation	-	601	-	601	-	601
Balance, September 30, 2014	432,688	4,599	(24,204)	413,083	31,486	444,569

	Attributable to AutoCanada shareholders					
	Share capital	**Contributed surplus**	**Accumulated deficit**	**Total**	**Non-controlling interests**	**Total Equity**
	$	**$**	**$**	**$**	**$**	**$**
Balance, January 1, 2013	189,500	4,423	(69,423)	124,500	-	124,500
Net and comprehensive income	-	-	28,614	28,614	-	28,614
Dividends declared on common shares	-	-	(11,647)	(11,647)	-	(11,647)
Common shares issued	43,811	-	-	43,811	-	43,811
Treasury shares acquired	(557)	-	-	(557)	-	(557)
Shares settled from treasury	202	-	-	202	-	202
Share-based compensation	-	139	-	139	-	139
Balance, September 30, 2013	232,956	4,562	(52,456)	185,062	-	185,062

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

AutoCanada Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited)

(in thousands of Canadian dollars)

	Three month period ended September 30, 2014	Three month period ended September 30, 2013	Nine month period ended September 30, 2014	Nine month period ended September 30, 2013
Cash flows from operating activities:				
Net and comprehensive income	19,827	10,969	40,952	28,614
Deferred income taxes	72	4,505	(9,399)	(1,587)
Amortization of prepaid rent	113	113	339	339
Amortization of property and equipment (Note 8)	4,139	1,599	9,200	4,278
Loss (gain) on disposal of assets	1	27	(36)	34
Share-based compensation - equity-settled	269	135	601	139
Share-based compensation - cash-settled	(629)	616	1,217	1,605
Income from investments in associates (Note 13)	(359)	(555)	(3,490)	(1,405)
Gain on embedded derivative (Note 25)	(241)	-	(241)	-
Net change in non-cash working capital (Note 9)	(14,099)	(9,622)	(11,741)	(3,705)
	9,093	7,787	27,402	28,312
Cash flows from investing activities:				
Business acquisitions, net of cash acquired (Note 11)	(101,820)	(38,756)	(210,356)	(65,368)
Investments in associates (Note 13)	-	-	(43,900)	(7,057)
Dividends received from investments in associates	-	421	1,458	421
Combination of entities under common control (Note 12)	4,699	-	4,699	-
Purchases of property and equipment (Note 17)	(4,331)	(677)	(13,368)	(7,437)
Proceeds on sale of property and equipment	6	3,239	20	3,254
Reduction in restricted cash	-	10,000	-	10,000
	(101,446)	(25,773)	(261,447)	(66,187)
Cash flows from financing activities:				
Proceeds from long-term indebtedness	-	25,094	146,942	41,593
Repayment of long-term indebtedness	(119,472)	(146)	(202,033)	(31,900)
Common shares repurchased	(38)	-	(2,751)	(513)
Dividends paid	(5,858)	(4,291)	(15,640)	(11,647)
Dividends paid to non-controlling interests by subsidiaries (Note 14)	(635)	-	(635)	-
Proceeds from issuance of common shares (Note 23)	191,293	211	191,293	43,811
Proceeds from senior unsecured notes (Note 20)	-	-	146,315	-
	65,290	20,868	263,491	41,344
Increase (decrease) in cash	(27,063)	2,882	29,446	3,469
Cash and cash equivalents at beginning of period	91,622	35,058	35,113	34,471
Cash and cash equivalents at end of period	64,559	37,940	64,559	37,940

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

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 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*, and Canadian Generally Accepted Accounting Principles ("GAAP"), as issued by the Canadian Institute of Chartered Accountants. The condensed interim consolidated financial statements should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2013, 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, except for the revaluation of liabilities for cash-settled share based payment arrangements, embedded derivatives, and non-controlling interests that are liabilities which are measured at fair value.

These financial statements were approved by the Board of Directors on November 6, 2014.

