AutoCanada

2016 ANNUAL REPORT

WHAT'S INSIDE


100
40
160
60
40

AUTOCANADA
(TSX:ACQ)

AutoCanada is Canada's largest, and only publicly-listed, multi-location automobile dealership group, currently operating 56 dealerships, comprised of 64 franchises, which represent 19 brands, in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick and Nova Scotia. Our dealerships generate revenue from the following four inter-related business operations:

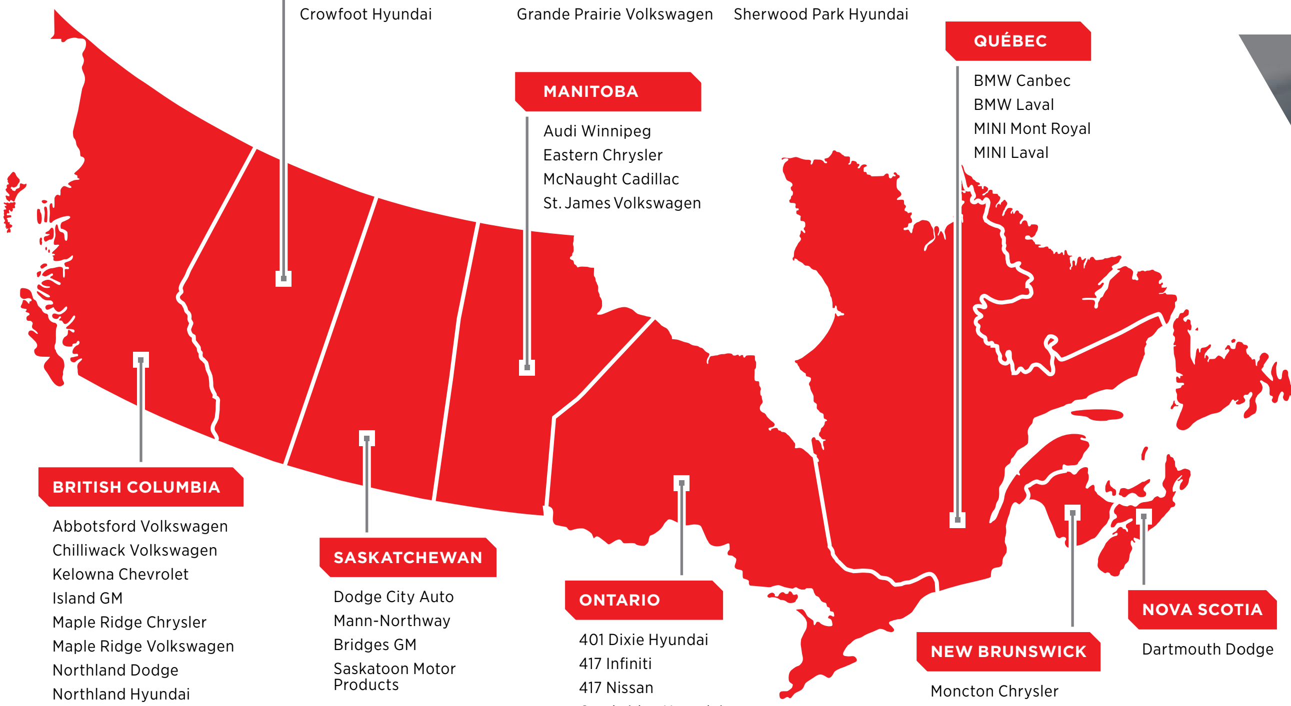
- ***New vehicle sales;***
- ***Used vehicle sales;***
- ***Parts, service & collision repair; and***
- ***Finance and insurance.***

Our current multi-location automobile dealership model enables us to serve a diversified geographic customer base and enjoy benefits not available to single location dealerships.

WHERE WE OPERATE

ALBERTA

Airdrie Dodge
Calgary Hyundai
Capital Jeep Dodge
Courtesy Chrysler
Courtesy Mitsubishi
Crosstown Auto Centre
Crowfoot Hyundai
Fish Creek Nissan
Grande Prairie Chrysler
Grande Prairie Hyundai
Grande Prairie Mitsubishi
Grande Prairie Nissan
Grande Prairie Subaru
Grande Prairie Volkswagen
Grove Dodge
Hyatt Infiniti
Lakewood Chevrolet
North Edmonton Kia
Northland Volkswagen
Ponoka Chrysler
Sherwood Park Hyundai
Sherwood Buick GMC
Sherwood Park Chevrolet
Sherwood Park Volkswagen
Tower Chrysler



QUÉBEC

BMW Canbec
BMW Laval
MINI Mont Royal
MINI Laval

MANITOBA

Audi Winnipeg
Eastern Chrysler
McNaught Cadillac
St. James Volkswagen

BRITISH COLUMBIA

Abbotsford Volkswagen
Chilliwack Volkswagen
Kelowna Chevrolet
Island GM
Maple Ridge Chrysler
Maple Ridge Volkswagen
Northland Dodge
Northland Hyundai
Northland Nissan
Okanagan Dodge
Victoria Hyundai

SASKATCHEWAN

Dodge City Auto
Mann-Northway
Bridges GM
Saskatoon Motor Products

ONTARIO

401 Dixie Hyundai
417 Infiniti
417 Nissan
Cambridge Hyundai
Guelph Hyundai
Hunt Club Nissan
Toronto Chrysler
Wellington Motors

NEW BRUNSWICK

Moncton Chrysler

NOVA SCOTIA

Dartmouth Dodge

WHERE WE'RE LOCATED

British Columbia › 11
Abbotsford
Chilliwack
Duncan
Kelowna
Maple Ridge
Prince George
Victoria

Alberta › 26
Airdrie
Calgary
Edmonton
Grande Prairie
Ponoka
Sherwood Park
Spruce Grove

Saskatchewan › 4
North Battleford
Prince Albert
Saskatoon

Manitoba › 4
Winnipeg

Ontario › 8
Cambridge
Guelph
Mississauga
Ottawa
Toronto

Quebec › 4
Laval
Montreal

New Brunswick › 1
Moncton

Nova Scotia › 1
Dartmouth

2016 NUMBERS

DEALERSHIPS
55

FRANCHISES
63

ADJUSTED EPS
$1.46

EMPLOYEES
3,879

UNITS SOLD (000s)
59,593

EBITDA (000s)
$94,486

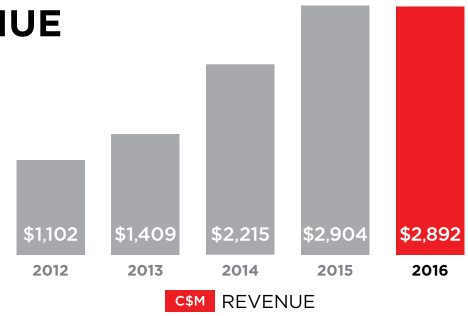
FREE CASH FLOW (000s)
$96,220

GROSS PROFIT (000s)
$486,133

REVENUE (000s)
$2,891,581

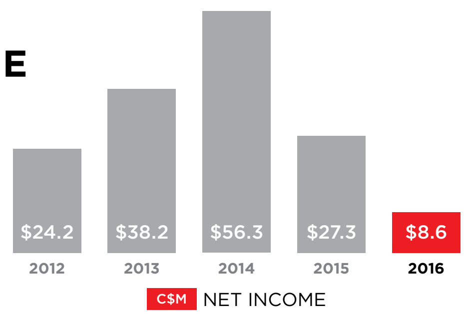
2016 HIGHLIGHTS

REVENUE

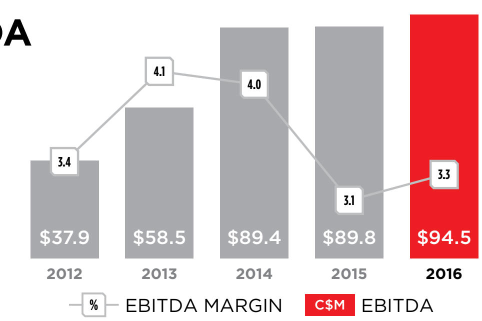


GROSS PROFIT

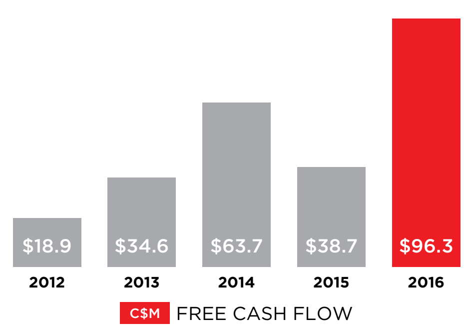
NET INCOME



EBITDA



FREE CASH FLOW



STRATEGY

We seek to create long-term value for our shareholders by maintaining operational excellence, continuously managing costs, and capturing market share through accretive acquisitions. To achieve these objectives, we have committed to a three part strategy for our business comprising of operational excellence, cost control, and acquisitions and growth, as described below.

OPERATIONAL EXCELLENCE

IMPLEMENTING STRATEGIC PROCESSES & BEST PRACTICES

AutoCanada is dedicated to providing the highest level of customer service at our dealerships. We recognize that doing so means meeting the needs of a discerning and increasingly informed automotive consumer. From the beginning, job number one at AutoCanada has been to establish lasting relationships with customers that result in repeat business, additional business for our other service offerings and referrals to friends and families. We pride ourselves on encouraging our dealerships to engage in friendly follow-ups to develop long-term relationships, and train sales staff to meet customer needs. We continually evaluate opportunities, and implement new technologies to improve the buying experience for our customers. We also believe that our ability to share best practices across our national platform gives us an advantage over smaller independent dealerships. In 2016 our commitment to excellence was demonstrated by focus on providing our dealerships with greater:

1. **Awareness of trends and changes in consumer purchasing patterns**
2. **Focus on digital marketing strategies**
3. **Ability to capture and use sales data locally**
4. **Sales process technology**

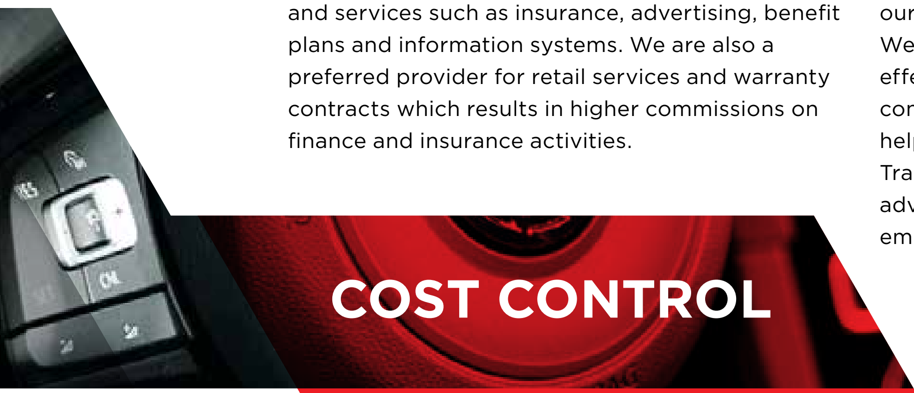
New vehicle and used vehicles sales are critical to drawing new and returning customers to our dealerships. However, parts, service and collision repair along with financing and insurance sales historically deliver higher profit margins and account for a significant portion of our gross profit. In order to maximize the growth of these higher margin businesses, management teams at both the Dealer Support Services (DSS), and dealership levels focus on increasing the use of these services and expanding the scope and accessibility of our offerings to customers. Through the implementation of best practices, the continuous refinement, training technology solutions, our DSS team leverages successes across our entire dealership network. We believe our parts, service and collision business provides us with a significant opportunity for future revenue growth by fostering ongoing relationships and improving customer loyalty especially with the growing technical complexity of new vehicles and the increasing number of vehicles on the road.

ECONOMIES OF SCALE

We take advantage of our scale to reduce costs related to purchasing certain equipment, supplies, and services such as insurance, advertising, benefit plans and information systems. We are also a preferred provider for retail services and warranty contracts which results in higher commissions on finance and insurance activities.

ATTRACTING & EMPLOYING TALENTED INDIVIDUALS

We believe our employees are the foundation of our business and crucial to our future success. We strive to ensure compensation packages are effective and competitive within the industry and continuously research new retention initiatives to help attract and retain high quality employees. Training programs, supportive peer groups, and advancement opportunities are developed for employees to prepare them for future growth.



COST CONTROL

MANAGING VARIABLE OPERATING EXPENSES

We leverage our size to generate competitive operating margins by centralizing and streamlining various back-office functions without adversely impacting sales. We are able to improve financial controls and lower servicing costs by maintaining many dealership accounting and administrative activities in our central Edmonton, Alberta location. We are continually evaluating our expenses and cost structures at our dealerships and believe we are well positioned to improve on these functions in the future by:

1. Continuing to centralize functional tasks such as financial & information processing systems;
2. Deploying information technology and best practices across our dealership network;
3. Negotiating and evaluating supplier contracts with vendors on a national basis; and
4. Maintaining a performance-based compensation structure

MAINTAIN WORKING CAPITAL AND ADEQUATE CASH FLOW

We prudently analyze our cash flow to ensure we meet working capital requirements contracted by our manufacturer partners, while capitalizing on areas of profitability, capital expenditures and investments. As our business grows in 2017 and beyond, we intend to manage our costs carefully and to look for opportunities to further improve our operating efficiencies.

ACQUISITIONS & GROWTH

We believe our financial position, cost of capital relative to domestic competitors, centralized shared services, information technology systems, management structure, and experience, position us to effectively complete, integrate, and benefit from small or large dealership group acquisitions. We evaluate dealership acquisition opportunities based on their ability to:

1. **Expand into geographic areas we don't currently serve;**
2. **Grow our brand representation, product, and service offerings in our existing markets;**
3. **Raise the quality and experience of key personnel; and/or**
4. **Increase operating efficiency and cost savings in areas such as used vehicle sourcing, advertising, purchasing, data processing, personnel utilization, and floorplan financing.**

We also evaluate the financial and operating results of our dealerships, as well as each dealership's geographical location and, based on various financial and strategic rationales, may dispose of dealerships to refine or strengthen our overall portfolio.

ORGANIC GROWTH:

We continually focus on areas of our business that increase same store gross profits by controlling expenses and expanding margins. Based on our currently contemplated capital projects we anticipate spending of approximately $145 million before 2020. Our capital plan includes spending on dealership relocations, expansions and Open Point opportunities.

- **Relocations to provide long-term earnings sustainability and significant improvements in overall profitability;**
- **Expansions of current dealerships to meet the floor space needs of a growing location.**

AutoCanada is currently the holder of rights to two Open Point dealerships in Canada:

1. **Nissan dealership in Calgary; and**
2. **Nissan dealership in Ottawa**

Management regularly reviews Open Point opportunities; if successful in having them awarded, additional costs may arise to construct suitable facilities for the Open Points. We are committed to closely monitoring our capital plans and making the appropriate adjustments based on company performance, manufacturer requirements and the needs of our individual dealerships.

ACQUISITIONS

AutoCanada is a publically traded growth company in a fragmented largely private industry that is positioned for significant consolidation. We are well positioned to partner with private dealer groups to offer an attractive solution to their succession planning, and automobile manufacturers who are looking for a well-capitalized and trusted partner to help grow their dealership network in Canada.

Our growth depends in large part on the ability to acquire additional franchised automobile dealerships, manage expansion, control costs and integrate acquired franchised automobile dealerships. The multiple we will pay depends on our assessment of the existing business; our belief in the ability to grow the business, the long-term sustainability of the business, and our assessment of existing risk factors.

We continue to seek opportunities in Quebec, Ontario, and British Columbia in an effort to further diversify our flagship dealership base in large metropolitan centres. This strategy was demonstrated by the acquisitions of two dealerships in Guelph Ontario during 2016. We have excellent relationships with our manufacturer partners and believe we can build upon our current brand portfolios and gain the acceptance of other new manufacturers over time.

GUELPH HYUNDAI

Constructed in 2014, this new facility was the first Hyundai dealership in Canada to reflect the new Global Dealership Space Identity of Hyundai.

FACILITY
30,000ft²

SERVICE BAYS
14 TOTAL

SHOWROOM
14 VEHICLES

RETAIL UNITS
846

REPAIR ORDERS
10,880

2015 ANNUAL REVENUE (000s)
$31,000

WELLINGTON MOTORS

Wellington motors recently celebrated its 75th anniversary
as a flagship Chrysler Dodge Jeep Ram Fiat dealership.

FACILITY
41,000ft²

SERVICE BAYS
16 TOTAL

SHOWROOM
12 VEHICLES

RETAIL UNITS
1,370

REPAIR ORDERS
20,794

2015 ANNUAL REVENUE (000s)
$61,000

LETTER FROM THE CHAIR

PAT PRIESTNER

Dear Shareholder,

The last ten years have been an extraordinary period of growth for our company. When we introduced AutoCanada as an Income Fund in 2006, we set out to create the first publicly traded, multi-location, franchised auto dealership group in Canada. Our vision was to create value for our shareholders by delivering economies of scale by leveraging cost and revenue synergies. We also recognized that by running a centralized operation we could provide informed market specific responses to sales, service, marketing and inventory needs to our dealerships and franchises. AutoCanada is able to benchmark the success of our dealership operations against each other, by sharing market information amongst our dealerships, quickly identify changes in consumer buying patterns; and implementing innovative ideas quickly to take advantage of those trends.

Since that time we have grown AutoCanada into Canada's largest and only publicly-listed, multi-location automobile dealership group, with 56 dealerships, comprised of 64 franchises, in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick and Nova Scotia. Given our size, we also had the great fortune of attracting and retaining the most highly skilled and experienced employees both at the dealership level and at our head office. It is because of them that we have developed into the company we are today.

While 2016 was another tough year, we continued to focus on managing our business while never losing sight of the reason we founded AutoCanada; to be a trusted and respected partner to manufacturers, our loyal customers, and to create meaningful value for our shareholders. As a Board, we have undertaken a number of important measures to ensure that AutoCanada is well positioned for future success as the economic conditions in key markets begin to improve.

Firstly, and most importantly, we appointed Steven Landry as CEO to lead the Company into our next phase of growth. Steven brings a wealth of industry experience and knowledge as well as a strong vision to the executive team and Board. As a Board, we are very pleased with Steven's leadership this year and are confident he will successfully drive AutoCanada forward.

Secondly, we have continued to stress the importance of discipline and managing the "fine details" as they are the hallmarks of selling cars. Making wise decisions means maintaining a strong balance sheet while weighing the opportunity for new growth. Earlier this year, with a robust pipeline of potential acquisitions in front of us, the Board made the tough decision to reduce

our dividend to allow us to redeploy capital into the opportunities in front of us. Providing a meaningful yield to shareholders has always been a key priority, and we believe this decision balances the need to provide income as well as responsibly invest in new opportunities.

Lastly, I believe a fresh perspective and diverse set of skills will enable AutoCanada to move forward even more aggressively. So, it is with no small amount of sadness I will be stepping down as Chairman of this great company in May. I am grateful to have had the opportunity to be a part of this exciting organization, and to have worked with such a talented team. Together our Board, management team and employees have built an extraordinary organization. It has been their dedication and perseverance that has made this possible and it fills me with tremendous pride that AutoCanada is a strong company and ready to lead.

I would again like to thank all who have supported us through the years; our shareholders and bondholders, the Board of Directors for their guidance and support; the executive management team for their tireless efforts and our employees. Because without them, we would not be here today, and of course our customers who put their trust in us every day. I have every confidence that AutoCanada will continue to deliver to exceed expectations.

Sincerely,

Pat Priestner
Founder & Chair, Board of Directors

> *"We have grown AutoCanada into Canada's largest and only publicly-listed, multi-location automobile dealership group"*

LETTER FROM THE PRESIDENT & CEO

STEVEN LANDRY

In April 2016, I assumed the position of Chief Executive Officer of our company, AutoCanada, Canada's largest, and only publicly-traded, automobile dealership group. We proudly operate 56 dealerships, comprised of 64 franchises which represent 19 individual brands, comprising 2.1% of the overall Canadian new vehicle market. Our current multi-location model enables us to serve a diversified customer base and enjoy benefits not available to single location dealerships. As such, in 2016, our locations sold over 59 thousand new and used vehicles accounting for a 125% increase over our sales five years ago in 2011. We also increased free cash flow to $96 million or 149% in 2016 from the $39 million delivered during the prior year. The increase was due to improvements in working capital management, measured usage of floorplan facilities to finance inventory, inventory management, and a tax refund in the third quarter.

Reflecting on the events of 2016, it is clear that it was one of both challenges and opportunities. Our core markets in Alberta, Saskatchewan, and Northern British Columbia, where nearly 60% of our dealerships are located, and 56% of our total gross profits are generated, continued to experience a downturned energy economy, rising unemployment, and market uncertainty. The combination of these factors played a significant role in our performance and may continue to be an influencing element in 2017. However, despite a fiscal year that may be remembered more for its challenges than successes, AutoCanada increased used vehicle gross profit by 16.2% over 2015, and delivered almost $2.9 billion in revenue and $486 million in gross profit, which were essentially flat year over year.

While the economies in our core markets struggled, there are areas in our business where we can improve. Although we made positive strides, operating expenditures still represented 82.4% of our gross profit in 2016. Our goal is to reduce this to below 80%.

During the past 12 months, we have made some noteworthy changes at AutoCanada. First, we have implemented a centralized purchasing and shared resources strategy to reduce costs for individual dealerships on everything from payroll to tires. By leveraging our size and geographic diversity, we are in a unique position to realize opportunities across our entire network.

Secondly, we have developed a new strategy for our sales operations and marketing teams. Our new structure realigns dealership support into three distinct brand team platforms that are better positioned to meet the needs of individual dealers and OEMs. We introduced the new structure in early 2017, and so far the feedback from dealers has been overwhelmingly positive. By reducing the dealer oversight ratio, we have improved communications allowing us to identify challenges sooner and implement solutions faster. I am confident that this structure is better aligned with our current size and helps us to integrate new acquisitions more efficiently.

Third, we expanded our business planning processes and refined goals related to expense control and meeting vehicle delivery targets. We created a dealer council to discuss industry trends and decisions. By providing a forum to generate feedback and address questions from our exceptional dealer staff, we can better leverage successes across our entire network.

Finally, we took a meticulous look at our capital budget. Looking to 2021 we have established a budget of $145.3 million which will position us to grow while providing customers with the positive experience they have come to expect when purchasing a vehicle from one of our stores. The major focus for the company over the next five years will be allocating capital to constructing new Open Point locations; implementing dealership relocations; and providing maintenance capital to ensure our stores are kept up to date for our customers.