3 Significant accounting policies

The significant accounting policies used in the preparation of these condensed consolidated interim financial statements are the same accounting policies and method of computation as disclosed in the consolidated annual financial statements for the year end December 31, 2013, except as described below:

Changes in accounting policies

The Company has adopted the following standards, 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 a January 1, 2014.

3 Significant accounting policies continued

New accounting policies

During the period ended September 30, 2014, the Company adopted the following accounting policies as a result of the combination of entities under common control described in Note 4:

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 have been consolidated on the date of acquisition, with prospective application.

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 receviable 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 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.

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, CanadaOne Auto Group ("CAG"), a company controlled by the CEO of the Company, completed a secondary offering of shares in AutoCanada held by CAG and its subsidiaries. As a result of the transaction, CAG 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 CEO.

4 Critical accounting estimates, judgments & measurement uncertainty continued

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

- The Company has the ability to control the decisionmaking 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.

Should the nature of the relationship and/or the relevant agreements between the CEO 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.

5 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 standard that is applicable to the Company is as follows:

- 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 IFRS 15 may have on the financial statements.

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

6 Revenue

	Three month period ended September 30, 2014 $	Three month period ended September 30, 2013 $	Nine month period ended September 30, 2014 $	Nine month period ended September 30, 2013 $
New vehicles	457,198	257,222	963,668	685,762
Used vehicles	158,779	85,975	346,773	225,744
Finance, insurance and other	39,002	22,532	86,518	62,693
Parts, service and collision repair	78,371	37,100	164,512	101,071
	733,350	402,829	1,561,471	1,075,270

7 Cost of sales

	Three month period ended September 30, 2014 $	Three month period ended September 30, 2013 $	Nine month period ended September 30, 2014 $	Nine month period ended September 30, 2013 $
New vehicles	421,487	236,528	886,319	628,252
Used vehicles	149,142	79,734	325,080	209,920
Finance, insurance and other	3,387	1,863	7,046	5,249
Parts, service and collision repair	39,429	16,986	81,605	48,138
	613,445	335,111	1,300,050	891,559

8 Operating expenses

	Three month period ended September 30, 2014 $	Three month period ended September 30, 2013 $	Nine month period ended September 30, 2014 $	Nine month period ended September 30, 2013 $
Employee costs	57,884	33,358	130,630	91,326
Administrative costs (1)	23,111	12,856	50,588	35,222
Facility lease costs	4,579	3,267	8,617	9,246
Amortization	4,139	1,599	9,200	4,278
	89,713	51,080	199,035	140,072

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

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

9 Finance costs and finance income

	Three month period ended September 30, 2014 $	Three month period ended September 30, 2013 $	Nine month period ended September 30, 2014 $	Nine month period ended September 30, 2013 $
Finance costs:				
Interest on long-term indebtedness	2,646	163	5,254	619
Gain on embedded derivative	(241)	-	(241)	-
Floorplan financing	3,003	1,903	7,115	5,466
Other interest expense	599	527	1,381	1,009
	6,007	2,593	13,509	7,094
Finance income:				
Short term bank deposits	(808)	(316)	(1,431)	(903)

Cash interest paid during the nine-month period ended September 30, 2014 was $13,417 (2013 - $6,719).

10 Taxation

Components of income tax expense are as follows:

	Three month period ended September 30, 2014 $	Three month period ended September 30, 2013 $	Nine month period ended September 30, 2014 $	Nine month period ended September 30, 2013 $
Current tax	947	(550)	19,954	11,594
Deferred tax	4,577	4,470	(7,072)	(1,389)
Income tax expense	5,524	3,920	12,882	10,205

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, 2014 was 25.8%. Due to the combination of entities under common control as discussed in Note 12, a future income tax recovery of $754 was recognized in the quarter, decreasing the overall effective tax rate for the nine month period to 23.9%.

11 Business acquisitions

During the nine month period ended September 30, 2014, the Company completed ten business acquisitions. All acquisitions have been accounted for using the acquisition method. Acquisitions completed during the period are as follows:

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 dealership and a MINI dealership, located in Montreal, Quebec, for 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/MINI franchise 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 dealership on a designated property in southeast Calgary. The purchase of the Hyatt Group complements the Company’s other 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.

11 Business acquisitions continued

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.

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 Mr. Pat Priestner, CEO of AutoCanada, being named Dealer Operator, personally holding a 15% equity interest and 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.

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

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

11 Business acquisitions continued

The business combinations completed during the nine month period ended September 30, 2014 are summarized as follows:

	BMW Canbec $	Dodge City $	Hyatt Group $	Tower Chrysler $	Lakewood Chevrolet $	Total $
Current assets						
Cash and cash equivalents	-	3	2	2	2,350	2,357
Trade and other receivables	6,715	512	693	120	2,187	10,227
Inventories	25,504	16,075	48,448	16,175	12,216	118,418
Other current assets	312	121	223	37	53	746
	32,531	16,711	49,366	16,334	16,806	131,748
Long term assets						
Property and equipment	4,096	6,489	1,439	2,344	18,115	32,483
Intangible assets	15,078	24,494	82,415	14,659	25,417	162,063
Other non-current assets	12	-	-	-	-	12
Total assets	51,717	47,694	133,220	33,337	60,338	326,306
Current liabilities						
Bank indebtedness	1,435	-	-	-	-	1,435
Trade and other payables	2,112	658	348	318	2,887	6,323
Revolving floorplan facility	22,092	13,313	44,569	14,095	11,460	105,529
	25,639	13,971	44,917	14,413	14,347	113,287
Long term liabilities						
Deferred tax liabilities	1,884	-	-	-	2,840	4,724
Non-controlling interests - liability	-	-	-	-	2,862	2,862
Total liabilities	27,523	13,971	44,917	14,413	20,049	120,873
Net assets acquired	24,194	33,723	88,303	18,924	40,289	205,433
Goodwill	2,806	506	3,086	1,514	2,249	10,161
Non-controlling interests	-	-	-	-	(3,738)	(3,738)
Total net assets attributable to AutoCanada shareholders	27,000	34,229	91,389	20,438	38,800	211,856

Acquisitions completed during the nine month period ended generated revenue and net earnings of $159,497 and $5,134, 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.

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

11 Business acquisitions continued

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 interests, 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 nine month period ended September 30, 2014:

Cash	210,356
Equity instruments (18,753 common shares)	1,500
Total consideration	211,856

12 Combination of entities under common control

Subsequent to the secondary offering completed on July 11, 2014, the Company has consolidated its investments in associates as a common control business combination using the predecessor values method (see Note 4 - *Common control business combination*).

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, resulting in goodwill including both the non-controlling interests' share and the parent's share of goodwill.

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

12 Combination of entities under common control continued

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	17,547
Inventories	82,454
Other current assets	700
	105,400
Long term assets	
Property and equipment	12,920
Intangible assets	72,481
Finance lease receivables	9,242
Goodwill	10,451
Other non-current assets	640
Total assets	211,134
Current liabilities	
Trade and other payables	11,032
Revolving floorplan facility	75,277
Due to related parties	4,448
	90,757
Long term liabilities	
Long-term indebtedness	9,823
Long-term lease obligations	15
Deferred tax liabilities	7,157
Non-controlling interests - liability	8,925
Total liabilities	116,677
Net assets acquired	94,457
Non-controlling interests	(26,321)
Total net assets acquired	68,136

Business combinations under common control during the nine month period ended September 30, 2014 generated revenue and net earnings of $141,418 and $3,958, respectively, since the time of acquisition.

13 Investments in associates

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 Mr. Patrick Priestner, the Company's Chief Executive Officer (the "CEO"). WBG was formed to acquire future General Motors of Canada ("GM Canada") franchised dealerships, whereby the CEO 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 acquired. 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 Alberta, Canada.