ACQUISITIONS

Our efforts to diversify sales across other provinces is picking up steam. During 2016, we acquired two new stores in Guelph, increasing our store count in Ontario to eight. The additions of Wellington Motors and Guelph Hyundai are excellent examples of our acquisition strategy in action on a number of fronts.

First, the acquisition of multiple dealerships, or clusters, in a single market provides greater overall geographic diversification, adds flagship metropolitan locations, and provides scale opportunities. Wellington Motors is an established FCA operation with over 75 years of history, and Guelph Hyundai, constructed in 2014, was the first Hyundai dealership in Canada to reflect the new Global Dealership Space Identity of Hyundai. In 2015 these two stores combined retailed 1,641 new and 575 used vehicles, with annual revenues of approximately $92 million. We look forward to their continued success and to the contributions they will provide in 2017.

OPEN POINTS

The retail automotive industry is mature, and rights to open new franchised dealerships are rarely awarded. Generally, a new franchised dealership is fully performing within one to three years, depending on the manufacturer and location. In February of 2017, AutoCanada opened its new Sherwood Park Volkswagen dealership. Originally awarded to us in 2014, the site is comprised of a 45,000 square foot facility designed to Volkswagen Canada image standards. We are excited by the opportunity this dealership provides us, and within two to three years, we estimate its potential at approximately 800 new vehicles annually.

Also, we have been awarded two Open Point Opportunities; one which will begin construction, and one that will open for business within the year. These opportunities include opening a new Nissan franchise in southwest Ottawa and constructing a Nissan location in Calgary, Alberta.

FOCUS FOR 2017

While we have come a long way since our inception, we still have enormous opportunity to grow. In 2017 our team will focus on:

- **Refining and improving store integration**
- **Evaluating how to better invest in data integration & information technologies**
- **Improving marketing efforts**
- **Cultivating dealer accountability**
- **Strengthening internal audit processes**

We are continuously working to maintain the relationships with our established manufacturing partners as well as making new inroads with those that we have not represented to date. As a company, we deliver value to automobile manufacturers to grow their markets for new vehicles and provide exceptional buying experiences to our shared customers. We're a transparent and credit worthy partner that can reduce the burden of dealing with multiple small independent dealers. This public dealership model works in numerous countries around the world, and I am committed in 2017 to establishing relationships that will lead to expanding our brand mix.

3 STRATEGIC LEVERS

We've seen significant changes to the senior leadership team at AutoCanada over the past nine months. Most notably, we witnessed the decision by our founder Pat Priestner, to step down from the board in May 2017; the retirement of Steve Rose as our Chief Operating Officer in October 2016; my appointment as CEO in April 2016; and Tom Orysiuk's departure as President in March 2017. Leadership changes, no matter how well executed and communicated, can be a source of concern for employees and investors. While it is true that the make-up of the executive group looks different today, I want to assure you that our strategy remains focused. Moving forward, our executive team is concentrating on these three strategic levers:

1. **Operational Excellence – delivering exceptional customer service, and continuously improving, and maximizing efficiency at our dealerships**
2. **Cost Control – Aggressively managing our fixed and variable costs throughout the company, and ensuring we are running our business efficiently and responsibly**
3. **Acquisitions and Growth - Approaching new acquisitions and implementing our growth strategy to ensure we are allocating capital where it has the highest rate of return**

OUR FOCUS ON GROWTH

The Canadian auto industry is poised for consolidation. Currently, the Canadian dealer market is fragmented, with approximately 3,300 dealerships owned by roughly 2,000 owners. AutoCanada is well positioned to capitalize on an industry that is poised for consolidation, by providing an attractive solution to privately-owned dealerships looking for a partner to aid with their succession plans. During and after the acquisition process, we work to serve their customers, care for their employees, and grow the business. We are motivated to expand our geographic reach to limit our exposure to any one regional economic zone as well as to grow to better reflect the national brand mix. With that in mind, we are actively pursuing import, luxury, and domestic flagship store acquisitions in large metropolitan centres with a focus on Quebec, Ontario and British Columbia. By virtue of being public, our largest advantage in sales processes is our access to capital. In order to make these acquisitions accretive to our shareholders, we are committed to only paying competitive multiples, and thus bypassing some opportunities. We plan to finance new growth through a prudent combination of free cash flow, equity, and debt.

We continue to remain steadfast and enthusiastic in growing AutoCanada in a way that provides value to you, our shareholder. The playing field for new acquisitions is robust, and we are pursuing them across the country. To support our growth strategy, we rely strongly on the diverse and collective experiences presented to us through our Board. I want to thank our Board members for their unwavering efforts. I'd also like to thank the visionary leadership of our founder Pat Priestner, who has overseen AutoCanada's growth to become one of the largest dealership groups in Canada. We plan to carry on Pat's vision of growing AutoCanada's scope and scale

Together, we have the opportunity to further consolidate the Canadian automotive retail landscape. In the process, we will continue to create value for you, by growing our business, delivering industry leading customer service, and providing leadership that is fair, respectful, and transparent to our employees. AutoCanda's ability to serve a nationwide customer base has never been better. And our ability to achieve economies of scale and greater efficiency has never been stronger. I am excited by the opportunities ahead of us, and I am looking forward to demonstrating the results of our strategy in 2017.

Sincerely,

Steven J. Landry
President & Chief Executive Officer

OPERATIONS

Our multi-location automobile dealership model is comprised of 64 new vehicle franchises, representing 19 brands at 56 dealership locations across Canada. We serve a diversified geographic customer base and enjoy benefits not available to single location dealerships. Our operations provide a diverse revenue base that we believe mitigates the impact of fluctuations in new vehicle sales volumes and gross profit margins. In addition, our geographic footprint is increasingly lowering our exposure to regional economic downturns and our brand diversification decreases our exposure to manufacturer-specific risks such as brand perception or production disruptions. By operating multiple dealerships in certain metropolitan areas we are able to gain the advantages associated with a “platform” of dealerships in a single geographic area.

While new vehicle sales generate approximately 57% of our revenue, used vehicles, parts and service, and finance and insurance provide higher profit margins and collectively account for approximately 76% of our gross profit, and have been historically more stable throughout economic cycles.

Our franchised automobile dealerships operate as distinct profit centres where the dealer principals are given significant autonomy within overall operating guidelines. This autonomy, combined with the dealer principals’ understanding of their local markets, enables the dealer principals to effectively run day-to-day operations, market to customers, recruit new employees and gauge new opportunities in their local markets.

Our dealer principals are required to take an active, hands-on approach to operating their respective dealerships. Each dealer principal is supported by a complete management team that provides oversight and management over every facet of the business. While each member of a dealership’s management team, other than the dealership controllers, report directly to the dealer principal, they also report to one or more members of our head office senior management team. The dealership controllers report directly to the head office finance group. Our reporting structure is designed to facilitate the sharing of ideas and market intelligence in an efficient and effective manner.

2016 REVENUE

NEW VEHICLE SALES	USED VEHICLE SALES	PARTS SERVICE & COLLISION	FINANCE & INSURANCE
57.2 %	25.1 %	13.2 %	4.5 %

2016 GROSS PROFIT

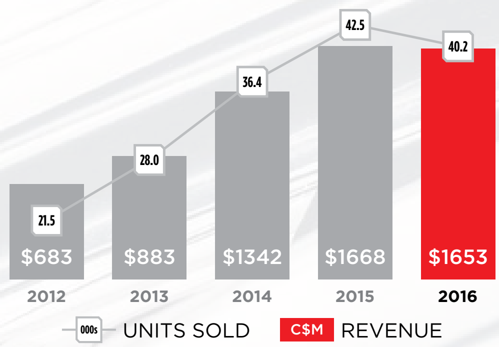
NEW VEHICLE SALES	USED VEHICLE SALES	PARTS SERVICE & COLLISION	FINANCE & INSURANCE
24.3 %	9.7 %	41.4 %	24.6 %

NEW VEHICLE SALES

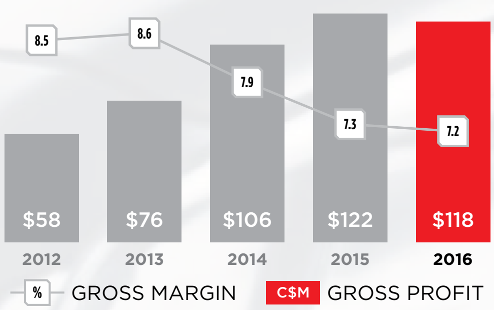
New vehicle sales are the driving force behind AutoCanada's business. While all four revenue streams contribute to gross profit, new vehicle sales is still the primary focus. In 2016, 57% of our revenue was generated from new vehicle sales. In addition to the profit from the sale itself, a typical new vehicle sale (or lease transaction) creates other profit opportunities for our dealerships including the resale of trade-in vehicles, sale of third party finance products, the sale of vehicle service and insurance contracts in connection with the retail sale, and the service and repair of the vehicle during and after the warranty period.

New vehicle revenues include new vehicle sales and lease transactions arranged by our dealerships with third-party financial institutions which generally have shorter terms than finance transactions. This results in customers returning to a dealership more frequently than in the case of financed purchases. We believe that leasing provides a number of benefits to our other business lines, including customer loyalty to the leasing dealership for repairs and maintenance. In addition, leases provide us with a source of late-model, off-lease vehicles for our used vehicle inventory. Generally, leased vehicles remain under factory warranty for the term of the lease, allowing franchised automobile dealers to provide repairs and service to the customer throughout the lease term.

BY THE NUMBERS



TOTAL REVENUE



GROSS PROFIT

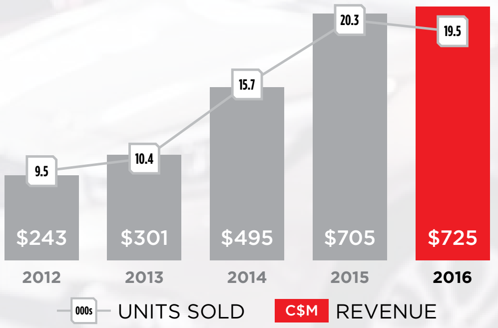
USED VEHICLE SALES

Used vehicle sales are a key contributor to the overall success of AutoCanada. Our new vehicle operations provide our used vehicle operations with a large supply of high quality trade-ins and off-lease vehicles, which are the best sources of attractive used vehicle inventory. Our dealers supplement their used vehicle inventory with purchases from auctions, daily rental companies, and wholesalers. Used vehicle sales give us an opportunity to further increase our revenues by aggressively pursuing customer trade-in vehicles, increase service contract sales, provide parts and services required in the maintenance of the vehicle, perform reconditioning work on trade-ins and provide financing to used vehicle purchasers.

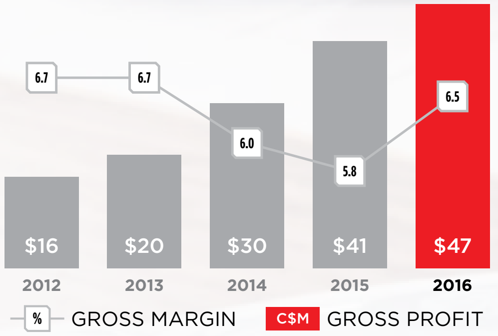
We actively manage the quality and age of our used vehicle inventory and monitor our used inventory appraisal values, reconditioning costs, pricing, online marketing, stocking levels, turnover, and return on investment. We believe that monitoring these various processes results in greater sales volumes, higher turnover, and ultimately a greater return on investment.

Manufacturer certified pre-owned vehicles typically sell at a premium compared to other used vehicles and are available only at franchised automobile dealerships. We believe that the manufacturer's warranty that comes with these certified vehicles increases our potential to retain the purchaser as a future parts and service customer since certified warranty work can only be performed at franchised automobile dealerships.

BY THE NUMBERS



TOTAL REVENUE



GROSS PROFIT

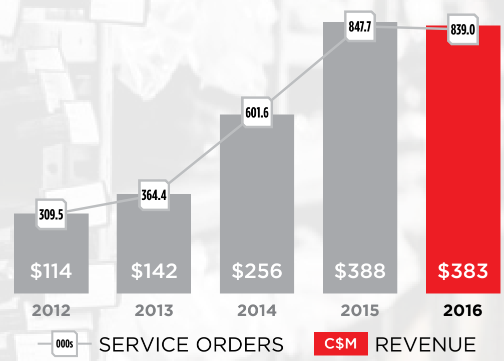
PARTS SERVICE & COLLISION REPAIR

Parts, Service and Collision Repair is an important part of our overall business. It not only provides high-margin revenue but also supports our overall approach to customer service, leading to customer retention and vehicle sales. Parts and service activity is generally considered counter-cyclical. In a downturn, consumers buy fewer new vehicles, but their older vehicles require more service.

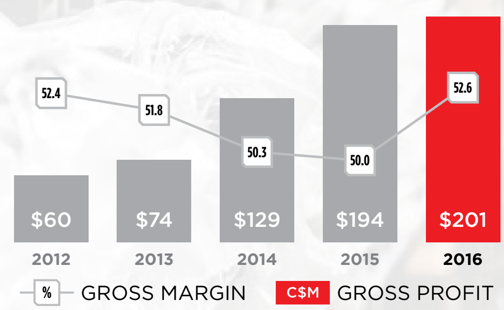
A significant number of our customers return to our dealerships for other services after the vehicle warranty expires. Each dealership has systems in place to track customer maintenance records and notify owners of vehicles purchased at the dealerships when their vehicles are due for periodic services. Parts are either used in repairs made in the service department, sold at retail to customers, or sold at wholesale to independent repair shops and other dealerships.

Our profitability in parts, service and collision repair can be attributed to our comprehensive management system, including the use of variable rate pricing structures, cultivation of strong customer relationships through an emphasis on preventive maintenance, and the efficient management of inventory. We manage our parts inventories to a target of 45 days' supply on hand in order to be responsive to our customers' needs while managing our working capital.

BY THE NUMBERS



TOTAL REVENUE



GROSS PROFIT

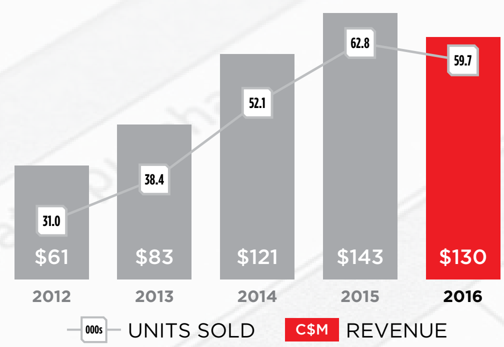
FINANCE INSURANCE & OTHER

Every vehicle sale presents us with an opportunity to increase profits through the sale of additional products such as third party financing or lease arrangements, extended warranties, service contracts and insurance products.

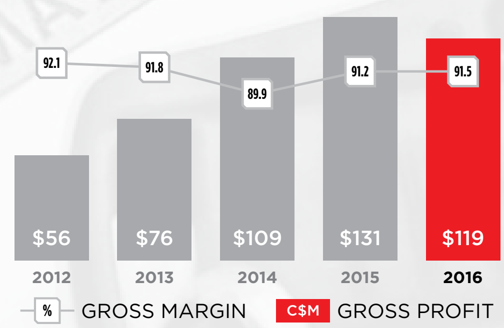
The finance and insurance products our dealerships currently offer are generally underwritten and administered by independent third parties, including the automobile manufacturers' captive finance companies. In return for arranging third party purchase and lease financing for our customers, we receive a fee from the third party lender upon completion of the financing. These third party lenders include the automobile manufacturers' captive finance companies and warranty divisions, selected commercial banks and a variety of other third party lenders, including credit unions and regional auto finance lenders. Under our arrangements with the providers of these products, we either sell these products on a straight commission basis or participate in future profits, if any, pursuant to a retrospective commission arrangement.

We arranged customer financing on a significant portion of the retail vehicles we sold in 2016. In addition to finance commissions, opportunities are created to sell other profitable products, such as warranty and extended protection products with purchases of new and used vehicles, including: service contracts; auto protection insurance; life, disability and dismemberment insurance, as well as lease "wear and tear insurance"; and theft protection. Our size and volume capabilities enable us to acquire these products at reduced fees compared to the industry average, which results in competitive advantages.

BY THE NUMBERS



TOTAL REVENUE



GROSS PROFIT

DEALER SUPPORT SERVICES

In 2014, AutoCanada re-organized the corporate head office to form Dealers Support Services (DSS) in order to fully direct the attention and efforts of corporate head office staff to those initiatives which drive profit or improvements to dealership operations, or which enhance customer service or our relationships with our key partners.

DSS' role is to create and foster a retail automobile organization that marries the entrepreneurial strengths and advantages of the classic dealer/owner model with the discipline and process adherence of a public company model, all within a culture that values and promotes mutual respect, support and assistance.

DSS mandate is to empower the very best General Managers/Dealer Principals to make the key dealership operating decisions on a day to day basis, within a financial and governance framework. DSS is dedicated to providing advice, services and support to our dealer partners.

We strongly believe in the "power of the group" and its ability to provide cost saving initiatives, marketing expertise, shared support services such as IT support, legal, HR and benefits support, as well as operational support through its Sales and Inventory Operations, Fixed Operations and Marketing teams.

DEALERSHIP TEAMS

The success of AutoCanada is attributed to our people on the ground at each dealership. AutoCanada continuously aims to hire the best individuals in the retail automotive industry at our dealerships as these individuals drive our day-to-day operations and are the face of the Company to our customers.

Our franchised automobile dealerships operate relatively independently of one another and are granted a significant amount of flexibility to make decisions within AutoCanada's overall operating guidelines. The Dealer Principal at each of our locations oversees the operations, personnel, and financial performance of their respective dealership. We recognize that our dealership teams are best positioned within their respective markets to effectively run day-to-day operations, market to customers, and recruit new employees. Our dealership management teams characteristically have multiple years of experience in the automotive retail industry and, in most cases, include a new vehicle sales manager, a used vehicle sales manager, a finance and insurance manager, a parts manager, and a service manager. This structure is complemented by support from our centralized Dealership Support Services that provide technology solutions, centralized processes, marketing support, and financial oversight.

While each member of a dealership's management team, other than the dealership controllers, report directly to the dealer principal, they also report to one or more members of our head office senior management team. The dealership controllers report directly to the head office finance group. Our reporting structure is designed to facilitate the sharing of ideas and market intelligence in an efficient and effective manner.

Dealer Principals are compensated, to a significant extent, based on the financial performance of the franchised automobile dealership for which they are responsible. Our Dealer Principals participate in an incentive plan that provides for the payment to them of a percentage of the profit of the Dealer Principal's franchised automobile dealership.

FIVE YEAR FINANCIALS

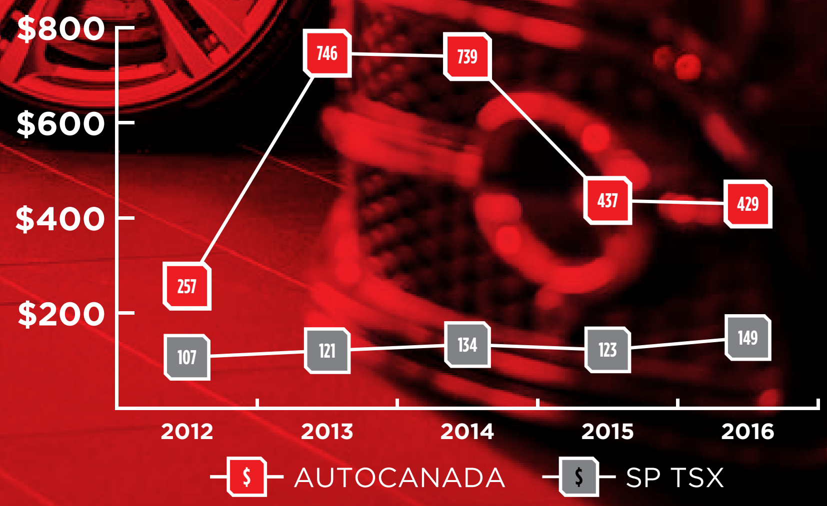
(In thousands of dollars, unless otherwise specified)	**2016**	2015	2014	2013	2012
INCOME STATEMENT DATA					
New Vehicles	1,652,795	1,668,237	1,342,346	882,858	683,375
Used Vehicles	725,430	704,569	495,352	300,881	243,351
Parts, Service, & Collision Repair	382,933	387,614	255,707	142,343	114,600
Finance, Insurance, & Other	130,423	143,383	121,373	82,958	62,587
REVENUE	**2,891,581**	**2,903,803**	**2,214,778**	**1,409,040**	**1,103,913**
New Vehicles	118,297	122,408	106,002	75,835	57,575
Used Vehicles	47,192	40,629	29,501	20,273	16,311
Parts, Service, & Collision Repair	201,259	193,868	128,566	73,755	59,643
Finance, Insurance, & Other	119,385	130,804	109,080	76,172	56,836
GROSS PROFIT	**486,133**	**487,709**	**373,149**	**246,035**	**190,365**
Gross Profit %	16.8%	16.8%	16.8%	17.5%	17.2%
Operating Expenses	400,417	395,877	290,904	188,519	149,140
Operating Expenses as a % of Gross Profit	82.4%	81.2%	78.0%	76.6%	78.3%
Income From Investments in Associates	-	-	3,490	2,241	468
Net Earnings Attributable to AutoCanada Shareholders[1]	2,596	22,821	53,132	38,166	24,236
Adjusted Net Earnings Attributable to AutoCanada Shareholders[1]	39,926	40,343	51,624	37,960	24,068
EBITDA[1]	94,486	89,838	89,434	58,469	37,885
Free Cash Flow[1]	96,288	38,675	63,723	34,568	18,932
SHARE INFORMATION					
Basic Earnings Per Share	$0.09	$0.93	$2.31	$1.83	$1.22
Diluted Earnings Per Share	$0.09	$0.92	$2.30	$1.83	$1.22
Adjusted Net Earnings Per Share[1]	$1.46	$1.64	$2.24	$1.82	$1.22
Basic Weighted Average Shares (Units)	27,350,555	24,574,022	23,018,588	20,868,726	19,840,802
Diluted Weighted Average Shares (Units)	27,455,686	24,674,083	23,139,403	20,934,828	19,840,802
Annual Dividend Rate Per Share	$0.55	$1.00	$0.94	$0.88	$0.72

[1]These financial measures are identified and defined in the Management's Discussion and Analysis under the section "NON-GAAP MEASURES"

FIVE YEAR SHAREHOLDER RETURN

PERFORMANCE GRAPH

The Board recognizes that in a cyclical industry such as the retail automotive industry, AutoCanada's focus is on long-term shareholder value growth. The following chart compares the cumulative total shareholder return, including the reinvestment of distributions, from January 1, 2012 to the end of the most recently completed financial year on December 31, 2016 for $100 invested in ACI Shares with the cumulative total return from the S&P/TSX Composite Index (Total Return).