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

The dealership is subject to financial covenants as part of its borrowing arrangements that may restrict its ability to transfer funds to WBG if the payment of such funds resulted in a breach of covenants. McNaught is also subject to minimum working capital requirements imposed by GM Canada, which may restrict the dealership's ability to transfer funds to WBG if minimum working capital requirements are not met.

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 issused (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 Mr. Patrick Priestner, the Company's Chief Executive Officer (the "CEO"). PAH was formed to acquire future General Motors of Canada ("GM Canada") franchised dealerships, whereby the CEO 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 acquired. 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 Alberta, 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. The remaining 15% equity interest in the two dealerships is held by Mr. Robert Mann, our Dealer Partner at the two stores. As part of the agreement, there is an option to put the shares back to SMP and MNAS at any time following the 36 months from the acquisition date. To comply with GM Canada's approval, the CEO is required to have 100% voting control of PAH.

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

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

Carrying value of Investments in Associates

The following table summarizes the Company's consolidated carrying value of its investments in associates as at September 30, 2014:

	Dealer Holdings Ltd. $	Green Isle G Auto Holdings Inc. $	Prairie Auto Holdings Ltd. $	Waverley BG Holdings Inc. $	Total $
Balance, beginning of the period	5,361	7,770	-	-	13,131
Investments in PAH and WBG	-	-	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	(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:

	Dealer Holdings Ltd. $	Green Isle G Auto Holdings Inc. $	Total $
Balance, beginning of the period	4,730	-	4,730
Investment in Green Isle	-	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

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

14 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 of 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 $
Waverly BG Holdings Inc.	Winnipeg, MB	20%	100%	-
Green Isle G Auto Holdings Inc.	Duncan, BC	20%	100%	70
Prairie Auto Holdings Ltd.	Saskatoon, SK	30%	100%	-
Dealer Holdings Ltd.	Sherwood Park, AB	69%	100%	565
Lakewood Dealer Holdings Ltd.	Edmonton, AB	25%	100%	-

Certain subsidiaries also have put options whereby the non-controlling shareholder is able to put their shares back to the Company. These non-controlling interests are recognized as a liability and measured at their fair value on the statement of financial position as $11,787 (2013 - $0).

15 Trade and other receivables

	September 30, 2014 $	December 31, 2013 $
Trade receivables	109,927	55,724
Less: Allowance for doubtful accounts	(776)	(518)
Net trade receivables	109,151	55,206
Other receivables	5,923	2,565
Trade and other receivables	115,074	57,771

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

16 Inventories

	September 30, 2014 $	December 31, 2013 $
New vehicles	351,580	224,350
Demonstrator vehicles	21,629	9,375
Used vehicles	76,993	33,454
Parts and accessories	21,462	10,912
	471,664	278,091

During the three month period ended September 30, 2014, $610,058 of inventory (2013 - $333,248) was expensed as cost of goods sold which included a net write-down on used vehicle inventory allowances of $378 (2013 - $29 recovery). During the three month period ended September 30, 2014, $938 of demonstrator expense (2013 - $333) was included in selling, general, and administration expense. During the three month period ended September 30, 2014, demonstrator reserves increased by $1,221 (2013 - $90 decrease).

During the nine month period ended September 30, 2014, $1,293,003 of inventory (2013 - $886,310) was expensed as cost of goods sold which included a net write-down on used vehicle inventory allowances of $360 (2013 - $306). During the nine month period ended September 30, 2014, $1,609 of demonstrator expense (2013 - $996) was included in administrative costs. During the nine month period ended September 30, 2014, demonstrator reserves increased by $1,952 (2013 - $394). As at September 30, 2014, the Company had recorded reserves for inventory write downs of $4,321 (2013 - $1,821).

17 Property and equipment

During the nine month period ended September 30, 2014, the Company purchased $13,368 of fixed assets, which included two pieces of land and two buildings at a cost of $7,444 to be used for future dealership operations. In conjunction with the acquisitions completed during the nine months ended September 30, 2014 (Note 11), the Company acquired $32,483 of additional property and equipment. As a result of the business combination under common control completed effective July 11, 2014 (Note 12), the Company recorded $12,920 of additional property and equipment.

18 Intangible assets and goodwill

During the nine month period ended September 30, 2014, in conjunction with the ten dealership acquisitions completed, the Company recorded intangible assets of $162,063 and goodwill of $10,161 (see Note 11). In conjunction with the business combination under common control completed on July 11, 2014, the Company recorded intangible assets of $72,481 and goodwill of $10,451 (see Note 12). The intangible assets consist of rights under franchise agreements with the various manufacturers. Included in the goodwill of BMW Canbec is $1,884 and Lakewood Chevrolet is $1,049 that is not deductible for tax purposes arising from deferred tax liabilities for taxable temporary differences.

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

19 Trade and other payables

	September 30, 2014 $	December 31, 2013 $
Trade payables	46,838	26,508
Accruals and provisions	11,568	7,008
Sales tax payable	7,162	1,354
Wages and withholding taxes payable	29,516	15,558
	95,084	50,428

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

	Finance and insurance (a) $	Other $	Total $
December 31, 2013	1,548	967	2,515
Provisions arising during the year	1,078	165	1,243
Amounts expired or disbursed	(750)	(767)	(1,517)
September 30, 2014	1,876	365	2,241

(a) Represents an estimated chargeback reserve provided by the Company's insurance provider.

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

20 Indebtedness

	September 30, 2014 $	December 31, 2013 $
Current portion of indebtedness	5,045	2,866
Revolving floorplan facility - Scotiabank and CIBC (i)	301,405	248,328
Revolving floorplan facilities - VCCI	17,162	15,849
Revolving floorplan facility - BMW Financial (ii)	35,338	-
Revolving floorplan facilities - RBC (iii)	69,953	-
Revolving floorplan facility - Scotiabank (iv)	14,077	-
	442,980	267,043
Non-current indebtedness		
Senior unsecured notes (v)		
5.625% Notes due May 25, 2021	149,739	-
Embedded derivative	21	-
Unamortized deferred financing costs	(3,555)	-
	146,205	-
HSBC revolving term facility (vi)		
HSBC revolving term facility	19,325	40,124
Unamortized deferred financing costs	(1,349)	(344)
	17,976	39,780
Other long-term debt:		
HSBC non-revolving fixed term loan	-	2,764
HSBC non-revolving term facility (vi)	-	35,251
Lease financing (vii)	6,683	-
Servus mortgage	5,614	5,785
VCCI mortgage (viii)	1,051	-
Other long-term debt	1,905	-
	179,434	83,580
Total indebtedness	622,414	350,623

20 Indebtedness continued

Terms and conditions of outstanding loans were as follows:

i On April 23, 2014, the Company announced that it had increased its existing syndicated floorplan credit facility (the "Facility") with The Bank of Nova Scotia ("Scotiabank") and the Canadian Imperial Bank of Commerce ("CIBC"), with Scotiabank serving as administrative agent to the Facility, by $200,000. Total 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% (2.37% as at September 30, 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 On June 2, 2014, in conjunction with the purchase of BMW Canbec, the Company signed an Inventory Financing and Security Agreement (the "BMW Facility") 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 Facility has a current advance limit of $40,700. The BMW Facility bears a variable interest rate of prime minus 0.40% per 360-day annum (2.60% at September 30, 2014). The BMW Facility is collateralized by the dealerships' movable and immovable property. The agreement requires the Company to maintain a certain working capital ratio.

iii 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 five of the Company’s General Motors dealerships (the “RBC Facilities”). The RBC Facilities bear interest rates of RBC’s Cost of Funds Rate (1.889% as at September 30, 2014) plus 0.0-1.35% and provide a maximum amount of financing of $98,760. 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.

iv 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 September 30, 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 GM dealerships financed by Scotiabank.

v On May 22, 2014, the Company announced that it 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 to 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

20 Indebtedness continued

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.

vi On May 22, 2014, the Company amended the existing 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 the following:

- 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. As at September 30, 2014, the Company is in the first of five tiers of the pricing grid, with the first tier providing interest rates of HSBC's prime rate plus 2.00% (5.00% at September 30, 2014). Amounts drawn under the Credit Agreement as at September 30, 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, and the Company, the collateral for the Credit Agreement excludes all new, used and demonstrator inventory financed with the Scotiabank, VCCI, and BMW Financial revolving floorplan facilities.

vii 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 (1.889% at September 30, 2014) and provide a maximum amount of financing of $11,000 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.

viii VW Credit Canada Inc. ("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 September 30, 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 September 30, 2014, the carrying amount of the property was $1,792.

21 Commitments and Contingencies

The Company has a $14,680 capital commitment related to the relocation of one of its dealerships. Expected completion of the construction contract is June 1, 2015.

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

22 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, 2014 Number of RSUs	September 30, 2013 Number of RSUs
Outstanding, beginning of the period	107,680	92,710
Settled - equity	(26,222)	(21,285)
Settled - cash	(22,026)	(14,190)
Granted	23,823	47,608
Dividends reinvested	1,014	2,314
Outstanding, end of the period	84,269	107,157

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.

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

22 Share-based payments continued

The following table shows the change in the number of DSUs for the nine-month periods ended:

	September 30, 2014 Number of DSUs	**September 30, 2013 Number of DSUs**
Outstanding, beginning of the period	12,184	3,435
Granted	3,753	7,194
Dividends reinvested	152	193
Outstanding, end of the period	16,089	10,822

23 Share capital

The Company issued 205,000 common shares on March 10, 2014 in conjunction with the acquisition of Prairie Auto Holdings Ltd. The shares were issued at a deemed price of $44.26 per share, resulting in an addition of $9,073 to share capital.

The Company issued 18,753 common shares on July 1, 2014 as consideration for the purchase of the exclusive right to build and operate a Nissan motor vehicle dealership on a designated property in southeast Calgary, Alberta. The shares were issued at a deemed price of $79.99 per share, resulting in an addition of $1,500 to share capital.

On July 11, 2014, the Company issued 2,565,000 shares as part of a public offering of shares. The shares were issued for gross proceeds of $200,070 ($78 per share) and related transactions costs amounted to $8,777 for net proceeds of $191,293.

Restricted Share Unit Trust

In June 2012, the Company established a trust ("Trust") to offset the risk of future share price increases from the time the Restricted Share Units ("RSU") and Deferred Share Units ("DSU") (see Note 22) 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 nine month period ended September 30, 2014 on the shares held in trust of $64 have been 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 September 30, 2014. As the Company controls the Trust, it has consolidated the Trust in its financial statements.

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

23 Share capital continued

The following table shows the change in share capital from January 1, 2014 to September 30, 2014:

	September 30, 2014 Number	September 30, 2014 Amount $
Outstanding, beginning of the period	21,638,089	232,938
Common shares issued	2,788,753	201,746
Treasury shares acquired	(41,833)	(2,687)
Dividends reinvested	(977)	(64)
Treasury shares settled	26,221	755
Outstanding, end of the period	24,410,253	432,688

As at September 30, 2014, 99,430 common shares were held in trust for the Restricted Share Unit Plan and Deferred Share Unit Plan, resulting in a total of 24,509,683 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 nine month period ended September 30, 2014, eligible dividends totaling $0.69 per common share were declared and have been paid. On November 6, 2014, 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 December 15, 2014 to shareholders of record at the close of business on November 28, 2014.