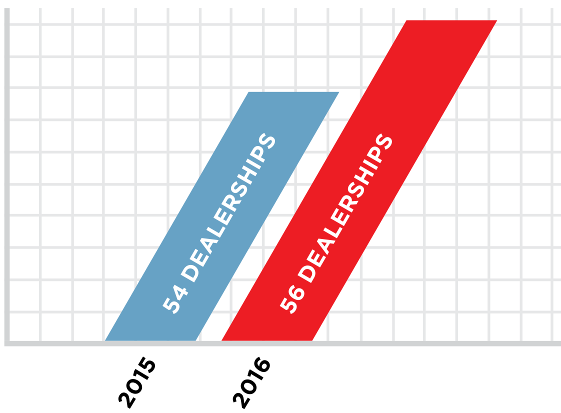
PERFORMANCE GRAPH VALUES	2016	2015	2014	2013	2012
AutoCanada Inc.	$429.22	$436.72	$739.06	$746.09	$256.72
S&P/TSX Composite Index	$148.64	$122.76	$133.90	$121.11	$107.19

ACTUAL VALUES	2016	2015	2014	2013	2012
AutoCanada Inc.	$23.12	$24.15	$44.50	$45.89	$15.35
S&P/TSX Composite Index	15,287.59	13,009.95	14,632.44	13,621.55	12,433.53

GOALS & ACCOMPLISHMENTS

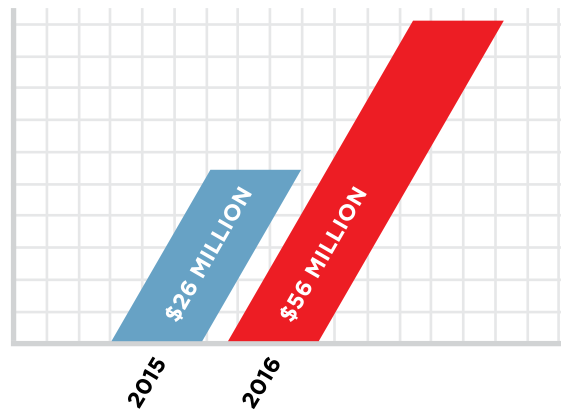
CONSOLIDATE DEALER BODY GROUP

To acquire an additional four to six dealerships by May, 2016.



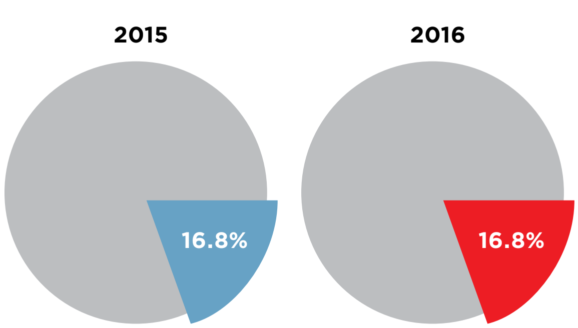
LIQUIDITY

To maintain working capital in excess of manufacturer requirements and adequate cash flow



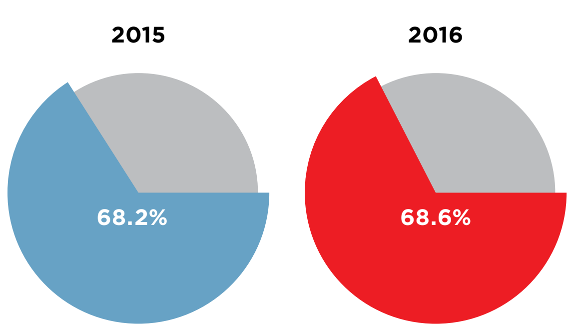
INCREASE GROSS PROFIT MARGINS

To increase gross profit margins in all revenue streams.



DECREASE VARIABLE OPERATING EXPENSES

To reduce variable operating expenses as a percentage of gross profit.



MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended December 31, 2016

AutoCanada

Table of Contents

1. READER ADVISORIES

This Management's Discussion & Analysis ("MD&A") was prepared as of March 16, 2017 to assist readers in understanding AutoCanada Inc.'s (the "Company" or "AutoCanada") consolidated financial performance for the year ended December 31, 2016 and significant trends that may affect AutoCanada's future performance. The following discussion and analysis should be read in conjunction with the audited annual consolidated financial statements and accompanying notes (the "Consolidated Financial Statements") of AutoCanada as at and for the year ended December 31, 2016. Results are reported in Canadian dollars. Certain dollars have been rounded to the nearest thousand dollars, unless otherwise stated. Reference to the notes are to the Notes of the Consolidated Financial Statements of the Company unless otherwise stated.

To provide more meaningful information, this MD&A typically refers to the operating results for the three month period and year ended December 31, 2016 of the Company, and compares these to the operating results of the Company for the three month period and year ended December 31, 2015. Until July 11, 2014, the Company had investments in associates comprised of six General Motors dealerships and accounted for the investments utilizing the equity method, whereby the operating results of these investments were included in one line item on the statement of comprehensive income known as income from investments in associates. As a result, the Company did not incorporate the consolidated results of its investments in associates in its discussion and analysis prior to Q3 2014. On July 11, 2014, the Company completed a business combination under common control, resulting in the accounting consolidation of the results of its investments in associates using the predecessor values method.

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

Additional information regarding our Company, including our 2016 Annual Information Form, dated March 16, 2017, is available on SEDAR at www.sedar.com and our website at www.autocan.ca. Such additional information is not incorporated by reference herein, unless otherwise specified, and should not be deemed to be made part of this MD&A.

2. EXECUTIVE SUMMARY

Performance vs. the Fourth Quarter of Prior Year

The following table summarizes the Company's operations for the quarter as well as year to date results:

	Three months ended December 31			Year ended December 31		
Consolidated Operational Data	**2016**	**2015**	**% Change**	**2016**	**2015**	**% Change**
EBITDA attributable to AutoCanada shareholders	25,260	23,353	8.2%	94,486	89,838	5.2%
Adjusted EBITDA attributable to AutoCanada shareholders	19,038	26,030	(26.9)%	88,809	94,002	(5.5)%
Net earnings attributable to AutoCanada shareholders	13,785	(7,361)	287.3%	2,596	22,821	(88.6)%
Adjusted net earnings attributable to AutoCanada shareholders	7,536	8,610	(12.5)%	39,926	40,343	(1.0)%
Basic EPS	0.50	(0.29)	272.4%	0.09	0.93	(90.3)%
Adjusted diluted EPS	0.27	0.34	(20.6)%	1.45	1.64	(11.0)%
Weighted average number of shares - Basic	27,353,431	25,016,637	9.3%	27,350,555	24,574,022	11.3%
Weighted average number of shares - Diluted	27,469,439	25,110,033	9.4%	27,455,686	24,674,083	11.3%
New retail vehicles sold (units)	7,590	8,016	(5.3)%	32,991	35,323	(6.6)%
New fleet vehicles sold (units)	859	1,194	(28.1)%	7,041	7,134	(1.3)%
Used retail vehicles sold (units)	4,463	4,940	(9.7)%	19,561	20,342	(3.8)%
Total vehicles sold	12,912	14,150	(8.8)%	59,593	62,799	(5.1)%
Revenue	629,274	672,314	(6.4)%	2,891,581	2,903,803	(0.4)%
Gross Profit	116,785	123,922	(5.8)%	486,133	487,709	(0.3)%
Gross Profit %	18.6%	18.4%	1.1%	16.8%	16.8%	0.0%
Operating expenses	97,397	101,310	(3.9)%	400,417	395,877	1.1%
Operating expenses % of Gross Profit	83.4%	81.8%	2.0%	82.4%	81.2%	1.5%
Free cash flow	23,424	9,066	158.4%	96,288	38,675	149.0%
Adjusted free cash flow	13,133	8,078	62.6%	68,566	38,796	76.7%
Same Store New retail vehicles sold (units)	5,924	6,621	(10.5)%	26,333	30,437	(13.5)%
Same Store New fleet vehicles sold (units)	730	1,016	(28.1)%	6,415	6,688	(4.1)%
Same store Used retail vehicles sold (units)	3,791	4,287	(11.6)%	16,840	18,238	(7.7)%
Same Store Total vehicles sold	10,445	11,924	(12.4)%	49,588	55,363	(10.4)%
Same Store Revenue	500,968	556,722	(10.0)%	2,369,549	2,509,677	(5.6)%
Same Store Gross Profit	94,584	100,404	(5.8)%	402,166	425,255	(5.4)%
Same Store Gross Profit %	18.9%	18.0%	5.0%	17.0%	16.9%	0.6%

Industry

The Canadian automotive retail sector increased 2.7% compared to the prior year to 1.9 million unit sales. Although retail Canadian auto sales rose 2.7% from 2015, AutoCanada's performance reflects the heavy weighting of our store count in provinces where new auto sales have declined. During 2016, 51% of our stores were located in Alberta and Saskatchewan, where new vehicle demand declined by 7.1% and 5.4% respectively. By contrast we only generated approximately 7% of our revenue in Ontario where unit sales were up by 6.0% year over year.

For the twelve months ended December 31, 2016, new light vehicle sales in Alberta were down 7.1% year-over-year, while sales in British Columbia were up 5.3%. Our unit sales and financial results in these provinces did not reflect the overall performance of the automotive sector as a whole for several reasons, including the locations of the stores and low store counts in provinces experiencing growth.

Our Performance

Sales

The Company experienced a 6.4% decline in total revenue of $629.3 million for the three month period ended December 31, 2016, as compared to the prior year of $672.3 million. For the year, revenue remained essentially flat decreasing by less than half of a percent to $2,891.6 million. The most significant impact on revenues was the decline in new vehicle sales in Alberta, as our concentration of 24 dealerships in the province represented 40% of our total revenue. Of these dealerships, 11 are domestic brands which are generally our larger volume stores. Domestic brands have experienced a disproportionate amount of downward pressure on sales compared to import brands. Further complicating the sale of new units is the continued difficulty in securing adequate inventories of light duty trucks.

Gross Profit

Management considers gross profit to be a key measure of store sales effectiveness and mix. Our gross profit margin varies with our revenue mix. The sale of new vehicles and used vehicles generally results in lower gross profit margin than sales of parts, service and collision repair, and sales of finance, insurance and other products. As a result, when, parts and service, and finance, insurance and other products revenue increase as a percentage of total revenue, we expect our overall gross profit margin to increase.

Gross profit from the sale of used vehicles depends largely on the ability of our dealerships to effectively manage inventory. Revenues in both new and used vehicles can vary significantly year-over-year as a result of fluctuations in vehicle sales mix. Total gross profit earned decreased by 5.8% and 0.3% for the three months ended December 31, 2016 and full year respectively as a result of lower sales revenues.

In response to the slow economy in our core geographic areas, we have heightened our focus on areas that we can control, by monitoring, improving, and adapting to the trends in the market. During the year, we have reduced used inventory days on hand by reducing the length of time that less desirable used vehicle inventory is held, thereby freeing up additional space for more desirable used vehicles.

Cost Reduction Strategy

In 2016 management undertook a review of headquarters and store operating expenses. We implemented initiatives that have produced savings in the range of $15.0 million, however, these were offset by higher expenses due to the addition of two stores, increased space requirements and temporary increase in executive compensation due to retirement and leadership changes. Management remains focused on improving the efficiency of our store operations, dealer support services and administrative staff.

Intangible Assets and Goodwill Impairment

As a result of the vehicle industry deterioration in 2016, correlated with a decrease in gross profits within dealerships operating in resource based markets, management determined it was prudent to re-evaluate the carrying value of dealerships. Through specific valuation procedures and stress tests, an impairment charge of $54.1 million to intangible assets and goodwill was recorded during the third quarter, relating to 11 dealerships. This charge is non cash in nature and $45.0 million is eligible to be recovered should the results from these dealerships return to previous levels.

Free Cash Flow & Working Capital Management

Free cash flow increased by 158.4% and 149.0% in the fourth quarter and full year respectively over the same periods in 2015. A tax refund of $7.5 million in the third quarter accounted for 19.4% of the year-over-year improvement with a reduced use of our floorplan facilities for the remainder. Our goal is to turn inventory faster by matching inventory to current market trends while managing our floorplan interest expense. Diligent inventory management is especially important in used cars where aged inventory can create a valuation risk and lower margins.

Growth

We continuously monitor our capital plan and have maintained the revised five year capital plan at $145.3 million, from January 1, 2017 through to the end of fiscal 2021. Dealership relocations, renovation projects, and open point opportunities are prudently considered against our growth strategy. We allocate capital to improve existing stores in conjunction with automakers brand image programs and our ability to maximize vehicle sales and service in our market areas.

In 2016 we spent $73.3 million on relocations, renovations and Open Point opportunities. We intend to continue to acquire dealerships that broaden our brand representations as well as meet our goal of greater geographic diversification.

Acquisitions

Our acquisition strategy continues to focus on diversifying across Canada through the acquisition of flagship stores in major markets. Our target acquisitions are not only evaluated in terms of accretion but also for how they will advance our Company, unit sales volumes, and market share. Our ability to generate strong cash flow is a key element in our acquisition plan. Although our pace of acquisitions slowed in 2016, we acquired Wellington Motors and Guelph Hyundai, both in Guelph, Ontario, which is consistent with our goal of providing greater geographic diversification. We believe that we will be able to increase acquisition activity in 2017.

3. OUTLOOK

The outlook regarding new retail vehicle sales in Canada is predicted by independent forecasters to be down 1% - 2%. In Canada, factors contributing to new vehicle sales will vary widely by province and brands.

While new automobile sales in our core Alberta market continued to decline in 2016, AutoCanada is cautiously optimistic that renewed activity in the energy sector will slowly begin to translate favourably into improvements in year-over-year sales figures in the latter half of the year or early 2018. We will remain focused on delivering better financial performance irrespective of the impact of oil prices.

Of the 17 dealerships that became same store in 2016, 11 of these are located in Alberta. As a result, we anticipate same-store sales results will continue to be impacted in 2017 by the depressed Alberta economy. We will continue to dedicate significant resources to newly acquired dealerships to integrate acquisitions and position them to be successful in their respective markets.

We are committed to delivering meaningful returns to our shareholders. Although we continue to confront headwinds in key markets, we believe that we can generate better results by improving employee productivity, realizing the benefits of our scale and continuing to grow our brand and geographic footprints with accretive acquisitions.

AutoCanada plans to spend approximately $30.9 million in 2017 on dealership relocations and undertaking expansions. We are under construction on the relocation of Audi Winnipeg, which we anticipate will lead to increased customer traffic and sales. We also plan to begin construction on two new open point locations in Calgary and Ottawa, Ontario.

AutoCanada's five-year capital spending outlook is approximately $145.3 million. This level of spending, along with the Company's current dividend commitments, are expected to be balanced with internally generated cash flow.

4. MARKET

The Company's geographical profile is illustrated below by number of dealerships and revenues and gross profit by province for the years ended December 31, 2016 and December 31, 2015.

	December 31, 2016					
Location of Dealerships	Number of Franchises[1]	Number of Dealerships[1]	Revenue	Revenue % of Total	Gross Profit	Gross Profit % of Total
British Columbia	13	11	578,938	20%	92,404	19%
Alberta	27	24	1,168,334	40%	213,108	44%
Saskatchewan	4	4	236,354	8%	44,977	9%
Manitoba	4	4	182,282	6%	33,789	7%
Ontario	9	8	215,954	8%	31,879	6%
Quebec	4	2	334,255	12%	47,441	10%
Atlantic	2	2	175,464	6%	22,535	5%
Total	63	55	2,891,581	100%	486,133	100%

1) *"Dealerships" refers to each physical storefront while "Franchises" refers to each separate franchise agreement.*

	December 31, 2015					
Location of Dealerships	Number of Franchises[1]	Number of Dealerships[1]	Revenue	Revenue % of Total	Gross Profit	Gross Profit % of Total
British Columbia	13	11	558,717	19%	87,465	18%
Alberta	27	24	1,270,901	44%	222,806	46%
Saskatchewan	4	4	246,477	8%	47,239	10%
Manitoba	4	4	181,265	7%	33,706	7%
Ontario	8	7	156,680	5%	22,580	5%
Quebec	4	2	333,990	12%	50,869	10%
Atlantic	2	2	155,773	5%	23,044	4%
Total	62	54	2,903,803	100%	487,709	100%

1) *"Dealerships" refers to each physical storefront while "Franchises" refers to each separate franchise agreement.*

The Company's manufacturers profile is illustrated below by number of dealerships and revenues by manufacturer for the years ended December 31, 2016 and December 31, 2015.

	December 31, 2016				December 31, 2015			
Manufacturer	Number of Franchises[1]	Number of Dealerships[1]	Revenue	Revenue % of Total	Number of Franchises[1]	Number of Dealerships[1]	Revenue	Revenue % of Total
FCA	23	17	1,285,894	44%	22	16	1,275,689	44%
General Motors	9	9	579,337	20%	9	9	551,800	19%
Hyundai	9	9	218,403	8%	8	8	224,163	8%
Nissan / Infiniti	7	7	241,186	8%	8	8	208,288	7%
Volkswagen / Audi	7	7	187,911	6%	7	7	193,459	6%
BMW / MINI	4	2	334,254	12%	4	2	333,990	12%
Other	4	4	44,596	2%	4	4	116,414	4%
Total	63	55	2,891,581	100%	62	54	2,903,803	100%

1) *"Dealerships" refers to each physical storefront while "Franchises" refers to each separate franchise agreement.*

Performance vs. the Canadian New Vehicle Market

The Canadian automotive retail sector year to date has slightly increased compared to the prior year at 1.9 million unit sales. New light vehicle sales in Alberta for the year ended December 31, 2016 were down 7.1%, and up 5.3% in British Columbia when compared to the same period in 2015. Alberta continues to show declining unit sales in the Canadian automotive retail sector.

The Company's same store unit sales of new vehicles decreased by 10.5% during the three month period ended December 31, 2016, and decreased by 13.5% during the year ended December 31, 2016. The fourth quarter of 2016 continued to be a challenging period for the western Canadian market as well as the Company. Our concentration of dealerships located within Alberta and the resource based economies caused our performance to fall below that of the Canadian average change in light vehicle sales.

The following table summarizes Canadian new light vehicle sales for the years ended December 31, 2016 and December 31, 2015 by Province:

Canadian New Vehicle Sales by Province[1,2]

	2016	2015	Percent Change	Unit Change
British Columbia	218,235	207,163	5.3%	11,072
Alberta	219,421	236,208	(7.1)%	(16,787)
Saskatchewan	50,888	53,793	(5.4)%	(2,905)
Manitoba	55,654	55,820	(0.3)%	(166)
Ontario	806,500	760,521	6.0%	45,979
Quebec	458,287	444,557	3.1%	13,730
Atlantic	139,914	140,423	(0.4)%	(509)
Total	1,948,899	1,898,485	2.7%	50,414

1) DesRosiers Automotive Consultants Inc.
2) Readers are cautioned that the above table includes sales channels that the Company does not fully participate in such as daily rentals, and small and medium size leasing companies that are not part of the franchise dealership network.

List of Dealerships

The following table sets forth the dealerships that we currently own and operate and the date opened or acquired by the Company or its predecessors, organized by location.

Location	Operating Name	Franchise	Year Opened or Acquired	Same Store[1]	Owned or Leased[5]
Wholly-Owned Dealerships:					
Abbotsford, BC	Abbotsford Volkswagen	Volkswagen	2011	Y	Leased
Chilliwack, BC	Chilliwack Volkswagen	Volkswagen	2011	Y	Owned
Kelowna, BC	Okanagan Chrysler Jeep Dodge FIAT	FCA	2003	Y	Leased
Maple Ridge, BC	Maple Ridge Chrysler Jeep Dodge FIAT	FCA	2005	Y	Leased
Maple Ridge, BC	Maple Ridge Volkswagen	Volkswagen	2008	Y	Leased
Prince George, BC	Northland Chrysler Jeep Dodge	FCA	2002	Y	Owned
Prince George, BC	Northland Hyundai	Hyundai	2005	Y	Owned
Prince George, BC	Northland Nissan	Nissan	2007	Y	Owned
Victoria, BC	Victoria Hyundai	Hyundai	2006	Y	Owned
Airdrie, AB	Airdrie Chrysler Jeep Dodge Ram	FCA	2015	Q3 2017	Leased
Calgary, AB	Courtesy Chrysler Dodge	FCA	2013	Y	Leased
Calgary, AB	Calgary Hyundai	Hyundai	2014	Y	Leased
Calgary, AB	Crowfoot Hyundai	Hyundai	2014	Y	Leased
Calgary, AB	Courtesy Mitsubishi	Mitsubishi	2014	Y	Leased
Calgary, AB	Northland Volkswagen	Volkswagen	2014	Y	Leased

Calgary, AB	Fish Creek Nissan	Nissan	2014	Y	Leased
Calgary, AB	Hyatt Infiniti	Infiniti	2014	Y	Leased
Calgary, AB	Tower Chrysler Jeep Dodge Ram	FCA	2014	Y	Leased
Edmonton, AB	Crosstown Chrysler Jeep Dodge FIAT	FCA	1994	Y	Leased
Edmonton, AB	Capital Chrysler Jeep Dodge FIAT	FCA	2003	Y	Leased
Edmonton, AB	North Edmonton Kia	Kia	2014	Y	Owned
Grande Prairie, AB	Grande Prairie Chrysler Jeep Dodge FIAT	FCA	1998	Y	Owned
Grande Prairie, AB	Grande Prairie Hyundai	Hyundai	2005	Y	Owned
Grande Prairie, AB	Grande Prairie Subaru	Subaru	1998	Y	Owned
Grande Prairie, AB	Grande Prairie Mitsubishi	Mitsubishi	2007	Y	Owned
Grande Prairie, AB	Grande Prairie Nissan	Nissan	2007	Y	Owned
Grande Prairie, AB	Grande Prairie Volkswagen	Volkswagen	2013	Y	Owned
Ponoka, AB	Ponoka Chrysler Jeep Dodge	FCA	1998	Y	Owned
Sherwood Park, AB	Sherwood Park Hyundai	Hyundai	2006	Y	Owned
Sherwood Park, AB	Sherwood Park Volkswagen[7]	Volkswagen	2017	Q2 2019	Leased
Saskatoon, SK	Dodge City Chrysler Jeep Dodge Ram	FCA	2014	Y	Leased
Winnipeg, MB	Audi Winnipeg	Audi	2013	Y	Owned
Winnipeg, MB	St. James Volkswagen	Volkswagen	2013	Y	Owned
Winnipeg, MB	Eastern Chrysler Jeep Dodge	FCA	2014	Y	Owned
Cambridge, ON	Cambridge Hyundai	Hyundai	2008	Y	Owned
Mississauga, ON	401 Dixie Hyundai	Hyundai	2008	Y	Leased
Guelph, ON	Guelph Hyundai[6]	Hyundai	2016	Q1 2019	Leased
Guelph, ON	Wellington Motors[4]	FCA	2016	Q4 2018	Leased
Toronto, ON	Toronto Chrysler Jeep Dodge Ram	FCA	2014	Q1 2017	Leased
Moncton, NB	Moncton Chrysler Jeep Dodge	FCA	2001	Y	Owned
Dartmouth, NS	Dartmouth Chrysler Jeep Dodge	FCA	2006	Y	Leased
Equity Investments:					
Duncan, BC	Island Chevrolet Buick GMC	General Motors	2013	Y	Leased
Kelowna, BC	Kelowna Chevrolet	General Motors	2015	Q4 2017	Owned
Edmonton, AB	Lakewood Chevrolet	General Motors	2014	Y	Owned
Sherwood Park, AB	Sherwood Park Chevrolet	General Motors	2012	Y	Leased
Sherwood Park, AB	Sherwood Buick GMC	General Motors	2012	Y	Leased
Spruce Grove, AB	Grove Dodge Chrysler Jeep	FCA	2015	Q1 2018	Leased
North Battleford, SK	Bridges Chevrolet Buick GMC	General Motors	2014	Q1 2017	Owned
Prince Albert, SK	Mann-Northway Auto Source	General Motors	2014	Y	Leased
Saskatoon, SK	Saskatoon Motor Products	General Motors	2014	Y	Leased
Winnipeg, MB	McNaught Cadillac Buick GMC	General Motors	2014	Y	Owned
Laval, QB	BMW Laval and MINI Laval	BMW / MINI	2014	Q1 2017	Owned
Montreal, QB	BMW Canbec and MINI Mont Royal	BMW / MINI	2014	Y	Leased
Ottawa, ON	Hunt Club Nissan	Nissan	2015	Q1 2018	Leased
Ottawa, ON	417 Nissan	Nissan	2015	Q1 2018	Leased
Ottawa, ON	417 Infiniti	Infiniti	2015	Q1 2018	Leased
Dealership Loan Financing:					
Edmonton, AB	Southview Acura[2,3]	Acura	2016	N/A	N/A
Whitby, ON	Whitby Honda	Honda	2015	N/A	N/A

1) *Same store (indicated with the letter "Y" in the table above) means the franchised automobile dealership has been owned for at least 2 full years since acquisition. The dealership is then included in the quarter thereafter, for same store analysis.*
2) *See "ACQUISITIONS, RELOCATIONS AND REAL ESTATE" for more information related to this dealership loan financing arrangement.*
3) *On May 1, 2016, the Company provided financing for Southview Acura in Edmonton, Alberta.*
4) *Effective October 1, 2016, the Company purchased 100% of the voting shares of Wellington Motors in Guelph, Ontario. See "ACQUISITIONS, RELOCATIONS AND REAL ESTATE" for more information on this acquisition.*
5) *This column summarizes whether the dealership property is owned or leased*
6) *On December 19, 2016, the Company purchased substantially all of the operating and fixed assets of Guelph Imported Cars Ltd. in Guelph, Ontario. See " ACQUISITIONS RELOCATIONS AND REAL ESTATE" for more information on this acquisition*
7) *On February 1, 2017, Sherwood Park Volkswagen open point opened for operations.*

5. SELECTED ANNUAL FINANCIAL INFORMATION

The following table shows the results of the Company for the years ended December 31, 2016, December 31, 2015 and December 31, 2014. The results of operations for these years are not necessarily indicative of the results of operations to be expected in any given comparable period.

AutoCanada (in thousands of dollars, except Gross Profit %, Earnings per share, and Operating Data)	2016	2015	2014[(4)]
Income Statement Data			
New vehicles	1,652,795	1,668,237	1,342,346
Used vehicles	725,430	704,569	495,352
Parts, service and collision repair	382,933	387,614	255,707
Finance, insurance and other	130,423	143,383	121,373
Revenue	2,891,581	2,903,803	2,214,778
New vehicles	118,297	122,408	106,002
Used vehicles	47,192	40,629	29,501
Parts, service and collision repair	201,259	193,868	128,566
Finance, insurance and other	119,385	130,804	109,080
Gross profit	486,133	487,709	373,149
Gross Profit %	16.8%	16.8%	16.8%
Operating expenses	400,417	395,877	290,904
Operating expenses as a % of gross profit	82.4%	81.2%	78.0%
Income from loans to associates	1,165	49	-
Income from investments in associates	-	-	3,490
Impairment (recovery) of intangible assets and goodwill	54,096	18,757	(1,767)
Net earnings attributable to AutoCanada shareholders	2,596	22,821	53,132
Adjusted net earnings attributable to AutoCanada shareholders	39,926	40,343	51,624
EBITDA attributable to AutoCanada shareholders[(2)]	94,486	89,838	89,434
EBITDA % of Sales[(2)]	3.3%	3.1%	4.0%
Free cash flow	96,288	38,675	63,723
Adjusted free cash flow	68,566	38,796	62,082
Basic earnings per share	0.09	0.93	2.31
Diluted earnings per share	0.09	0.92	2.30
Basic adjusted earnings per share	1.46	1.64	2.24
Diluted adjusted earnings per share	1.45	1.64	2.23
Dividends declared per share	0.55	1.00	0.94
Operating Data			
Vehicles (new and used) sold	59,593	62,799	52,147
New vehicles sold[(3)]	40,032	42,457	36,422
New retail vehicles sold[(3)]	32,991	35,323	30,346
New fleet vehicles sold[(3)]	7,041	7,134	6,076
Used retail vehicles sold[(3)]	19,561	20,342	15,725
# of service & collision repair orders completed[(3)]	863,970	847,702	601,597
Absorption rate[(2)]	86%	91%	85%
# of dealerships at year end	55	54	48
# of same store dealerships	44	28	23
# of service bays at year end	928	912	822
Same store revenue growth[(1)]	(5.6)%	(5.9)%	8.9%
Same store gross profit growth[(1)]	(5.4)%	(11.7)%	7.9%

1) *Same store revenue growth and same store gross profit growth is calculated using franchised automobile dealerships that we have owned for at least 2 full years, which includes the GM stores, as these stores have been treated as acquisitions as at July 11, 2014. Same store growth is in comparison with the same quarter in the prior year.*
2) *EBITDA and absorption rate have been calculated as described under "NON-GAAP MEASURES".*
3) This number includes 100% of vehicles and service and collision repair orders sold by dealerships in which we have less than 100% investment.
4) *In conjunction with the business combination under common control completed on July 11, 2014, the Selected Annual Financial Information of 2014 includes the consolidated results of the Company's GM stores from July 11, 2014.*

6. SELECTED QUARTERLY FINANCIAL INFORMATION

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

(in thousands of dollars, except Gross Profit %, Earnings per share, and Operating Data)	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Income Statement Data								
New vehicles	348,107	444,482	497,025	363,181	368,242	471,018	483,435	345,542
Used vehicles	157,724	179,582	208,016	180,108	167,100	179,270	194,956	163,243
Parts, service and collision repair	92,310	95,585	100,317	94,721	102,220	93,139	99,304	92,951
Finance, insurance and other	31,133	33,529	36,899	28,862	34,752	37,778	39,182	31,671
Revenue	629,274	753,178	842,257	666,872	672,314	781,205	816,877	633,407
New vehicles	25,042	31,578	34,410	27,267	27,482	34,300	34,861	25,765
Used vehicles	10,064	12,950	13,758	10,420	10,326	10,949	11,000	8,354
Parts, service and collision repair	52,957	47,676	52,957	47,669	51,760	48,336	49,859	43,913
Finance, insurance and other	28,722	30,733	33,577	26,353	34,354	35,088	33,955	27,407
Gross profit	116,785	122,937	134,702	111,709	123,922	128,673	129,675	105,439
Gross Profit %	18.6%	16.3%	16.0%	16.8%	18.4%	16.5%	15.9%	16.6%
Operating expenses	97,397	99,041	107,932	96,047	101,310	100,824	100,568	93,175
Operating expenses as a % of gross profit	83.4%	80.6%	80.1%	86.0%	81.8%	78.4%	77.6%	88.4%
(Loss) Income from loans to associates	(367)	607	610	315	49	-	-	-
Impairment of intangible assets and goodwill	-	54,096	-	-	18,757	-	-	-
Net earnings (loss) attributable to AutoCanada shareholders	13,785	(32,619)	14,158	7,272	(7,361)	11,690	13,523	4,969
Adjusted net earnings attributable to AutoCanada shareholders	7,536	10,327	13,466	8,597	8,610	12,535	13,957	5,261
EBITDA attributable to AutoCanada shareholders(2)	25,260	23,842	27,072	18,312	23,353	26,379	27,397	12,687
EBITDA % of Sales(2)	4.0%	3.2%	3.7%	3.2%	3.5%	3.8%	3.8%	2.2%
Free cash flow	23,424	30,897	37,922	4,045	9,066	14,995	17,776	(3,162)
Adjusted free cash flow	13,133	27,766	21,632	6,035	8,078	18,951	19,187	(7,420)
Basic earnings per share	0.50	(1.19)	0.53	0.27	(0.29)	0.48	0.56	0.20
Diluted earnings per share	0.50	(1.19)	0.53	0.27	(0.29)	0.47	0.56	0.20
Basic adjusted earnings per share	0.28	0.38	0.49	0.31	0.34	0.51	0.56	0.22
Dividends declared per share	0.10	0.10	0.10	0.25	0.25	0.25	0.25	0.25
Operating Data								
Vehicles (new and used) sold(3)	12,912	15,955	17,425	13,301	14,150	17,086	17,739	13,824
New vehicles sold(3)	8,449	10,983	12,098	8,502	9,210	12,018	12,296	8,933
New retail vehicles sold(3)	7,590	8,949	9,374	7,078	8,016	9,985	9,929	7,393
New fleet vehicles sold(3)	859	2,034	2,724	1,424	1,194	2,033	2,367	1,540
Used retail vehicles sold(3)	4,463	4,972	5,327	4,799	4,940	5,068	5,443	4,891
# of service and collision repair orders completed(3)	217,418	209,912	227,446	209,194	230,772	202,692	215,142	199,096
Absorption rate(2)	86%	89%	90%	83%	93%	91%	94%	85%
# of dealerships at period end	55	53	53	53	54	50	49	48
# of same store dealerships	44	33	27	27	28	26	24	23
# of service bays at period end	928	898	898	898	912	862	842	822
Same store revenue growth(1)	(10.0)%	(9.2)%	(3.2)%	(3.1)%	(12.1)%	(6.9)%	(2.8)%	(3.5)%
Same store gross profit growth(1)	(5.8)%	(11.0)%	(5.3)%	(5.5)%	(14.3)%	(14.1)%	(11.0)%	(8.5)%

1) *Same store revenue growth and same store gross profit growth is calculated using franchised automobile dealerships that we have owned for at least 2 full years, which includes the GM stores, as these stores have been treated as acquisitions as at July 11, 2014. Same store growth is in comparison with the same quarter in the prior year.*
2) *EBITDA and absorption rate have been calculated as described under "NON-GAAP MEASURES".*
3) *This number includes 100% of vehicles and service and collision repair orders sold by dealerships in which we have less than 100% investment.*
4) *The results from operations historically have been lower in the first and fourth quarters of each year, largely due to consumer purchasing patterns during the holiday season, inclement weather and the reduced number of business days during the holiday season. As a result, our operating results are generally not as strong during the first and fourth quarters than during the other quarters of each fiscal year. The timing of acquisitions may have also caused substantial fluctuations in operating results from quarter to quarter.*

7. RESULTS OF OPERATIONS

Fourth Quarter Operating Results

EBITDA attributable to AutoCanada shareholders for the quarter increased by $1.9 million or 8.2% to $25.3 million, from $23.4 million when compared to the results of the Company for the same period in the prior year. The increase in EBITDA attributable to AutoCanada shareholders for the quarter is due to increased momentum in the retail automotive sector. Adjusted EBITDA attributable to AutoCanada shareholders for the quarter ended December 31, 2016 decreased by $7.0 million or 26.9% from $26.0 million to $19.0 million when compared to the results of the Company for the same quarter in the prior year.

The following table illustrates EBITDA and adjusted EBITDA attributable to AutoCanada shareholders for the three month period ended December 31, for the last three years of operations:

(in thousands of dollars)	2016	2015	2014
Period from October 1 to December 31			
Net earnings (loss) attributable to AutoCanada shareholders	13,785	(7,361)	14,240
Impairment (recovery) of intangible assets and goodwill	-	18,126	(1,767)
Income taxes	2,531	3,474	4,998
Depreciation of property and equipment	4,634	4,866	4,179
Interest on long-term indebtedness	4,310	4,248	2,995
EBITDA attributable to AutoCanada shareholders[1]	25,260	23,353	24,645
Add back:			
Share-based compensation attributed to changes in share price	105	(30)	(447)
Revaluation of redemption liabilities	(1,470)	2,566	-
Revaluation of contingent consideration	(4,840)	149	-
Unrealized gain on embedded derivative	(17)	(8)	(3)
Adjusted EBITDA attributable to AutoCanada shareholders[1]	19,038	26,030	24,195

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

Pre-tax earnings attributable to AutoCanada shareholders increased by $20.2 million to $16.3 million for the quarter from net loss $3.9 million in the same period of the prior year. Net earnings attributable to AutoCanada shareholders increased by $21.2 million to $13.8 million in the fourth quarter of 2016 from net loss $7.4 million when compared to the prior year. Income tax expense attributable to AutoCanada shareholders decreased by $1.0 million to $2.5 million in the fourth quarter of 2016 from $3.5 million in the same period of 2015.

Adjusted net earnings attributable to AutoCanada shareholders decreased by $1.1 million or 12.5% to $7.5 million for the quarter from $8.6 million in the same period of the prior year.

The following table reconciles net earnings to adjusted net earnings for the three month period ended December 31:

(in thousands of dollars)	2016	2015	2014
Net earnings (loss) attributable to AutoCanada shareholders	13,785	(7,361)	14,240
Add back:			
Impairment (recovery) of intangible assets and goodwill, net of tax	-	13,286	(1,310)
Share-based compensation attributed to changes in share price, net of tax	78	(22)	(332)
Revaluation of redemption liabilities	(1,470)	2,566	-
Revaluation of contingent consideration	(4,840)	149	-
Unrealized gain on embedded derivative	(17)	(8)	(3)
Adjusted net earnings attributable to AutoCanada shareholders[1]	7,536	8,610	12,595
Weighted average number of shares - Basic	27,353,431	25,016,637	24,410,169
Weighted average number of shares - Diluted	27,469,439	25,110,033	25,190,000
Adjusted net earnings per share attributable to AutoCanada shareholders - Basic[1]	0.28	0.34	0.52
Adjusted net earnings per share attributable to AutoCanada shareholders - Diluted[1]	0.27	0.34	0.50

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

Annual Operating Results

EBITDA attributable to AutoCanada shareholders for the year ended December 31, 2016 increased by $4.7 million or 5.2% to $94.5 million, from $89.8 million when compared to the results of the Company for the same period in the prior year. The increase in EBITDA attributable to AutoCanada shareholders for the year is due to increased momentum in the second half of 2016 compared to the economic decline experienced in the prior year. Adjusted EBITDA attributable to AutoCanada shareholders for the year ended December 31, 2016 decreased by $5.2 million or 5.5% from $94.0 million to $88.8 million when compared to the results of the Company in the prior year.

The following table illustrates EBITDA and adjusted EBITDA attributable to AutoCanada shareholders for the year ended December 31, for the last three years:

(in thousands of dollars)	2016	2015	2014
Period from January 1 to December 31			
Net earnings attributable to AutoCanada shareholders	2,596	22,821	53,132
Impairment (recovery) of intangible assets and goodwill	51,180	18,126	(1,767)
Income taxes	5,826	16,171	17,162
Depreciation of property and equipment	18,432	17,863	13,072
Interest on long-term indebtedness	16,452	14,857	7,835
EBITDA attributable to AutoCanada shareholders[1]	94,486	89,838	89,434
Add back:			
Share-based compensation attributed to changes in share price	(75)	(272)	(291)
Revaluation of redemption liabilities	(765)	4,329	-
Revaluation of contingent consideration	(4,840)	149	-
Unrealized loss (gain) on embedded derivative	3	(42)	18
Adjusted EBITDA attributable to AutoCanada shareholder[1]	88,809	94,002	89,161

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

For the year ended December 31, 2016, pre-tax earnings attributable to AutoCanada shareholders declined by $30.6 million or 78.4% to $8.4 million from $39.0 million in the same period of the prior year. Net earnings attributable to AutoCanada shareholders decreased by $20.2 million or 88.6% to $2.6 million in the year ended December 31, 2016 from $22.8 million when compared to the prior year due to the impairment of intangible assets and goodwill recognized during the year.

Income tax expense attributable to AutoCanada shareholders dropped by $10.4 million to $5.8 million in the year ended December 31, 2016 from $16.2 million in the same period of 2015.

Adjusted net earnings attributable to AutoCanada shareholders declined by $0.4 million or 1.0% to $39.9 million in 2016 from $40.3 million in the prior year.

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

(in thousands of dollars)	2016	2015	2014
Net earnings attributable to AutoCanada shareholders	2,596	22,821	53,132
Add back:			
Impairment (recovery) of intangible assets and goodwill, net of tax	42,987	13,286	(1,310)
Share-based compensation attributed to changes in share price, net of tax	(55)	(200)	(216)
Revaluation of redemption liabilities	(765)	4,329	-
Revaluation of contingent consideration	(4,840)	149	-
Unrealized loss (gain) on embedded derivative	3	(42)	18
Adjusted net earnings attributable to AutoCanada shareholders[1]	39,926	40,343	51,624
Weighted average number of shares - Basic	27,350,555	24,574,022	23,018,588
Weighted average number of shares - Diluted	27,455,686	24,674,083	23,149,776
Adjusted net earnings per share attributable to AutoCanada shareholders - Basic[1]	1.46	1.64	2.24
Adjusted net earnings per share attributable to AutoCanada shareholders - Diluted[1]	1.45	1.64	2.23

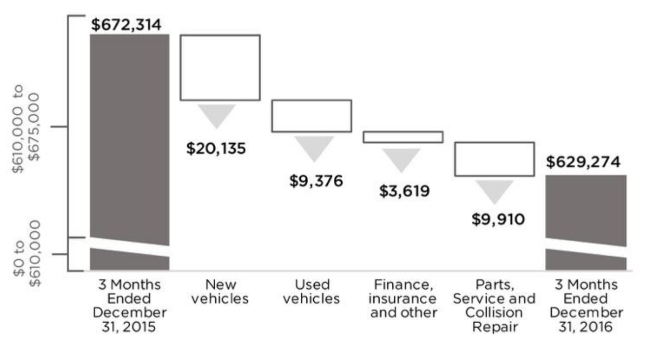
1) *This financial measure is identified and defined under the section "NON-GAAP MEASURES".*

Revenues

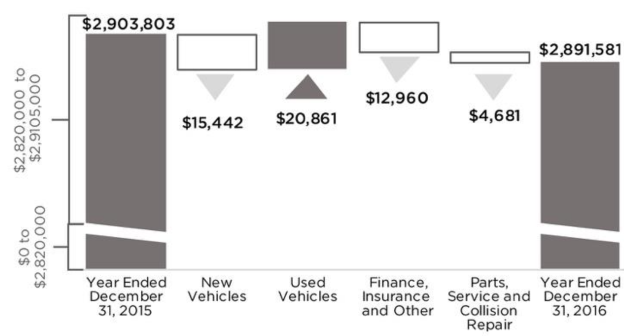
The following table summarizes revenue for the three months and year ended December 31:

	Three Months Ended December 31			Year Ended December 31		
	2016	2015	Change	2016	2015	Change
	$	$	$	$	$	$
New vehicles	348,107	368,242	(20,135)	1,652,795	1,668,237	(15,442)
Used vehicles	157,724	167,100	(9,376)	725,430	704,569	20,861
Finance, insurance and other	31,133	34,752	(3,619)	130,423	143,383	(12,960)
Parts, service and collision repair	92,310	102,220	(9,910)	382,933	387,614	(4,681)
	629,274	672,314	(43,040)	2,891,581	2,903,803	(12,222)

Q4 2016 Revenue Changes by Business Line



Full Year 2016 Revenue Changes



New vehicles

New vehicle revenue declined by 5.5% due to a 761 unit or 8.3% drop in volume which was partly offset by a $1,218 or 3.0% increase in revenue per unit for the quarter compared to Q4 2015. New vehicle revenue for the year decreased by 0.9% to $1,652.8 million, despite selling 2,425 fewer new units in 2016. The decreased volume was offset by a $1,995 or 5.1% increase in revenue per unit. The challenging economic environment in our markets in western Canada was largely responsible for the weakness in new vehicle demand. Further complicating the sale of new units is the difficulty in securing adequate inventories of light duty trucks.

Used vehicles

Used vehicle unit sales decreased by 9.7% or 477 units in the fourth quarter compared to the same period in 2015 resulting in a decline of 5.6% in used vehicle revenue. Used vehicle revenue for the year increased by 3.0% to $725.4 million, despite selling 781 fewer units in 2016. Used vehicle revenue for the quarter and the year benefited from increases in per unit revenue of $1,514 and $2,450 respectively.

Finance, insurance and other

Finance, insurance and other revenue is dependent on unit sales, especially new vehicles. Lower new and used car unit sales reduced finance, insurance and other revenue by 10.4% for the quarter compared to Q4 2015, and 9.0% for the year compared to same period of the prior year.

Year-over-year finance, insurance and other revenue decreased by 9.0% in conjunction with a new retail vehicle unit sales decline of 5.5%.

Parts, service and collision repair

The decrease in revenue in the quarter from parts, service and collision repair is due to a quarterly decline in repair orders of 13,354, and a decrease in revenue per order of $18 compared to Q4, 2015.