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, 2014 $	Three month period ended September 30, 2013 $	Nine month period ended September 30, 2014 $	Nine month period ended September 30, 2013 $
Earnings attributable to common shares	17,765	10,969	38,890	28,614

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

23 Share capital continued

Earnings per share continued

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

	Three month period ended September 30, 2014	Three month period ended September 30, 2013	Nine month period ended September 30, 2014	Nine month period ended September 30 2013
Weighted-average number of shares outstanding	24,103,670	21,638,882	22,549,631	20,606,391

24 Related party transactions

Transactions with Companies Controlled by the CEO of AutoCanada

During the period ended September 30, 2014, the Company had financial transactions with entities controlled by the Company's Chairman and CEO. Mr. Priestner is the controlling shareholder of Canada One Auto Group ("CAG") and its subsidiaries, which beneficially own approximately 9.6% of the Company's shares. In addition to CAG, 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 Rent paid to companies with common directors

During the nine month period ended September 30, 2014, total rent paid to companies controlled by Mr. Priestner amounted to $2,140 (2013 - $7,065). The Company currently leases two of its facilities from affiliates of CAG. 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 CAG properties were at fair market value rates when the leases were entered into.

b Administrative support fees

During the nine month period ended September 30, 2014, total administrative support fees received from companies controlled by Mr. Priestner amount to $787 (2013 - $575).

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

25 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.

The following table summarizes the net increase in cash due to changes in non-cash working capital for the three and nine month periods ended September 30, 2014 and September 30, 2013:

	Three month period ended September 30, 2014 $	Three month period ended September 30, 2013 $	Nine month period ended September 30, 2014 $	Nine month period ended September 30, 2013 $
Trade and other receivables	(8,950)	8,607	(29,529)	(11,310)
Inventories	(19,114)	24,774	3,303	1,294
Prepaid expenses	(1,899)	632	(4,271)	(569)
Finance lease receivables	(2,578)	-	(2,578)	-
Trade and other payables	12,803	2,927	22,233	13,160
Income taxes payable	(2,758)	(2,175)	4,312	3,043
Lease vehicle repurchase obligations	(123)	(60)	1,838	351
Revolving floorplan facilities	8,520	(44,327)	(7,049)	(9,674)
	(14,099)	(9,622)	(11,741)	(3,705)

26 Seasonal nature of the business

The Company’s results from operations for the period ended September 30, 2014 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.

27 Fair value of financial instruments

The Company's financial instruments at September 30, 2014 are represented by cash and cash equivalents, trade and other receivables, trade and other payables, revolving floorplan facilities, lease obligations, long-term debt and non-controlling interest liability. The fair values of cash and cash equivalents, trade and other receivables, trade and other payables and revolving floorplan facilities approximate their carrying values due to their short-term nature. Although most of the long-term indebtedness has a carrying value that approximates the fair value due to the floating rate nature of the debt, 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 and non-controlling interest liability are remeasured at fair value each reporting period with the gain or loss being recognized through profit or loss. The derivatives are classified as Level 2 fair value measurement in the fair value hierarchy.

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

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

28 Subsequent events

Toronto Dodge

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

	Total **$**
Current assets	
Trade and other receivables	30
Inventories	2,031
Other current assets	67
	2,128
Long term assets	
Property and equipment	148
Intangible assets	1,500
Total assets	3,776
Current liabilities	
Trade and other payables	42
Revolving floorplan facility	1,867
	1,909
Long term liabilities	
Total liabilities	1,909
Net assets acquired	1,867
Goodwill	292
Total net assets acquired	2,159

The purchase price allocated, as presented above, is an estimate and subject to change due to finalization of the associated allocations.

28 Subsequent events continued

Purchase of BMW Laval and MINI Laval

On November 5, 2014, the Company announced that it has obtained approval from BMW Canada Inc. to purchase an 85% interest in the assets (including land and building) of Auto Boulevard St. Martin Inc. ("Auto Boulevard") which owns and operates BMW Laval and MINI Laval, two dealerships located in Laval, Quebec. The expected closing date for the transaction is November 27, 2014. As part of the transaction, the Company will be entering into an agreement with Mr. Carmine D'Argenio, the current majority owner of Auto Boulevard, whereby Mr. D'Argenio will retain the remaining ownership interest in the two Laval dealerships as well as acquire a 15% ownership interest in BMW Canbec and MINI Mont Royal from the Company as part of the transaction. Mr. D'Argenio shall oversee operations at these four premier dealerships.