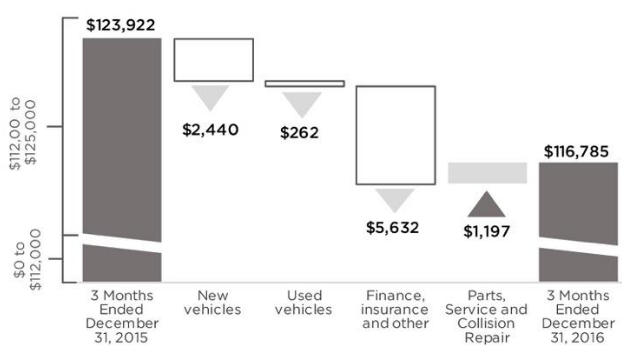
The decrease in revenue in the year from parts, service and collision repair is due to a decrease in revenue per order of $14 offset by an increase in repair orders of 16,268, when compared to the same period of the prior year.

Gross Profit

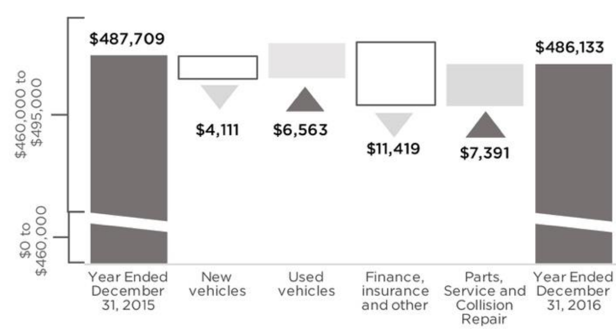
The following table summarizes gross profit for the three months and year ended December 31:

	Three Months Ended December 31			Year Ended December 31		
	2016	2015	Change	2016	2015	Change
	$	$	$	$	$	$
New vehicles	25,042	27,482	(2,440)	118,297	122,408	(4,111)
Used vehicles	10,064	10,326	(262)	47,192	40,629	6,563
Finance, insurance and other	28,722	34,354	(5,632)	119,385	130,804	(11,419)
Parts, service and collision repair	52,957	51,760	1,197	201,259	193,868	7,391
	116,785	123,922	(7,137)	486,133	487,709	(1,576)

Q4 2016 Gross Profit Changes by Business Line



Full Year 2016 Gross Profit Changes by Business Line



New vehicles

The decrease in gross profit in the quarter from new vehicles is due to a quarterly decline in new vehicles sold of 761, and decreased gross profit per unit of $20 compared to Q4, 2015.

The decline in gross profit in the year from new vehicles is due to a decline in new vehicles sold of 2,425, offset by an increase in gross profit per unit of $72 compared to the same period of the prior year. The decrease in units sold is a result of continued weakness in our key markets of Alberta and the interior of British Columbia.

Used vehicles

The decrease in gross profit in the quarter from used vehicles is due to a quarterly decline in used vehicles sold of 477, offset by an increase in gross profit per unit of $165 compared to Q4, 2015.

The increase in gross profit in the year from used vehicles is due to an increase in gross profit per unit of $416, offset by a decline in used vehicles sold of 781 compared to the same period of the prior year. Used vehicle gross profits increased year to date, as a result of increased gross profit per vehicle. This stems from management's focus on tightening inventory, decreasing the length of time that inventory is on hand and increasing turnover. By decreasing the length of time used inventory is available for sale and selling slow-moving inventory at wholesale auctions earlier, we are able to make room on dealership lots to focus on higher quality inventory.

Finance, insurance and other

Finance, insurance and other revenue is dependent on unit sales, especially new vehicles. Lower new and used car unit sales reduced finance, insurance and other gross profit by 16.4% for the quarter compared to Q4 2015, and 8.7% for the year compared to same period of the prior year.

Year-over-year finance, insurance and other gross profit dropped by 8.7% in conjunction with a new retail vehicle unit sales decrease of 5.5%.

Parts, service and collision repair

The increase in revenue in the quarter from parts, service and collision repair is due to an increase in revenue per order of $20, offset by a quarterly decline in repair orders of 13,354 compared to Q4, 2015.

The increase in revenue in the year from parts, service and collision repair is due to an increase in revenue per order of $4 and an increase in repair orders of 16,268 compared to the same period of the prior year.

Operating Expenses

Operating costs consist of four major categories:

Employee costs

Employee costs are the costs associated with employing staff both at the dealerships and at AutoCanada's head office. Dealership employees are largely commission based, resulting in employee costs being largely variable in nature. Our dealership pay structures are tied to meeting sales objectives, maintaining customer satisfaction indices, as well as improving gross profit and net income. There is a balance between reducing staffing levels as a result of business contraction, and maintaining high-performing staff. Due to the competitive nature of the retail automotive industry, additional measures are employed to ensure that the high performing staff are maintained during downtimes. As a result, any drop in gross profit may not be met with a matched decrease in employee costs.

Administrative costs

Administrative costs comprise the remaining costs of running our dealerships. Advertising, utilities, service shop consumables, information processing, insurance, and consulting costs comprise a significant portion of the administrative costs. Administrative costs can be either fixed or variable in nature.

The Company operates a centralized marketing department and information technology departments, both of which provide services to the dealerships in order to leverage the size of the group as a means to lower the operating costs of the dealerships.

Facility lease costs

Facility lease costs relate to the cost of leasing dealership facilities not owned by AutoCanada. Facility lease costs are fixed in nature as lease contracts are based on the market value of the property and are long-term.

Depreciation of property and equipment

Depreciation of property and equipment relates to the depreciation of the dealership assets including buildings, machinery and equipment, leasehold improvements, company and lease vehicles, furniture, and computer hardware. Depreciation rates vary based on the nature of the asset.

Since many operating expenses are variable in nature, Management considers operating expenses as a percentage of gross profit to be a good indicator of expense control. The following tables summarize operating expenses as a percentage of gross profit. When evaluated, operating expenses are broken into their fixed and variable components. Fixed expenses are costs that do not fluctuate with changes in sales volume while variable expenses are costs that vary depending on sales volume.

Operating expenses as a % of Gross Profit	Three Months Ended December 31 2016	2015	Change	Year Ended December 31 2016	2015	Change
Employee costs before management transition costs	51.1%	49.4%	1.7%	50.7%	50.4%	0.3%
Management transition costs	-%	-%	-%	0.5%	-%	0.5%
Administrative costs - Variable	18.0%	18.8%	(0.8)%	17.4%	17.8%	(0.4)%
Total Variable Expenses	69.1%	68.2%	0.9%	68.6%	68.2%	0.4%
Administrative costs - Fixed	5.0%	4.3%	0.7%	4.9%	4.6%	0.3%
Facility lease costs	5.1%	5.1%	-%	4.8%	4.5%	0.3%
Depreciation of property and equipment	4.2%	4.2%	-%	4.1%	3.9%	0.2%
Total fixed expenses	14.3%	13.6%	0.7%	13.8%	13.0%	0.8%
Total operating expenses	83.4%	81.8%	1.6%	82.4%	81.2%	1.2%

Variable Expenses

Employee costs have increased in the quarter due to the additional costs of three dealerships which were acquired in Q4 2015. Management transition costs relate to the management transition announced on March 17, 2016 which occurred in Q2, 2016.

Variable administrative costs declined for both the quarter and the year ended December 31, 2016, as a percentage of gross profit. The decline is a result of our increased focus on cost control over the year.

Fixed Expenses

Fixed administrative costs increased, for both the quarter and year to date, as a percentage of gross profit. The increase is mainly attributable to the increase in property taxes on new property ownership during the year due to two dealership acquisitions in Q4 2016. Facility lease costs and depreciation of property and equipment remained constant for the quarter and year to date, as a percentage of gross profit.

Impairment of intangible assets and goodwill

The Company has a number of franchise agreements for its individual dealerships which it classifies as intangible assets. These intangible assets are tested for impairment at least annually, or more frequently if events or changes in circumstances indicate that they may be impaired. During the third quarter, the Company concluded that an interim test for certain cash generating units (dealerships) was required. As a result of the test performed, the Company recorded an impairment of $54.1 million of intangible assets and goodwill (December 31, 2015 - $18.8 million), as certain cash generating units had actual results that fell short of previous estimates and the outlook for these markets is less robust. Of total impairment, $45.0 million was related to intangible assets impairment and $9.1 million was related to goodwill impairment.

Under IFRS, previously recognized impairment charges, with the exception of impairment charges related to goodwill, may be reversed if the circumstances causing the impairment have improved or are no longer present. If such circumstances change, a new recoverable amount will be calculated and all or part of the impairment charge will be reversed to the extent the recoverable amount exceeds carrying value.

The Company performed a test for all cash generating units for the year ended December 31, 2016. As a result of the test, the Company did not identify any further impairments or recoveries of impairment for the year ended December 31, 2016.

Income Taxes

The following table summarizes income taxes for the three months and year ended December 31:

	Three Months Ended December 31			Year Ended December 31		
	2016	**2015**	**Change**	**2016**	**2015**	**Change**
	$	**$**	**$**	**$**	**$**	**$**
Current tax	(6,157)	(28,279)	22,122	12,316	19,290	(6,974)
Deferred (Recovery of) tax	9,144	17,025	(7,881)	(3,741)	(1,499)	(2,242)
Income tax expense	2,987	(11,254)	(8,267)	8,575	17,791	(9,216)

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 rates used for the year ended December 31, 2016 was 27.2% (December 31, 2015 - 28.2%).

In the year ending December 31, 2016, the Company paid approximately $9.4 million in 2016corporate income taxes and 2017 tax installments. The impairment charge recorded during the year resulted in $9,479 in deferred tax recoveries for the year ended December 31, 2016. The impairment of these assets are non-tax deductible expenses, causing a variance between net income for tax purposes and net income as reported on the Consolidated Statement of Comprehensive Income.

Finance Costs

The Company incurs finance costs on its revolving floorplan facilities, long term indebtedness and banking arrangements.

For the quarter ended December 31, 2016, finance costs on our revolving floorplan facilities increased by 9.8% to $3.2 million from $3.0 million compared to Q4 2015, mainly due to increased inventory as a result of two dealership acquisitions completed in the fourth quarter of 2016 along with dealerships acquired mid-way through 2015.

For the year ended December 31, 2016, finance costs on our revolving floorplan facilities decreased by 5.7% to $12.4 million from $13.2 million in the same period of the prior year. Finance costs on long term indebtedness increased by 10.7% compared to the prior year.

Some of our manufacturers provide non-refundable credits on the finance costs for our revolving floorplan facilities to offset the dealership’s cost of inventory that, on average, effectively provide the dealerships with interest-free floorplan financing for the first 45 to 60 days of ownership of each financed vehicle.

Accounting standards require the floorplan credits be accounted for as a reduction in the cost of new vehicle inventory and subsequently a reduction in the cost of sales as vehicles are sold.

Management believes that a comparison of floorplan financing costs to floorplan credits can be used to evaluate the efficiency of our new vehicle sales relative to stocking levels.

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

	Three Months Ended December 31			Year Ended December 31		
(in thousands of dollars)	**2016**	**2015**	**Change**	**2016**	**2015**	**Change**
Floorplan financing	3,247	2,956	291	12,408	13,160	(752)
Floorplan credits earned	(3,860)	(3,607)	(253)	(14,634)	(14,853)	219
Net carrying cost of vehicle inventory	(613)	(651)	38	(2,226)	(1,693)	(533)

8. SAME STORES RESULTS

Same store is defined as a franchised automobile dealership that has been owned for at least two full years since acquisition. The dealership is then included in the quarter thereafter, for same store analysis. The Company believes that it takes two years for an acquired dealership or Open Point to achieve normal operating results.

The dealerships which have been acquired over the past two years are integrating well into their respective platforms and within the Company. Eleven dealerships have been added to same stores in the fourth quarter of 2016. While management is satisfied with the integration of dealerships, 11 of 17 dealerships that have been added to same store in 2016 are located in Alberta. As a result same store sales will be further impacted by the depressed economy Alberta is currently experiencing.

Number of Same Stores by Province

The following table summarizes the number of same stores for the period ended December 31, 2016 by Province:

	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario	Quebec	Atlantic	Total
FCA	3	6	1	1	-	-	2	13
Hyundai	2	4	-	-	2	-	-	8
Volkswagen	3	2	-	1	-	-	-	6
Nissan/Infiniti	1	3	-	-	-	-	-	4
Audi	-	-	-	1	-	-	-	1
Mitsubishi	-	2	-	-	-	-	-	2
General Motors	1	3	2	1	-	-	-	7
Subaru	-	1	-	-	-	-	-	1
KIA	-	1	-	-	-	-	-	1
BMW	-	-	-	-	-	1	-	1
Total	10	22	3	4	2	1	2	44

Same Store Revenue and Vehicles Sold

	Three Months Ended December 31			Year Ended December 31		
(in thousands of dollars)	**2016**	**2015**	**% Change**	**2016**	**2015**	**% Change**
Revenue Source						
New vehicles - Retail	244,096	269,056	(9.3)%	1,106,413	1,214,938	(8.9)%
New vehicles - Fleet	26,656	27,764	(4.0)%	228,812	213,173	7.3%
Total New vehicles	270,752	296,820	(8.8)%	1,335,225	1,428,111	(6.5)%
Used vehicles - Retail	93,480	109,899	(14.9)%	411,122	460,237	(10.7)%
Used vehicles - Wholesale	37,223	39,347	(5.4)%	204,470	164,747	24.1%
Total Used vehicles	130,703	149,246	(12.4)%	615,592	624,984	(1.5)%
Finance, insurance and other	27,240	28,345	(3.9)%	112,961	128,270	(11.9)%
Subtotal	428,695	474,411	(9.6)%	2,063,778	2,181,365	(5.4)%
Parts, service and collision repair	72,273	82,311	(12.2)%	305,771	328,312	(6.9)%
Total	500,968	556,722	(10.0)%	2,369,549	2,509,677	(5.6)%
New retail vehicles sold	5,924	6,621	(10.5)%	26,333	30,437	(13.5)%
New fleet vehicles sold	730	1,016	(28.1)%	6,415	6,688	(4.1)%
Used retail vehicles sold	3,791	4,287	(11.6)%	16,840	18,238	(7.7)%
Total	10,445	11,924	(12.4)%	49,588	55,363	(10.4)%
Total vehicles retailed	9,715	10,908	(10.9)%	43,173	48,675	(11.3)%

Revenues - Same Store Analysis

Same store revenue declined by $55.8 million or 10.0%, and $140.1 million or 5.6%, for the three month period and the year ended December 31, 2016 respectively when compared to the same period in the prior year.

Same store new vehicle revenues decreased by $26.1 million or 8.8% for the fourth quarter of 2016 over the prior year due to a drop in new vehicle sales of 983 units or 12.9% offset by an increase in the average revenue per new vehicle sold of $1,824 or 4.7%. Same store new vehicle revenues decreased by $92.9 million or 6.5% for the year ended December 31, 2016 over the same period in the prior year due to a decrease in new vehicle sales of 4,377 units or 11.8% offset by an increase in the average revenue per new vehicle sold of $2,305 or 6.0%.

Same store used vehicle revenues decreased by $18.5 million or 12.4% for the three month period ended December 31, 2016 over the same period in the prior year due to a decrease in used sales of 496 units or 11.6% and a decrease in the average revenue per used vehicle sold of $337 or 1.0%. For the year ended December 31, 2016, used vehicle revenues decreased by $9.4 million or 1.5% due to a decrease in used vehicle sales of 1,398 units or 7.7%, offset by an increase in the average revenue per used vehicle sold of $2,287 or 6.7%.

Same store parts, service and collision repair revenue decreased by $10.0 million or 12.2% for the fourth quarter of 2016 compared to the prior period and was primarily a result of a decrease in overall repair orders completed of 10,231 and a $31 or 7.1% decrease in the average revenue per repair order completed. For the year ended December 31, 2016, parts, service and collision repair revenue decreased by $22.5 million or 6.9%, mainly due to a $18 or 4.0% decrease in the average revenue per repair order completed and a decrease in overall repair orders completed of 21,577.

Same store finance, insurance and other revenue decreased by $1.1 million or 3.9% for the three month period ended December 31, 2016 over the same period in 2015. This was due to a drop in the number of new and used vehicles retailed of 1,193 units, offset by an increase in the average revenue per unit retailed of $614 or 24.6%. For the year ended December 31, 2016, same store finance, insurance and other revenue dropped by $15.3 million or 11.9% over the same period in 2015 mainly due to a decrease in the number of new and used vehicles retailed of 5,502 units, offset by an increase in the average revenue per unit retailed of $31 or 1.2%.

Same Store Gross Profit and Gross Profit Percentage

	Three Months Ended December 31				
	Gross Profit			Gross Profit %	
(in thousands of dollars)	2016	2015	% Change	2016	2015
Revenue Source					
New vehicles - Retail	17,844	20,947	(14.8)%	7.3%	7.8%
New vehicles - Fleet	2,181	1,760	23.9%	8.2%	6.3%
Total New vehicles	20,025	22,707	(11.8)%	7.4%	7.7%
Used vehicles - Retail	7,404	8,090	(8.5)%	7.9%	7.4%
Used vehicles - Wholesale	797	814	(2.1)%	2.1%	2.1%
Total Used vehicles	8,201	8,904	(7.9)%	6.3%	6.0%
Finance, insurance and other	25,030	26,712	(6.3)%	91.9%	94.2%
Subtotal	53,256	58,323	(8.7)%	12.4%	12.3%
Parts, service and collision repair	41,328	42,081	(1.8)%	57.2%	51.1%
Total	94,584	100,404	(5.8)%	18.9%	18.0%

	Year Ended December 31				
	Gross Profit			Gross Profit %	
(in thousands of dollars)	2016	2015	% Change	2016	2015
Revenue Source					
New vehicles - Retail	89,997	98,492	(8.6)%	8.1%	8.1%
New vehicles - Fleet	6,566	6,763	(2.9)%	2.9%	3.2%
Total New vehicles	96,563	105,255	(8.3)%	7.2%	7.4%
Used vehicles - Retail	35,650	34,072	4.6%	8.7%	7.4%
Used vehicles - Wholesale	3,914	2,073	88.8%	1.9%	1.3%
Total Used vehicles	39,564	36,145	9.5%	6.4%	5.8%
Finance, insurance and other	103,311	117,634	(12.2)%	91.5%	91.7%
Subtotal	239,438	259,034	(7.6)%	11.6%	11.9%
Parts, service and collision repair	162,728	166,221	(2.1)%	53.2%	50.6%
Total	402,166	425,255	(5.4)%	17.0%	16.9%

Gross Profit Same Store Analysis

Same store gross profit decreased by $5.8 million or 5.8% and $23.1 million or 5.4% for the three month period and the year ended December 31, 2016 respectively when compared to the same period in the prior year.

Same store new vehicle gross profit declined by $2.7 million or 11.8% in the three month period ended December 31, 2016 when compared to 2015 as a result of a decrease in new vehicle sales of 983 units or 12.9%, offset by an increase in the average gross profit per new vehicle sold of $36 or 1.2%. For the year ended December 31, 2016, new vehicle gross profit decreased by $8.7 million or 8.3% which can be mainly attributed to a decrease in new vehicle sales of 4,377 units or 11.8% offset by an increase in the average gross profit per new vehicle sold of $114 or 4.0%.

Same store used vehicle gross profit dropped by $0.7 million or 7.9% in the three month period ended December 31, 2016 over the prior year. This was due to a decrease in the number of used vehicles sold of 496 units offset by an increase in the average gross profit per used vehicle retailed of $86 or 4.1%. For the year ended December 31, 2016, same store used vehicle gross profits increased by $3.4 million or 9.5% which was mainly due to an increase in the average gross profit per vehicle retailed of $367 or 18.5% offset by a decrease in the number of vehicles retailed of 1,398 units.

Same store parts, service and collision repair gross profit decreased by $0.8 million or 1.8% in the three month period ended December 31, 2016 when compared to the same period in the prior year as a result of a decrease in the number of repair orders completed of 10,231, offset by an increase in the average gross profit per repair order completed of $9 or 4.0%. For the year ended December 31, 2016, parts, service and collision repair gross profit decreased by $3.5 million or 2.1% which can be mainly attributed to a decrease in the number of repair orders completed of 21,577, offset by an increase in the average gross profit per repair order completed of $2 or 0.9%.

Same store finance, insurance and other gross profit decreased by $1.7 million or 6.3% in the three month period ended December 31, 2016 when compared to the prior year as a result a decrease in units retailed of 1,193, offset by an increase in the average gross profit per unit sold of $340. For the year ended December 31, 2016, finance and insurance gross profit decreased by $14.3 million or 12.2% and can be attributed to a decrease in units retailed of 5,502, offset by an increase in the average gross profit per unit sold of $22.

The following table summarizes same store total revenue for the three months and year ended December 31, 2016 by Province:

	Three Months Ended December 31			Year Ended December 31		
(in thousands of dollars)	**2016**	**2015**	**% Change**	**2016**	**2015**	**% Change**
British Columbia	105,839	120,575	(12.2)%	533,986	545,182	(2.1)%
Alberta	226,407	271,453	(16.6)%	1,068,598	1,206,605	(11.4)%
Manitoba	42,626	41,512	2.7%	182,282	181,265	0.6%
Ontario	14,555	14,057	3.5%	67,293	61,075	10.2%
Other	111,541	109,125	2.2%	517,390	515,550	0.4%
Total	500,968	556,722	(10.0)%	2,369,549	2,509,677	(5.6)%

The following table summarizes same store total gross profit for the three months and year ended December 31, 2016 by Province:

	Three Months Ended December 31			Year Ended December 31		
(in thousands of dollars)	**2016**	**2015**	**% Change**	**2016**	**2015**	**% Change**
British Columbia	18,842	19,213	(1.9)%	84,370	85,214	(1.0)%
Alberta	46,599	49,409	(5.7)%	192,859	210,644	(8.4)%
Manitoba	7,664	8,250	(7.1)%	33,789	33,706	0.2%
Ontario	2,467	2,325	6.1%	9,845	8,591	14.6%
Other	19,012	21,207	(10.4)%	81,303	87,100	(6.7)%
Total	94,584	100,404	(5.8)%	402,166	425,255	(5.4)%

9. ACQUISITIONS, RELOCATIONS AND REAL ESTATE

Dealership Operations and Expansion

AutoCanada's goals are to maximize the profit potential of every store and to generate incremental growth through accretive acquisitions. In 2016 we acquired two stores, and opened a Volkswagen open point in early 2017, bringing the total number of dealerships we operate to 56, representing 64 franchises.

Wellington Motors

Effective October 1, 2016, the Company purchased 100% of the voting shares of Wellington Motors Limited ("Wellington Motors"), which owns and operates a Chrysler Dodge Jeep RAM FIAT dealership in Guelph, Ontario, for total cash consideration of $23,880. On October 14, 2016, the Company also purchased the dealership land and facilities through a wholly-owned subsidiary, WMG Properties Inc., for $6,799. The acquisition was funded by drawing on the Company's revolving term facility. In 2015, the dealership retailed 968 new vehicles and 402 used vehicles.

Guelph Hyundai

On December 19, 2016, the Company purchased substantially all of the operating and fixed assets of Guelph Imported Cars Ltd. ("Guelph Hyundai"), in Guelph, Ontario, for total cash consideration of $4,521. The Company also purchased the dealership land and facilities through a wholly-owned subsidiary, GHM Properties Inc., for $9,548. The acquisition was funded by drawing on the Company's revolving term facility. In 2015, the dealership retailed 673 new vehicles and 173 used vehicles.

History has shown that within two years a newly acquired store adopts AutoCanada processes and culture. As we expand our presence into eastern Canada we are establishing regional and brand specialists whose role it is to ensure that every store in our portfolio meets not only our volume and profit targets but also every automaker sales and customer satisfaction objectives.

AutoCanada continues to diligently evaluate acquisition opportunities. We believe that we have sufficient capital to be able to acquire stores that meet our specific criteria in 2017. While our focus remains on flagship stores in each market, we are also targeting smaller stores that offer both organic growth as well as synergies with our other local stores.

Dealership divestiture

On February 25, 2016, the Company sold substantially all of the operating and fixed assets, including the land and facilities, of Newmarket Infiniti Nissan, located in Newmarket, Ontario for cash consideration. Net proceeds of $10,077 resulted in a pre-tax gain on divesture of $3,206.

Dealership Loan Financing – Southview Acura

On May 1, 2016, the Company made a second loan, for $3,120, to PPH Holdings Ltd. ("PPH") to acquire Southview Acura ("Southview"). The Company holds no ownership interest in PPH, which is a company controlled, and formed, by Mr. Patrick Priestner ("Priestner"). The Company has no participation in the equity of PPH or Southview Acura. PPH's principal place of business is Alberta, Canada. Although the Company holds no voting rights in PPH, the Company exercises significant influence by virtue of the existence of its loan and the provision of essential technical information required for operations, as well as through the relationship with Priestner, as AutoCanada's Chair of the Board of Directors. However, the Company does not have the power to make or block key decisions under the terms of the underlying agreements. As a result, the Company accounts for its loan to PPH under the effective interest method and it is carried at amortized cost.

Dealership Open Points

The retail automotive industry is a mature industry and rights to open new franchised automobile dealerships are rarely awarded by the automobile manufacturers. However, from time to time automobile manufacturers may seek to establish new dealerships in attractive markets. The right to open a new franchised automobile dealership in a specific location granted by an automobile manufacturer to a dealer is referred to in the industry as an Open Point. Generally, a new franchised automobile dealership is fully performing within one to three years depending on the manufacturer and location.

The Company will review on a case-by-case basis whether to own or lease a particular dealership facility. In either case, the Company would incur the costs of equipping and furnishing these facilities, including the costs relating to the integration of our management information systems into the new dealerships. Costs relating to open points are significant, and vary by dealership depending upon size and location.

Volkswagen – Sherwood Park, Alberta

In February 2014, the Company announced that it had been awarded the right to a Volkswagen Open Point dealership in Sherwood Park, Alberta. The Company has constructed an approximately 45,000 square foot facility in Sherwood Park, designed to Volkswagen Canada image standards. The dealership opened on February 1, 2017. The Volkswagen Open Point has a planning potential of 800 new vehicles annually which the Company anticipates achieving in two to three years of operation.

Nissan – Calgary, Alberta

On July 1, 2014, as part of the Company's purchase of the Hyatt Group, the Company acquired the exclusive right to build and operate a Nissan dealership on a designated property in southeast Calgary. The purchase price for transfer of the right was $1.5 million, which was satisfied by the issuance of 18,753 common shares of AutoCanada at a deemed price of $79.99. The dealership construction is expected to begin late 2017 with anticipated opening in mid 2018. The dealership will be constructed by a third party and subsequently leased by the Company.

Nissan - Ottawa, Ontario

On November 1, 2015, as part of the purchase of Hunt Club Nissan, the Company acquired the exclusive right to build and operate a Nissan motor vehicle franchise on a designated property in southwest Ottawa. AutoCanada intends to operate the dealership out of a new facility, designed to Nissan image standards, with construction commenced and anticipated opening in late 2017.

KIA - Winnipeg, Manitoba

On March 16, 2015, the Company announced that it had signed a Letter of Intent with Kia Canada Inc. ("Kia") which, subject to the completion of requirements and conditions contained in the Letter of Intent, will award AutoCanada an Open Point Kia dealership in Winnipeg, Manitoba. After thorough review, AutoCanada has elected not to proceed with this Open Point dealership.

Capital Plan

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

Dealership Relocations

Management estimates the total capital requirements of currently planned dealership relocations to be approximately $70.6 million to the end of 2020. The Company expects dealership relocations to provide long term earnings sustainability and result in significant improvements in revenues and overall profitability. Management continually updates its capital plan and as such, the estimates provided may vary as delays occur or projects are added or removed.

Current Dealership Expansion and Imaging Requirements

The Company has identified approximately $56.4 million in capital costs that it may incur in order to expand or renovate various current locations through to the end of 2021. The Company is required by its manufacturers to undertake periodic imaging upgrades to its facilities. Included above are the estimated costs and timing related to the re-imaging requirements by Hyundai Canada. The Company expects re-imaging to attract more customers to its dealerships.

Open Point Opportunities

Management regularly reviews potential open point opportunities. If successful in being awarded these opportunities, Management would then estimate additional capital costs in order to construct suitable facilities for open points. The Company currently estimates approximately $18.3 million in capital by the first quarter of 2020 related to awarded Open Points. If awarded in the future, Management will provide additional cost estimates and further information regarding the proposed timing of construction. In order to be successful in some opportunities, Management may be required to secure appropriate land for the potential open points, in which case, additional land purchase costs may be incurred in the future.

The following summarizes the capital plan for contemplated future capital projects:

(in millions of dollars)	2017	2018	2019	2020	2021	Total
Same Store						
Dealership Relocations	22.3	13.3	33.1	1.8	-	70.5
Current Dealership Expansion and Imaging Requirements	3.3	10.6	-	3.0	9.5	26.4
Capital Plan	25.6	23.9	33.1	4.8	9.5	96.9
Cash Outlay[1]	17.3	11.8	21.1	4.8	9.5	64.5
Non Same Store						
Dealership Relocations	0.1	-	-	-	-	0.1
Current Dealership Expansion and Imaging Requirements	5.2	5.0	4.0	8.0	7.8	30.0
Open Point Opportunities	8.1	6.4	2.1	1.7	-	18.3
Capital Plan	13.4	11.4	6.1	9.7	7.8	48.4
Cash Outlay[1]	13.4	11.4	6.1	9.7	7.8	48.4
Total Capital Plan	39.0	35.3	39.2	14.5	17.3	145.3
Total Cash Outlay[1]	30.7	23.2	27.2	14.5	17.3	112.9

1) *Refers to amount expected to be funded by internal Company cash flow.*

During the year, the Company re-examined its planned capital expenditures and has reduced its capital budget. At December 31, 2015, the four year capital plan was $193.8 million. As a result of increased focus on reducing capital expenditures, the five year capital plan at December 31, 2016 is $145.3 million.

Notwithstanding the capital plan laid out above, expected capital expenditures are subject to deferral due to issues in obtaining permits, construction delays, changes in re-imaging requirements, economic factors, or other delays that are normal to the construction process. The above is considered to be a guide for when the Company expects to perform capital expenditures, however, significant deferral may occur in the future. Management closely monitors the capital plan and adjusts as appropriate based on Company performance, manufacturer requirements, expected economic conditions, and individual dealership needs. Management performs a robust analysis on all future expenditures prior to the allocation of funds. Timing of dealership relocations is determined based on the dealership's current performance, the market, and expected return on invested capital. It is expected that a dealership relocation will result in improved performance and increased profitability.

10. LIQUIDITY AND CAPITAL RESOURCES

Our principal uses of funds are for capital expenditures, repayment of debt, funding the future growth of the Company and paying dividends to Shareholders. We have historically met these requirements by using cash generated from operating activities and through short-term and long-term indebtedness.

Under our franchise agreements, manufacturers require us to maintain a minimum level of working capital. We maintain working capital in excess of manufacturer requirements which may be used for capital expenditures. The Company's analysis of its available capital based on the balance sheet at December 31, 2016 is as follows:

- The Company had drawn $151.1 million on its $250.0 million revolving term facility.

As a result of the above, as at December 31, 2016, the Company currently has approximately $98.9 million in readily available liquidity, not including future retained cash from operations that it may deploy for growth expenditures including acquisitions.

Cash Flow from Operating Activities

Cash flow from operating activities (including changes in non-cash working capital) of the Company for the year ended was $104.7 million (cash provided by operating activities of $76.1 million plus net change in non-cash working capital of $28.6 million) compared to $52.8 million (cash provided by operating activities of $51.5 million plus net change in non-cash working capital of $1.3 million) in the same period of the prior year.

Cash Flow from Investing Activities

For the year ended December 31, 2016, cash flow from investing activities of the Company was a net outflow of $100.9 million as compared to a net outflow of $165.7 million in the same period of the prior year. This is tied to the decreased acquisition activity in 2016 compared to 2015 resulting in less payments for property and equipment, and business acquisition costs.

Cash Flow from Financing Activities

For the year ended December 31, 2016, cash flow from financing activities was a net inflow of $37.8 million as compared to a net inflow of $104.0 million in the same period of 2015. This is primarily due to proceeds from issuance of common shares in 2015 that did not occur in 2016.

Credit Facilities and Floor Plan Financing

Details of the Company's credit facilities and floorplan financing are included in Note 28 of the annual audited consolidated financial statements for the year ended December 31, 2016.

Key Financial Covenants

The Company is required by its debt agreements to comply with several financial covenants. As a result of the amendment to the revolving term facility, the calculation of the financial covenants for our senior secured leverage ratio, adjusted total leverage ratio, and our fixed charge coverage ratio on our syndicated revolver have changed in the year. These changes have resulted in the expansion of the number and type of items that are included in the definition of EBITDA which has improved the Company's covenants. With additional EBITDA included in the calculations, the Company has additional room compared to the previous definition of EBITDA.

The following is a summary of the Company's actual performance against its financial covenants as at December 31, 2016:

		Q4 2016		Q3 2016	
Financial Covenant	**Requirement**	**New[1] Actual Calculation**	**Prior[1] Actual Calculation**	**New[1] Actual Calculation**	**Prior[1] Actual Calculation**
Syndicated Revolver:					
Senior Secured Leverage Ratio	Shall not exceed 2.75	1.77	1.98	1.38	1.60
Adjusted Total Leverage Ratio	Shall not exceed 5.00	4.28	4.69	4.12	4.62
Fixed Charge Coverage Ratio	Shall not be less than 1.20	2.96	2.62	2.55	2.17
Current Ratio	Shall not be less than 1.05	1.13	1.13	1.12	1.12
Syndicated Floorplan:					
Current Ratio	Shall not be less than 1.10	1.16	1.16	1.17	1.17
Tangible Net Worth (millions)	Shall not be less than $40 million	$121.9	$121.9	$90.9	$90.9
Debt to Tangible Net Worth	Shall not exceed 7.50	3.31	3.31	4.48	4.48

1) The column "New" shows the calculation based on the Company's amended revolving term facility made in the third quarter of 2016 versus "Prior" which shows the calculation prior to the amendment.

The covenants above are based on consolidated financial statements of the dealerships that are financed directly by the lender. As a result, the actual performance against the covenant does not necessarily reflect the actual performance of AutoCanada. The Company is required to comply with other covenants under the terms of its remaining credit agreements. The Company stress tests all covenants on a monthly and quarterly basis and notes that a significant further drop in performance would be necessary to breach the covenants.

As at December 31, 2016, the Company is in compliance with all of its financial covenants.

Financial Instruments

Details of the Company's financial instruments, including risks and uncertainties are included in Note 25 of the annual audited consolidated financial statements for the year ended December 31, 2016.

Growth vs. Non-Growth Capital Expenditures

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

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

(in thousands of dollars)	**October 1, 2016 to December 31, 2016**	**January 1, 2016 to December 31, 2016**
Leasehold improvements	261	3,713
Machinery and equipment	644	1,661
Furniture and fixtures	158	1,288
Computer equipment	148	908
Company and lease vehicles	-	9
	1,211	7,579

Amounts relating to the expansion of sales and service capacity are considered growth expenditures. Growth expenditures are discretionary, and represent cash outlays intended to provide additional future cash flows benefit future periods. During the three month period and the year ended December 31, 2016, growth capital expenditures of $9.5 million and $56.0 million were incurred, respectively. These expenditures related primarily to land and buildings that were purchased for future dealership operations during the second and fourth quarter of 2016. Dealership relocations are included as growth expenditures if they contribute to the expansion of sales and service capacity of the dealership.

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

(in thousands of dollars)	October 1, 2016 to December 31, 2016	January 1, 2016 to December 31, 2016
Purchase of property and equipment from the Statement of Cash Flows	10,812	63,702
Purchase of property and equipment from business acquisitions	17,189	17,189
Less: Amounts related to the expansion of sales and service capacity	(26,790)	(73,312)
Purchase of non-growth property and equipment	1,211	7,579

Repairs and maintenance expenditures are expensed as incurred and have been deducted from earnings for the period. Repairs and maintenance expense incurred during the three month period and the year ended December 31, 2016, were $1.7 million and $6.2 million (2015 - $1.7 million and $6.2 million), respectively.

Planned Capital Expenditures

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

For further information regarding planned capital expenditures, see "ACQUISITIONS, RELOCATIONS AND REAL ESTATE".

Financial Position

The following table shows selected audited balances of the Company (in thousands) for December 31, 2016 and December 31, 2015, as well as unaudited balances of the Company at September 30, 2016, June 30, 2016, March 31, 2016, September 30, 2015, June 30, 2015, and March 31, 2015:

(in thousands of dollars)	Dec. 31, 2016	Sep. 30, 2016	Jun. 30, 2016	Mar. 31, 2016	Dec. 31, 2015	Sep. 30, 2015	Jun. 30, 2015	Mar. 31, 2015
Cash and cash equivalents	103,221	96,368	77,582	72,878	62,274	77,071	77,676	66,351
Trade and other receivables	85,587	108,363	115,427	116,092	90,821	118,853	124,683	104,753
Inventories	619,718	597,831	555,957	628,641	596,542	581,258	620,837	625,779
Total Assets	1,600,615	1,547,344	1,548,879	1,578,225	1,532,182	1,508,028	1,517,978	1,449,213
Revolving floorplan facilities	582,695	569,581	532,283	600,578	548,322	550,857	607,694	601,432
Non-current debt and lease obligations	330,351	291,408	295,922	293,273	285,759	313,073	287,202	241,929

Net Working Capital

The automobile manufacturers represented by the Company require the Company to maintain net working capital targets for each individual dealership. At December 31, 2016, the aggregate of the net working capital requirements was approximately $102.4 million. At December 31, 2016, all working capital requirements had been met by each dealership. The working capital requirements imposed by the automobile manufacturers' may limit our ability to fund capital expenditures, acquisitions, dividends, or other commitments in the future if sufficient funds are not generated by the Company. Net working capital, as defined by automobile manufacturers, may not reflect net working capital as determined using GAAP measures. As a result, it is possible that the Company may meet automobile manufacturers' net working capital requirements without having sufficient aggregate working capital using GAAP measures. The Company defines net working capital amounts as current assets less current liabilities as presented in the consolidated financial statements. The net working capital requirements above restrict the Company's ability to transfer funds up from its subsidiaries, as each subsidiary dealership is required to be appropriately capitalized as explained above. In addition, our VCCI Facilities require the VW and Audi dealerships to maintain minimum cash and equity, which also restricts our ability to transfer funds up.

Off Balance Sheet Arrangements

The Company has operating lease commitments, with varying terms through 2037, to lease premises and equipment used for business purposes. The Company leases the majority of the lands and buildings used in its franchised automobile dealership operations from related parties and other third parties.

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

(in thousands of dollars)	$
2017	19,051
2018	16,912
2019	14,486
2020	12,520
2021	12,288
Thereafter	123,489
Total	198,746

Information regarding our contractual obligations with respect to long-term debt, capital lease obligations and other long-term obligations is included in the Liquidity Risk section of Note 25 of the Company's annual consolidated financial statements.

Related Party Transactions

Note 34 of the annual consolidated financial statements of the Company for the year ended December 31, 2016 summarizes the transactions between the Company and its related parties.

Administrative support fees

The Company currently earns administrative support fees from companies controlled by the Chair of the Board of Directors of AutoCanada. The administrative support fees consist of a portion of human resource and fixed costs associated with providing technological and accounting support to these companies. The Company believes that providing support services to these companies provides value to both the companies supported and AutoCanada. By providing support, AutoCanada is able to reduce its overall fixed costs associated with accounting and information technology.

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

Loan to related parties

The Company structured the loans to PPH with the associated terms and conditions in order to satisfy the requirements of the manufacturer. It is the Company's belief that these loan investments will provide future opportunities to finance further acquisitions thereby acquiring additional revenue and income streams from this manufacturer.

11. OUTSTANDING SHARES

As at December 31, 2016, the Company had 27,459,683 common shares outstanding. Basic and diluted weighted average number of shares outstanding for the year ended December 31, 2016 were 27,350,555 and 27,455,686, respectively. As at December 31, 2016, the value of the shares held in trust was $1.8 million (2015 – $1.3 million) which was comprised of 103,244 (2015 - 70,933) in shares with a nil aggregate cost. As at March 16, 2017, there were 27,459,683 shares issued and outstanding.

12. DIVIDENDS

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

The following table summarizes the dividends declared by the Company in 2016:

Record date	Payment date	Per Share $	Total $
February 29, 2016	March 15, 2016	0.25	6,840
May 31, 2016	June 15, 2016	0.10	2,735
August 31, 2016	September 15, 2016	0.10	2,735
November 30, 2016	December 15, 2016	0.10	2,736
		0.55	15,046

On February 21, 2017 the Board declared a quarterly eligible dividend of $0.10 per common share on AutoCanada's outstanding Class A shares, payable on March 15, 2017 to shareholders of record at the close of business on February 28, 2017.

As per the terms of the HSBC facility, we are restricted from declaring dividends and distributing cash if we are in breach of financial covenants or our available margin and facility limits or if such dividend would result in a breach of our covenants or our available margin and facility limits. At this time, the Company is within these covenants.

13. FREE CASH FLOW

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

(in thousands of dollars, except unit and per unit amounts)	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Cash provided by operating activities	24,930	32,594	40,374	6,831	12,420	20,139	21,004	(810)
Deduct:								
Purchase of property and equipment	(1,506)	(1,697)	(2,452)	(2,786)	(3,354)	(5,144)	(3,228)	(2,352)
Free cash flow [1]	23,424	30,897	37,922	4,045	9,066	14,995	17,776	(3,162)
Weighted average shares outstanding at end of period	27,353,431	27,347,585	27,338,767	27,362,440	25,016,637	24,440,080	24,424,598	24,409,574
Free cash flow per share	0.86	1.13	1.39	0.15	0.36	0.61	0.73	(0.13)
Free cash flow - 12 month trailing	96,288	81,930	66,028	45,882	38,675	69,431	60,695	52,780

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

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

Changes in non-cash working capital consist of fluctuations in the balances of trade and other receivables, inventories, finance lease receivables, other current assets, trade and other payables, vehicle repurchase obligations 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.

(in thousands of dollars)	January 1, 2016 to December 31, 2016	January 1, 2015 to December 31, 2015
Trade and other receivables	8,031	1,939
Inventories	(8,765)	(3,584)
Finance lease receivables	1,014	3,271
Other current assets	150	(1,761)
Trade and other payables	2,670	3,959
Revolving floorplan facilities	20,535	(2,867)
Vehicle repurchase obligations	4,948	307
	28,583	1,264

Adjusted Free Cash Flow

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

(in thousands of dollars, except unit and per unit amounts)	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Cash provided by operating activities before changes in non-cash working capital	14,344	28,996	24,050	8,754	11,242	23,082	22,386	(5,221)
Deduct:								
Purchase of non-growth property and equipment	(1,211)	(1,230)	(2,418)	(2,719)	(3,164)	(4,131)	(3,199)	(2,199)
Adjusted free cash flow [1]	13,133	27,766	21,632	6,035	8,078	18,951	19,187	(7,420)
Weighted average shares outstanding at end of period	27,353,431	27,347,585	27,338,767	27,362,440	25,016,637	24,440,080	24,424,598	24,409,574
Adjusted free cash flow per share	0.48	1.02	0.79	0.22	0.32	0.78	0.79	(0.30)
Adjusted free cash flow - 12 month trailing	68,566	63,511	54,696	52,251	38,796	47,840	51,002	47,316

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

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

In the year ending December 31, 2016, the Company paid approximately $9.4 million in 2016 corporate income taxes and 2017 tax installments, which reduced our adjusted free cash flow by this amount. The Company expects the payment of corporate income taxes to have a more significant negative affect on free cash flow and adjusted free cash flow. See "RESULTS FROM OPERATIONS – Income Taxes" for further detail regarding the impact of corporate income taxes on cash flow.

Adjusted Return on Capital Employed

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

(in thousands of dollars, except unit and per unit amounts)	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
EBITDA[1,2]	28,536	26,915	30,845	21,010	23,524	29,487	30,730	13,890
Deduct:								
Depreciation of property and equipment	(4,921)	(4,860)	(4,822)	(4,954)	(5,176)	(5,063)	(4,461)	(4,160)
EBIT[1,2]	23,615	22,055	26,023	16,056	18,348	24,424	26,269	9,730
Average long-term debt	333,310	315,678	310,281	300,520	312,471	314,443	277,571	239,251
Average shareholder's equity	491,026	503,163	516,513	510,595	481,112	447,774	439,711	436,262
Average capital employed[1]	824,336	818,841	826,794	811,115	793,583	762,217	717,282	675,513
Return on capital	2.9%	2.7%	3.1%	2.0%	2.3%	3.2%	3.7%	1.4%
Comparative adjustment[3]	25,959	(13,191)	(13,191)	(13,191)	(13,191)	(17,264)	(17,264)	(17,264)
Adjusted average capital employed[1]	830,720	805,650	813,603	797,924	778,354	744,953	700,018	658,249
Adjusted return on capital employed[1]	2.8%	2.7%	3.2%	2.0%	2.4%	3.3%	3.8%	1.5%
Adjusted return on capital employed - 12 month trailing	10.9%	10.6%	11.2%	11.7%	11.2%	12.7%	15.5%	16.5%

1) *These financial measures are identified and defined under the section "NON-GAAP MEASURES".*
2) *EBITDA and EBIT used in the calculation of Adjusted Return on Capital Employed is calculated using the financial results including non-controlling interests.*
3) *A comparative adjustment has been made in order to adjust for impairments and reversals of impairments of intangible assets. Due to the increased frequency of impairments and reversals of impairments, Management has provided an adjustment in order to freeze intangible assets at the pre-IFRS amount of $43,700. As a result, all differences from January 1, 2010 forward under IFRS have been adjusted at the post-tax rate at the time the adjustment to the intangible asset carrying amount was made. Management believes that the adjusted return on capital employed provides more useful information about the return on capital employed.*

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

14. CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICY DEVELOPMENTS

A complete listing of critical accounting policies, estimates, judgments and measurement uncertainty can be found in Notes 3 and 5 of the annual consolidated financial statements for the year ended December 31, 2016.

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are not yet effective for the period ended December 31, 2016. A listing of the standards issued which are applicable to the Company can be found in Note 4 of the annual consolidated financial statements for the year ended December 31, 2016.

15. DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure Controls & Procedures

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

As of December 31, 2016, the Company's management, with participation of the CEO and CFO, evaluated the effectiveness of the design and operation of its disclosure controls and procedures, as defined in National Instrument 52-109 of the Canadian Securities Administrators, and have concluded that the Company's disclosure controls and procedures are effective.

Internal Controls over Financial Reporting

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

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

Management, under the supervision of and with the participation of the Company's CEO and CFO, evaluated the effectiveness of the Corporation's internal controls over financial reporting (as defined under national Instrument 52–109 Certification of Disclosure in Issuers' Annual and Interim Filings). In making this evaluation, management used the criteria set forth by the *Committee of Sponsoring Organizations of the Treadway Commissions* ("COSO") in *Internal Control – Integrated Framework (2013)*. Based on that evaluation, management and the CEO and CFO have concluded that, as at December 31, 2016, the Corporation's internal controls over financial reporting were effective. This evaluation took into consideration the Corporation's Corporate Disclosure Policy and the functioning of its Disclosure Policy Committee.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting during the year ended December 31, 2016.

16. RISK FACTORS

We face a number of business risks that could cause our actual results to differ materially from those disclosed in this MD&A (See "FORWARD LOOKING STATEMENTS"). Investors and the public should carefully consider our business risks, other uncertainties and potential events as well as the inherent uncertainty of forward looking statements when making investment decisions with respect to AutoCanada. If any of the business risks identified by AutoCanada were to occur, our business, financial condition, results of operations, cash flows or prospects could be materially adversely affected. In such case, the trading price of our shares could decline. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also adversely affect our business and operations. A comprehensive discussion of the known risk factors of AutoCanada and additional business risks is available in our 2016 Annual Information Form dated March 17, 2016 available on the SEDAR website at www.sedar.com.

17. FORWARD LOOKING STATEMENTS

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

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

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

18. NON-GAAP MEASURES

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

EBITDA

EBITDA is a measure commonly reported and widely used by investors as an indicator of a company's operating performance and ability to incur and service debt, and as a valuation metric. The Company believes EBITDA assists investors in comparing a company's performance on a consistent basis without regard to depreciation and amortization and asset impairment charges which are non-cash in nature and can vary significantly depending upon accounting methods or non-operating factors such as historical cost. References to "EBITDA" are to earnings before interest expense (other than interest expense on floorplan financing and other interest), income taxes, depreciation, amortization and asset impairment charges. EBITDA attributable to AutoCanada shareholders refers to the parent portion of consolidated financial results. Non-controlling interest (the portion of ownership not attributable to the parent) is excluded.

Adjusted EBITDA

Adjusted EBITDA is an indicator of a company's operating performance and ability to incur and service debt. The portion of share-based compensation related to changes in the share price and its impact on the Company's cash-settled portions of its share-based compensation programs, the revaluation of redemption liabilities, and the unrealized gain or loss on embedded derivatives are added back to EBITDA to get to adjusted EBITDA. The Company considers these expenses to be non-cash in nature. The Company believes adjusted EBITDA provides improved continuity with respect to the comparison of our operating results over a period of time. Adjusted EBITDA attributable to AutoCanada shareholders refers to the parent portion of consolidated financial results. Non-controlling interest (the portion of ownership not attributable to the parent) is excluded.

Adjusted net earnings and Adjusted net earnings per share

Adjusted net earnings and adjusted net earnings per share are measures of our profitability. Adjusted net earnings is calculated by adding back the after-tax effect of impairment or reversals of impairment of intangible assets, impairments of goodwill, the revaluation of redemption liabilities, the unrealized gain or loss on embedded derivatives, and the portion of share-based compensation related to changes in the share price and its impact on the Company's cash-settled portions of its share-based compensation programs. The Company considers this expense to be non-cash in nature. Adding back these amounts to net earnings allows Management to assess the net earnings of the Company from ongoing operations. Adjusted net earnings per share is calculated by dividing adjusted net earnings by the weighted-average number of shares outstanding.

EBIT

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

Free Cash Flow

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

Adjusted Free Cash Flow

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

Absorption Rate

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

Average Capital Employed

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

Adjusted Average Capital Employed

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

Return on Capital Employed

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

Adjusted Return on Capital Employed

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

Cautionary Note Regarding Non-GAAP Measures

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

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2016

Independent Auditor's Report

To the Shareholders of AutoCanada Inc.

We have audited the accompanying consolidated financial statements of AutoCanada Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of AutoCanada Inc. and its subsidiaries as at December 31, 2016 and December 31, 2015 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

March 16, 2017
Edmonton, Canada

AutoCanada Inc.

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

	December 31, 2016 $	December 31, 2015 $
Revenue (Note 7)	2,891,581	2,903,803
Cost of sales (Note 8)	(2,405,448)	(2,416,094)
Gross profit	486,133	487,709
Operating expenses (Note 9)	(400,417)	(395,877)
Operating profit before other income (expense)	85,716	91,832
Lease and other income, net	5,171	5,546
Gain on disposal of assets, net	2,956	249
Impairment of intangible assets, net (Note 24)	(54,096)	(18,757)
Income from loans to associate (Note 23)	1,165	49
Operating profit	40,912	78,919
Finance costs (Note 11)	(31,664)	(31,628)
Finance income (Note 11)	2,121	2,292
Other gains and (losses) (Note 12)	5,785	(4,478)
Net income for the year before taxes	17,154	45,105
Income taxes (Note 13)	8,575	17,791
Net and comprehensive income for the year	8,579	27,314
Net and comprehensive income for the year attributable to:		
AutoCanada shareholders	2,596	22,821
Non-controlling interests	5,983	4,493
	8,579	27,314
Net earnings per share attributable to AutoCanada shareholders (Note 32)		
Basic	0.09	0.93
Diluted	0.09	0.92
Weighted average shares (Note 32)		
Basic	27,350,555	24,574,022
Diluted	27,455,686	24,674,083

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

Approved on behalf of the Company:

Gordon R. Barefoot, Director

Barry L. James, Director

AutoCanada Inc.

Consolidated Statements of Financial Position
(in thousands of Canadian dollars)

	December 31, 2016 $	December 31, 2015 $
ASSETS		
Current assets		
Cash and cash equivalents (Note 17)	103,221	62,274
Trade and other receivables (Note 18)	85,587	90,821
Inventories (Note 19)	619,718	596,542
Current tax recoverable	2,262	6,920
Current portion of finance lease receivables (Note 20)	3,797	4,012
Other current assets	4,219	4,760
Assets held for sale (Note 21)	1,556	27,482
	820,360	792,811
Restricted cash (Note 17)	6,558	6,288
Property and equipment (Note 22)	342,768	278,385
Loans to associate (Note 23)	14,726	8,470
Long-term portion of finance lease receivables (Note 20)	5,747	6,546
Other long-term assets (Note 26)	7,110	7,078
Intangible assets (Note 24)	378,982	399,648
Goodwill (Note 24)	24,364	32,956
	1,600,615	1,532,182
LIABILITIES		
Current liabilities		
Bank indebtedness (Note 17)	226	898
Trade and other payables (Note 27)	90,131	86,284
Revolving floorplan facilities (Note 28)	582,695	548,322
Vehicle repurchase obligations (Note 29)	6,794	1,846
Current indebtedness (Note 28)	21,679	11,484
Current portion of redemption liabilities (Note 16)	22,752	6,338
Liabilities held for sale	-	14,493
	724,277	669,665
Long-term indebtedness (Note 28)	330,351	285,759
Deferred income tax (Note 13)	24,683	25,838
Redemption liabilities (Note 16)	23,712	40,891
	1,103,023	1,022,153
EQUITY		
Attributable to AutoCanada shareholders	440,081	451,945
Attributable to Non-controlling interests	57,511	58,084
	497,592	510,029
	1,600,615	1,532,182

Commitments and contingencies (Note 30)

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

AutoCanada Inc.

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

	Attributable to AutoCanada shareholders					
	Share capital $	**Contributed surplus** $	**Accumulated deficit** $	**Total** $	**Non-controlling interests** $	**Total Equity** $
Balance, January 1, 2016	508,237	4,286	(60,578)	451,945	58,084	510,029
Net and comprehensive income	-	-	2,596	2,596	5,983	8,579
Dividends declared on common shares (Note 32)	-	-	(15,046)	(15,046)	-	(15,046)
Dividends declared by subsidiaries to non-controlling interests (Note 16)	-	-	-	-	(6,556)	(6,556)
Treasury shares acquired (Note 32)	(1,301)	-	-	(1,301)	-	(1,301)
Shares settled from treasury (Note 32)	950	(950)	-	-	-	-
Share-based compensation (Note 10)	-	1,887	-	1,887	-	1,887
Balance, December 31, 2016	507,886	5,223	(73,028)	440,081	57,511	497,592

	Attributable to AutoCanada shareholders					
	Share capital $	**Contributed surplus** $	**Accumulated deficit** $	**Total** $	**Non-controlling interests** $	**Total Equity** $
Balance, January 1, 2015	434,572	4,721	(57,865)	381,428	55,028	436,456
Net and comprehensive income	-	-	22,821	22,821	4,493	27,314
Dividends declared on common shares (Note 32)	-	-	(24,432)	(24,432)	-	(24,432)
Non-controlling interests arising on acquisitions (Note 14)	-	-	-	-	5,847	5,847
Recognition of redemption liability granted to non-controlling interests (Note 14)	-	-	(1,102)	(1,102)	-	(1,102)
Dividends declared by subsidiaries to non-controlling interests (Note 16)	-	-	-	-	(7,284)	(7,284)
Common shares issued (Note 32)	72,702	-	-	72,702	-	72,702
Treasury shares acquired (Note 32)	(89)	-	-	(89)	-	(89)
Shares settled from treasury (Note 32)	1,052	(1,052)	-	-	-	-
Share-based compensation (Note 10)	-	617	-	617	-	617
Balance, December 31, 2015	508,237	4,286	(60,578)	451,945	58,084	510,029

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

AutoCanada Inc.

Consolidated Statements of Cash Flows

For the Years Ended

(in thousands of Canadian dollars)

	December 31, 2016 $	December 31, 2015 $
Cash provided by (used in)		
Operating activities		
Net and comprehensive income	8,579	27,314
Income taxes (Note 13)	8,575	17,791
Amortization of prepaid rent	452	452
Depreciation of property and equipment (Note 22)	19,557	18,860
Gain on disposal of assets	(2,956)	(249)
Impairment of intangible assets (Note 24)	54,096	18,757
Share-based compensation - equity-settled (Note 10)	1,887	617
Share-based compensation - cash-settled	(452)	(490)
Loss (gain) on embedded derivative (Note 11)	3	(42)
Revaluation of redemption liabilities (Note 16)	(765)	4,329
Revaluation of contingent consideration (Note 12)	(5,020)	149
Income taxes paid	(7,810)	(35,999)
Net change in non-cash working capital (Note 35)	28,583	1,264
	104,729	52,753
Investing activities		
Additions to restricted cash (Note 17)	(270)	(6,288)
Business acquisitions, net of cash acquired (Note 14)	(40,859)	(76,480)
Proceeds on divesture of dealership (Note 15)	10,077	-
Purchases of property and equipment (Note 22)	(63,702)	(74,606)
Proceeds on sale of property and equipment	121	143
Loans to associate (Note 23)	(6,256)	(8,470)
	(100,889)	(165,701)
Financing activities		
Proceeds from long-term indebtedness	251,282	338,730
Repayment of long-term indebtedness	(191,550)	(274,670)
Common shares repurchased, net of settled	(351)	(89)
Dividends paid (Note 32)	(15,046)	(24,432)
Dividends paid to non-controlling interests by subsidiaries (Note 16)	(6,556)	(7,284)
Proceeds from issuance of common shares (Note 32)	-	71,788
	37,779	104,043
Net increase (decrease) in cash and cash equivalents	**41,619**	**(8,905)**
Cash and cash equivalents at beginning of year (Note 17)	**61,376**	**70,281**
Cash and cash equivalents at end of year (Note 17)	**102,995**	**61,376**

The accompanying notes are an integral part of these 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 leasing, 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, 15511 123 Avenue NW, Edmonton, Alberta, Canada, T5V 0C3.

2 Basis of Presentation

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

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

These financial statements were approved for issue by the Board of Directors on March 16, 2017.

3 Significant Accounting Policies

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

Basis of measurement

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

Principles of consolidation

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

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity.

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

Business combinations

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

Revenue recognition

(a) Vehicles, parts, service and collision repair

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

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

(b) Finance and insurance

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

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

Taxation

(a) Deferred tax

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

Deferred tax liabilities:

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

Deferred tax assets:

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

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

(b) Current tax

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

Manufacturer incentives and other rebates

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

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

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

Financial instruments

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

Financial assets are recognized on the settlement date, which is the date on which the asset is delivered to or by the Company. Financial assets are derecognized when the rights to receive cash flows from the instruments have expired or were transferred and the Company has transferred substantially all risks and rewards of ownership.

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

The Company's financial liabilities include trade and other payables, revolving floorplan facilities, vehicle repurchase obligations, long-term indebtedness, contingent consideration, and redemption liabilities. Financial liabilities are measured at amortized cost, except for redemption liabilities and contingent consideration which are carried at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents include amounts on deposit with financial institutions and amounts with Scotiabank that are readily available to the Company (See Note 25 - Financial instruments - Credit risk for explanation of credit risk associated with amounts held with Scotiabank).

Trade and other receivables

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

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

Inventories

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

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

Assets held for sale

Non-current assets and associated liabilities are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction, rather than continuing use, and a sale is highly probable.

Assets designated as for sale are recorded at the lower of carrying amount at designation and fair value less costs to sell.

Depreciation is not charged against property and equipment classified as held for sale.

Property and equipment

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

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

Buildings are depreciated on a straight-line basis over the estimated useful lives of the buildings ranging from ten to forty-five years. Useful lives are determined based on independent appraisals.

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

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

Intangible assets and goodwill

(a) Intangible assets

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

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

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

(b) Goodwill

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

Impairment

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

(a) Non-financial assets

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

(b) Intangible assets and goodwill

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

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

Trade and other payables

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

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

Leases

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

(a) Finance leases

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

The Company as a lessor:

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

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

The Company as a lessee:

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

(b) Operating leases

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

The Company as a lessor:

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

The Company as a lessee:

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

Redemption liabilities

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

Share capital

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

Dividends

Dividends on common shares are recognized in the Company's consolidated financial statements in the period the dividends are declared by the Company's Board of Directors.

Earnings per share

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

4 Accounting standards and amendments issued but not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are not yet effective for the financial year ended December 31, 2016.

The standards issued that are applicable to the Company are as follows:

- IAS 7, *Statement of Cash Flows* - in January 2016, the IASB issued amendments to IAS 7, Statement of Cash Flows to require a reconciliation of opening and closing liabilities that form part of an entity's financing activities, including both changes arising from cash flows and non-cash changes. The amendments are effective for reporting periods beginning on or after January 1, 2017 and may be applied prospectively.

- IFRS 9, *Financial Instruments* - the new standard will ultimately replace IAS 39, Financial Instruments: Recognition and Measurement. The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase. This standard becomes effective on January 1, 2018, with earlier adoption permitted.

- IFRS 15, *Revenue from Contracts with Customers* - in May 2014, the IASB issued IFRS 15, which supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single model to determine how and when an entity should recognize revenue, as well as requiring entities to provide more informative, relevant disclosures in respect of its revenue recognition criteria. IFRS 15 is to be applied prospectively and is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

- IFRS 16, *Leases* - in January 2016, the IASB issued IFRS 16, which replaces IAS 17, *Leases*, and its associate interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15.

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

5 Critical accounting estimates, judgments & measurement uncertainty

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

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

Intangible assets and goodwill

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

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

The Company tests, at least annually or more frequently if events or changes in circumstances indicate that they may be impaired, in accordance with its accounting policies. The recoverable amounts of CGUs have been estimated based on the greater of fair value less costs to dispose and value-in-use calculations (see Note 24).

Inventories

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

Redemption liabilities

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

Loans to associate

The loans to associate are carried at amortized cost using the effective interest method. This method applies the effective interest rate to the estimated future cash flows in order to calculate the carrying value of the loans each period. The effective interest rate is calculated at inception of the loans using an estimate of future cash flows. The cash flows related to the loans are tied to both the base interest rate as well as the related licensing fees, the licensing fees are determined based on gross margins of the associate.

Key estimates and assumptions involved in determining the effective interest rate and the carrying value are the cash flow projections, specifically the gross margins of the associate.

Refer to Note 36 for further information about methods and assumptions used in determining the carrying value.

Critical judgments in applying accounting policies:

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.

(a) Investments in subsidiaries

On May 6, 2016, Mr. Patrick Priestner ("Priestner"), then Executive Chair of the Company, transitioned from his role as an employee and assumed the role of non-executive Chair of the Board of Directors ("Chair"). Priestner also signed an agreement effective May 6, 2016 (the "Agreement") giving the Company certain rights as it relates to its investments in subsidiaries (the "investees"). The Agreement is for a 14 month term, automatically renewable for successive one year terms, and cancellable by either party subject to a one year notice period. These events caused the Company to re-evaluate its significant judgment dealing with the accounting for its investees. Since the Company does not hold voting shares in the investees, the Company evaluated whether it continued to exercise power over the investees through a de facto agency relationship with Priestner, or any other substantive means.

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

Factors indicative of Priestner controlling the investees:

- As a function of owning 100% of the voting shares of the investees, and in the absence of other contractual arrangements, Priestner possesses the legal right to control decisions as they pertain to the investees;
- Priestner has not relied on any financial support from the Company in making his investments, and therefore the risk of loss and reward to Priestner personally is significant; and
- Priestner's level of expertise and knowledge in operating the investees.

Factors indicative of the Company controlling the investees:

- The Company has contractual rights to participate in any issuance or sale of securities that would impact its proportionate interest in the investees, as well as a right of first refusal to purchase Priestner's shares in applicable circumstances;
- The Company has retained effective control of the relevant activities that will impact its investment returns through execution of the Agreement, which provides the Company with, among other things, the ability to hire, manage and terminate the general managers of the relevant dealerships;
- The directors and officers of the investees are related parties of the Company; and
- The Company is involved in the operational decision making of its investees in a fashion consistent with its wholly-owned dealerships.

Prior to the change in employment status, the Company concluded that it had power over its investees through a de facto agency relationship with Priestner in respect of these investments. As a result of the signing of the Agreement, management has concluded that it continues to have power over the relevant activities and therefore control of the investees. As a result, the financial results of the investees continue to be consolidated in the Company's financial statements.

Should the nature of the relationship and/or the relevant agreements between Priestner and the Company change, or should a termination notice be received in the future, this assessment would need to be further evaluated.

(b) Loans to associate

AutoCanada has provided loans to PPH Holdings Ltd. ("PPH") for which the voting interests are held 100% by Priestner, the Chair, as described in Note 23. When assessing whether the Company has control of PPH, management has considered the nature of the loans, the Company's relationship with Priestner and whether the Company has the ability to direct decision-making rights of Priestner pertaining to its loan to PPH. In making this assessment, the prevailing considerations are that the loans to PPH are repayable at any time without recourse, and grant the Company no power to control PPH. AutoCanada's returns from PPH are derived from interest on the loans and license fees based on gross profit, as such, operating decisions made by Priestner impacting operating profit or net income will impact his returns but will not affect AutoCanada's returns.

Priestner is not considered to be a de facto agent of AutoCanada as it relates to PPH. The following facts were also considered to assess the relationship between AutoCanada and Priestner as it relates to PPH:

- Regardless of employment at AutoCanada, Priestner's interest in PPH would remain with full ability to control decisions as they pertain to PPH;
- The loan agreements stipulate that the loans' performance, repayment or prepayment will not in any way have any consequences in relation to the position of Priestner at AutoCanada;
- Priestner has not relied on any financial support from AutoCanada in making his investment in PPH, and therefore the risk of loss and reward to Priestner personally is significant;
- There are no contractual rights providing AutoCanada with decision making power over Priestner, additionally the Company is not involved in the operational decision making of PPH;
- Priestner's level of expertise and knowledge in operating PPH;
- Priestner has the ability to prepay or repay the loans at any time and AutoCanada has no ability to block such a transaction.

When combining these considerations with the fact that Priestner is the sole director of the Board of PPH, and therefore governs relevant activities of the investee, management has concluded that AutoCanada does not have power over PPH, and therefore has not consolidated this associate.

As a result of Priestner's change in employment from Executive Chair to non-executive Chair of the Board of Directors, the Company has assessed the relationship between Priestner and the Company as it relates to PPH. As a result of the reassessment, it was concluded that Priestner continues not to be considered a de facto agent of AutoCanada as it relates to PPH. Should the nature of the relationship and/or the relevant agreements between Priestner and the Company change in the future, this assessment would need to be further evaluated.

6 Segment information

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

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

7 Revenue

	2016 $	2015 $
New vehicles	1,652,795	1,668,237
Used vehicles	725,430	704,569
Finance, insurance and other	130,423	143,383
Parts, service and collision repair	382,933	387,614
	2,891,581	2,903,803

8 Cost of sales

	2016 $	2015 $
New vehicles	1,534,498	1,545,829
Used vehicles	678,238	663,940
Finance, insurance and other	11,038	12,579
Parts, service and collision repair	181,674	193,746
	2,405,448	2,416,094

9 Operating expenses

	2016 $	2015 $
Employee costs (Note 10)	248,976	245,703
Administrative costs (1)	108,363	109,593
Facility lease costs	23,521	21,721
Depreciation of property and equipment (Note 22)	19,557	18,860
	400,417	395,877

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

10 Employees

Operating expenses incurred in respect of employees were:

	2016 $	2015 $
Wages, salaries and commissions	223,536	221,106
Withholding taxes and insurance	12,797	13,112
Employee benefits	10,696	10,854
Share-based compensation	1,887	617
Other benefits	60	14
	248,976	245,703

11 Finance costs and finance income

	2016 $	2015 $
Finance costs:		
Interest on long-term indebtedness	16,500	14,909
Unrealized loss (gain) on embedded derivative (Note 28)	3	(42)
Floorplan financing	12,408	13,160
Other interest expense	2,753	3,601
	31,664	31,628
Finance income:		
Short-term bank deposits	(2,121)	(2,292)

Cash interest paid during the year ended December 31, 2016 was $31,548 (2015 - $31,463).

12 Other gains and (losses)

	2016 $	2015 $
Revaluation of redemption liabilities (Note 16)	765	(4,329)
Revaluation of contingent consideration	5,020	(149)
	5,785	(4,478)

13 Taxation

Components of income tax expense were as follows:

	2016 $	2015 $
Current tax	12,316	19,290
Deferred tax	(3,741)	(1,499)
Total income tax expense	8,575	17,791

Factors affecting tax expense for the year:

	2016 $	2015 $
Comprehensive income before taxes	17,154	45,105
Comprehensive income before tax multiplied by the standard rate of Canadian corporate tax of 27.2% (2015 - 28.2%)	4,667	12,719
Effects of:		
Impact of non-deductible items	4,553	2,646
Difference between future and current rate	(39)	1,276
Adjustment in respect of prior years	(556)	934
Other, net	(50)	216
Total income tax expense	8,575	17,791

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

Deferred tax assets (liabilities)	Deferred income from partnerships $	Property and equipment $	Goodwill and intangible assets $	Lease receivables $	Other $	Total $
January 1, 2015	(6,588)	2,161	(22,168)	(3,532)	1,932	(28,195)
(Expense) benefit to Consolidated Statement of Comprehensive Income	5,383	48	(4,457)	696	(171)	1,499
Deferred tax on share issuance costs	-	-	-	-	914	914
Other	-	-	-	-	(56)	(56)
December 31, 2015	(1,205)	2,209	(26,625)	(2,836)	2,619	(25,838)
(Expense) benefit to Consolidated Statement of Comprehensive Income	(473)	(320)	4,837	317	(649)	3,712
Acquisition of subsidiary (Note 14)	-	-	(2,738)	-	-	(2,738)
Other	-	-	-	-	181	181
December 31, 2016	(1,678)	1,889	(24,526)	(2,519)	2,151	(24,683)

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 impairment charge recorded during the year resulted in $9,479 in deferred tax recoveries for the year ended December 31, 2016. The estimated average annual statutory rates used for the year ended December 31, 2016 was 27.2% (2015 - 28.2%).

Changes in the deferred income tax components are adjusted through deferred tax expense. Of the above components of deferred income taxes, $2,703 (2015 - $6,588) of the deferred tax liabilities are expected to be recovered within 12 months.

14 Business acquisitions

During the year ended December 31, 2016, the Company completed two business acquisitions comprising two automotive dealerships, representing two franchises. All acquisitions have been accounted for using the acquisition method. Acquisitions completed during the year are as follows:

Wellington Motors

Effective October 1, 2016, the Company purchased 100% of the voting shares of Wellington Motors Limited ("Wellington Motors"), which owns and operates a Chrysler Dodge Jeep RAM FIAT dealership in Guelph, Ontario, for total cash consideration of $23,880. On October 14, 2016, the Company also purchased the dealership land and facilities through a wholly-owned subsidiary, WMG Properties Inc., for $6,799. The acquisition was funded by drawing on the Company's revolving term facility.

Guelph Hyundai

On December 19, 2016, the Company purchased substantially all of the operating and fixed assets of Guelph Imported Cars Ltd. ("Guelph Hyundai"), in Guelph, Ontario, for total cash consideration of $4,521. The Company also purchased the dealership land and facilities through a wholly-owned subsidiary, GHM Properties Inc., for $9,548. The acquisition was funded by drawing on the Company's revolving term facility.

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The business acquisitions completed during the year ended December 31, 2016 are summarized as follows:

	Wellington Motors $	Guelph Hyundai $	Total $
Current assets			
Cash and cash equivalents	3,889	-	3,889
Trade and other receivables	2,700	80	2,780
Inventories	11,112	3,193	14,305
Other current assets	59	20	79
	17,760	3,293	21,053
Long-term assets			
Property and equipment	7,082	10,107	17,189
Other long-term assets	-	14	14
Intangible assets	20,780	3,550	24,330
Total assets	45,622	16,964	62,586
Current liabilities			
Trade and other payables	1,633	65	1,698
Revolving floorplan facilities	10,958	2,880	13,838
	12,591	2,945	15,536
Long-term liabilities			
Long-term indebtedness	72	-	72
Deferred income tax	2,738	-	2,738
Total liabilities	15,401	2,945	18,346
Net assets acquired	30,221	14,019	44,240
Goodwill	458	50	508
Total net assets acquired	30,679	14,069	44,748
Cash consideration	30,679	14,069	44,748

Acquisitions completed during the year ended December 31, 2016 generated revenue and net earnings of $14,251 and $355, respectively, since the time of acquisition. The purchase prices allocated, as presented above, are estimates and subject to change due to finalization of the associated allocations. Acquisition related costs of $142 have been charged to administrative expenses in the consolidated statement of comprehensive income for the year ended December 31, 2016. The full amount of acquired receivables is expected to be collected.

Goodwill arose on these acquisitions due to the potential future revenue growth and synergies expected to occur. For asset purchases, the tax basis equals the price paid for the acquired assets and liabilities. Where the acquisition price exceeds the aggregate fair value of identifiable assets acquired and liabilities assumed, the excess is treated as goodwill for tax purposes. For share purchases, the tax base of the identifiable assets and liabilities of the acquired entity passes over to the Company at pre-acquisition amounts, and no new tax goodwill is created (Note 3).

Prior year business acquisitions

During the year ended December 31, 2015, the Company completed five business acquisitions comprising six automotive dealerships, representing six franchises. All acquisitions have been accounted for using the acquisition method. Acquisitions completed during this period are as follows:

Airdrie Chrysler

On May 11, 2015, the Company purchased substantially all of the operating and fixed assets of North Hill Motors (1975) Ltd. ("Airdrie Chrysler"), in Airdrie, Alberta, for total cash consideration of $21,595 and contingent consideration with a fair value of $3,608. The acquisition was financed by drawing on the Company's revolving term facility.

The contingent consideration arrangement requires the Company to pay, in cash, to the former owners of Airdrie Chrysler, an amount up to $4,000 based on the achievement of certain targets. The full amount will be paid if either the cumulative net income before tax exceeds a predefined level or if cumulative Chrysler new vehicle sales in Alberta exceeds a specified threshold. If neither target is met the amount paid is reduced by the lessor of the equivalent percentage to the percentage shortfall of each target.

The potential undiscounted amount of all future payments that the Company could be required to make under this arrangement is between $0 and $4,000. The maximum amount of future payments has been put into a trust account to be paid out upon achievement or cancellation of the contingent consideration arrangement. This amount is recorded as restricted cash (see Note 17).

The fair value of the contingent consideration arrangement of $3,608 was estimated by assessing the probability of the above targets being met and the potential percentage shortfall. This is a level 3 fair value measurement (Note 36).

Don Folk Chevrolet

On September 14, 2015, the Company, through an 80% owned subsidiary, DFC Holdings Inc., purchased substantially all of the operating and fixed assets of Don Folk Chevrolet Inc., a Chevrolet dealership, and 399573 B.C. Ltd., an auto body shop, (together "Don Folk Chevrolet"), located in Kelowna, British Columbia, for total cash consideration of $9,175. The acquisition was financed by drawing on the Company's revolving term facility. To comply with GM Canada's approval, Priestner, the Chairman of the Company, is required to have 100% voting control of Don Folk Chevrolet.

In accordance with the terms of the ownership structure for GM dealerships approved by GM Canada, the Company holds an 80% non-voting equity interest in Don Folk Chevrolet, with Priestner, being named Dealer Operator, personally holding a 15% equity interest and 100% voting control of Don Folk Chevrolet. The remaining 5% equity interest is held by minority shareholders. The transaction was reviewed and approved by the Company's independent members of its Board of Directors.

The Company also purchased the land and facilities through a wholly-owned subsidiary, DFC Properties Inc., for $13,250.

Grove Dodge

On October 5, 2015, the Company, through GRV C Holdings Inc., purchased substantially all of the operating and fixed assets of Grove Dodge Chrysler Jeep Ltd. ("Grove Dodge"), in Spruce Grove, Alberta, for total cash consideration of $19,083 and contingent consideration with a fair value of $1,808. The acquisition was financed by drawing on the Company's revolving term facility.

As part of the transaction, the Company entered into an agreement with a former minority owner of Grove Dodge, whereby he acquired a 10% ownership interest in GRV C Holdings LP from the Company for cash consideration of $2,088.

The contingent consideration arrangement requires GRV C Holdings LP to pay, in cash, to the former owners of Grove Dodge, an amount up to $2,500, based on the achievement of certain targets. The full amount will be paid if the cumulative net income before tax exceeds a predefined level. If the target is not met, the amount paid is reduced by the equivalent percentage to the percentage of the shortfall of the target.

The potential undiscounted amount of all future payments that the Company could be required to make under this arrangement is between $0 and $2,500. The maximum amount of future payments has been put into a trust account to be paid out upon achievement or cancellation of the contingent consideration arrangement. The Company's share of this amount is $2,250 and is recorded as restricted cash (Note 17).

The fair value of the continent consideration arrangement of $1,808 was estimated by assessing the probability of the above targets being met and the potential percentage shortfall. This is a level 3 fair value measurement (Note 36).

Hunt Club Nissan and Ottawa Open Point

On November 1, 2015, the Company, through AutoCanada HCN Holdings Inc., purchased substantially all of the operating and fixed assets of Hunt Club Nissan Ltd. ("Hunt Club Nissan"), in Ottawa, Ontario, for total cash consideration of $13,725. In addition, the Company purchased the exclusive right to build and operate a Nissan motor vehicle franchise on a designated property in southwest Ottawa for total cash consideration of $100. The acquisition was financed by drawing on the Company's revolving term facility.

As part of the transaction, the Company entered into an agreement with the former owner of Hunt Club Nissan, whereby he acquired a 10% ownership interest in AutoCanada HCN Holdings Inc. from the Company for cash consideration of $1,383.

417 Nissan and 417 Infiniti

On December 7, 2015, the Company, through a 90% owned subsidiary, AutoCanada HCN Holdings Inc., purchased substantially all of the operating and fixed assets of 417 Infiniti Nissan Limited ("417 Nissan and 417 Infiniti"), in Ottawa, Ontario, for total cash consideration of $5,408. The acquisition was financed by drawing on the Company's revolving term facility.

Recognition of redemption liabilities

During the year ended December 31, 2015, $1,102 of redemption liabilities were recognized in connection with the business acquisitions completed. These liabilities relate to put options held by certain non-controlling interests.

The business acquisitions completed during the year ended December 31, 2015 are summarized as follows:

	Airdrie Chrysler $	Don Folk Chevrolet $	Grove Dodge $	Hunt Club Nissan $	417 Nissan and 417 Infiniti $	Total $
Current assets						
Cash and cash equivalents	2	1	1	4	1	9
Trade and other receivables	313	201	398	113	1,597	2,622
Inventories	20,074	962	9,930	7,890	6,123	44,979
Other current assets	6	56	59	15	53	189
	20,395	1,220	10,388	8,022	7,774	47,799
Long-term assets						
Property and equipment	642	14,074	360	404	207	15,687
Intangible assets	18,196	7,395	17,298	9,353	3,464	55,706
Total assets	39,233	22,689	28,046	17,779	11,445	119,192
Current liabilities						
Trade and other payables	20	269	277	196	398	1,160
Revolving floorplan facilities	17,672	-	9,535	4,005	5,675	36,887
	17,692	269	9,812	4,201	6,073	38,047
Long-term liabilities						
Deferred income tax	-	-	-	137	-	137
Total liabilities	17,692	269	9,812	4,338	6,073	38,184
Net assets acquired	21,541	22,420	18,234	13,441	5,372	81,008
Goodwill	3,662	5	2,657	384	36	6,744
Non-controlling interest	-	(1,835)	(2,088)	(1,383)	(541)	(5,847)
Total net assets acquired	25,203	20,590	18,803	12,442	4,867	81,905
Cash consideration	21,595	20,590	16,995	12,442	4,867	76,489
Contingent consideration	3,608	-	1,808	-	-	5,416
Total consideration	25,203	20,590	18,803	12,442	4,867	81,905

15 Dealership divesture

On February 25, 2016, the Company sold substantially all of the operating and fixed assets, including the land and facilities, of Newmarket Infiniti Nissan, located in Newmarket, Ontario for cash consideration. Net proceeds of $10,077 resulted in a pre-tax gain on divesture of $3,206 included in gain on disposal of assets in the Statement of Comprehensive Income. The break-down of the transaction was as follows:

	$
Trade and other receivables	76
Inventories	9,858
Property and equipment	4,800
Intangible assets	2,053
Total Assets	16,787
Trade and other payables	165
Revolving floorplan facilities	9,751
Total Liabilities	9,916
Net assets disposed of	6,871
Net proceeds on divesture	10,077
Net gain on divesture	3,206

16 Interests in subsidiaries

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

Subsidiary	Principal place of business	Proportion of ownership interests held by non-controlling interests	Proportion of voting rights held by non-controlling interests	Dividends paid to non-controlling interests 2016 $	Dividends paid to non-controlling interests 2015 $
Dealer Holdings Ltd.	Alberta	69%	100%	3,854	3,485
Green Isle G Auto Holdings Inc.	British Columbia	20%	100%	40	300
Prairie Auto Holdings Ltd.	Saskatchewan	30%	100%	1,137	1,950
Waverley BG Holdings Inc.	Manitoba	20%	100%	286	359
LWD Holdings Ltd.	Alberta	25%	100%	922	275
NBFG Holdings Inc.	Saskatchewan	20%	100%	132	165
DFC Holdings Inc.	British Columbia	20%	100%	185	-
AutoCanada B Holdings Inc.	Quebec	15%	15%	-	750
AutoCanada HCN Holdings Inc.	Ontario	10%	10%	-	-
GRV C Holdings LP	Alberta	10%	10%	-	-
				6,556	7,284

Dealer Holdings Ltd., Green Isle G Auto Holdings Inc., Prairie Auto Holdings Ltd., Waverly BG Holdings Inc., LWD Holdings Ltd., NBFG Holdings Inc., AutoCanada B Holdings Inc., and AutoCanada HCN Holdings Inc. also have put options whereby the non-controlling shareholders are able to sell their shares back to the Company. These put options are recognized as redemption liabilities and measured at their fair value on the Consolidated Statement of Financial Position as $46,464 (2015 - $47,229). The decrease in fair value of $765 (2015 - increase of $4,329) is recorded in other gains and losses on the Consolidated Statement of Comprehensive Income (Note 12). The fair value is determined based on the dealership equity value of the related subsidiary (Note 36). Those options eligible to be executed in the next fiscal year are presented as current liabilities.

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

17 Cash and cash equivalents

	December 31, 2016 $	**December 31, 2015 $**
Cash at bank and on hand	79,168	52,936
Short-term deposits	24,053	9,338
Cash and cash equivalents (excluding bank indebtedness)	103,221	62,274
Bank indebtedness	(226)	(898)
Cash and cash equivalents	102,995	61,376
Restricted cash	6,558	6,288
Cash and cash equivalents and restricted cash	109,553	67,664

Short-term deposits include cash held with Scotiabank. The Company's revolving floorplan facility agreements allow the Company to hold excess cash in accounts with Scotiabank, which is used to offset our finance costs on revolving floorplan facilities. The Company has immediate access to this cash unless we are in default of our facilities, in which case the cash may be used by Scotiabank in repayment of our facilities.

See Note 25 for further detail regarding cash balances held with Scotiabank. The remaining short-term deposits are term deposits that bear interest at 0.10% (2015 - 0.55%). Restricted cash is held in a trust account and earns interest at 0.95%-2.06% (2015 - 0.95%-2.06%). Interest earned on restricted cash during the year ended December 31, 2016 was $89 (2015 - $38).

18 Trade and other receivables

	December 31, 2016 $	December 31, 2015 $
Trade receivables	81,511	83,166
Less: Allowance for doubtful accounts	(2,810)	(1,885)
Net trade receivables	78,701	81,281
Other receivables	6,886	9,540
Trade and other receivables	85,587	90,821

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

	December 31, 2016 $	December 31, 2015 $
Current	71,711	78,908
Past due 31 - 60 days	9,483	7,121
Past due 61 - 90 days	3,079	2,908
Past due 91 - 120 days	1,218	1,039
Past due > 120 days	2,906	2,730
	88,397	92,706
Less: Allowance for doubtful accounts	(2,810)	(1,885)
Trade and other receivables	85,587	90,821

The Company is exposed to normal credit risk with respect to its accounts receivable and maintains provisions for potential credit losses. Potential for such losses is mitigated because there is no significant exposure to any single customer and because customer creditworthiness is evaluated before credit is extended.

19 Inventories

	December 31, 2016 $	December 31, 2015 $
New vehicles	471,610	441,764
Demonstrator vehicles	50,757	35,830
Used vehicles	69,009	91,144
Parts and accessories	28,342	27,804
	619,718	596,542

During the year ended December 31, 2016, $2,370,492 of inventory (2015 - $2,403,515) was expensed as cost of sales which included net write-downs on used vehicles of $232 (2015 - $2,250). As at December 31, 2016, the Company had recorded reserves for inventory write downs of $5,136 (2015 - $6,786). During the year ended December 31, 2016, $5,842 of demo expense (2015 - $5,795) was included in administrative costs and demo reserves decreased by $1,350 (2015 - $428).

20 Finance lease receivables

	December 31, 2016 $	December 31, 2015 $
Current portion of finance lease receivables		
Finance lease receivables	4,256	4,556
Unearned finance income - current	(459)	(544)
	3,797	4,012
Long-term portion of finance lease receivables		
Finance lease receivables	6,217	7,081
Unearned finance income - long-term	(470)	(535)
	5,747	6,546
Gross receivables from finance leases:		
No later than 1 year	4,256	4,556
Later than 1 year and no later than 5 years	6,217	7,081
	10,473	11,637
Unearned future finance income on finance leases	(929)	(1,079)
Net investment in finance leases	9,544	10,558
Net investment in finance leases:		
No later than 1 year	3,797	4,012
Later than 1 year and no later than 5 years	5,747	6,546
	9,544	10,558

21 Assets held for sale

The Company has committed to a plan to sell a parcel of land held in Winnipeg, Manitoba. The carrying cost of the land is $1,556 at December 31, 2016 (2015 - $1,556). No decommissioning liability has been recognized on the land. Efforts to sell the land have commenced and the sale is expected to be completed within the next year.

A parcel of land in Newmarket, Ontario, with a carrying amount of $3,485 at December 31, 2016 (2015 - $3,485) was classified as held for sale at December 31, 2015. The Company had a change in plan with regards to this land and it has been reclassed to property and equipment in 2016, as it is held for future development.

22 Property and equipment

	Company & lease vehicles $	Leasehold improvements $	Machinery & equipment $	Land & buildings $	Furniture, fixtures & other $	Computer hardware $	Total $
Cost:							
January 1, 2015	25,200	22,606	25,964	174,142	10,713	9,941	268,566
Capital expenditures	34	7,238	2,435	-	2,165	2,234	14,106
Acquisitions of dealership assets (Note 14)	509	202	965	13,250	479	282	15,687
Acquisitions of real estate	-	-	-	60,500	-	-	60,500
Disposals	-	(646)	(555)	-	(228)	(577)	(2,006)
Transfers to asset held for sale	(26)	-	(116)	(11,130)	(70)	(172)	(11,514)
Transfers to inventory, net	(3,083)	-	-	-	-	-	(3,083)
December 31, 2015	22,634	29,400	28,693	236,762	13,059	11,708	342,256
Capital expenditures	24	7,687	1,711	-	1,429	1,314	12,165
Acquisitions of dealership assets (Note 14)	42	199	1,723	16,347	566	355	19,232
Acquisitions of real estate	-	-	-	51,537	-	-	51,537
Disposals	-	(2,274)	(795)	(145)	(187)	(553)	(3,954)
Transfer from asset held for sale (Note 21)	-	-	-	3,485	-	-	3,485
Transfers to inventory, net	(3,669)	-	-	-	-	-	(3,669)
December 31, 2016	19,031	35,012	31,332	307,986	14,867	12,824	421,052
Accumulated depreciation:							
January 1, 2015	(6,963)	(9,477)	(15,544)	(9,256)	(6,085)	(6,303)	(53,628)
Depreciation	(4,405)	(2,204)	(2,449)	(7,076)	(1,179)	(1,547)	(18,860)
Disposals	-	637	421	-	170	548	1,776
Transfers to asset held for sale	5	-	79	1,435	40	135	1,694
Transfers to inventory, net	5,147	-	-	-	-	-	5,147
December 31, 2015	(6,216)	(11,044)	(17,493)	(14,897)	(7,054)	(7,167)	(63,871)
Depreciation	(3,760)	(2,842)	(2,425)	(7,556)	(1,470)	(1,504)	(19,557)
Acquisition of dealership assets (Note 14)	(3)	(154)	(1,277)	-	(352)	(257)	(2,043)
Disposals	-	2,274	717	31	171	390	3,583
Transfers to inventory, net	3,604	-	-	-	-	-	3,604
December 31, 2016	(6,375)	(11,766)	(20,478)	(22,422)	(8,705)	(8,538)	(78,284)
Carrying amount:							
December 31, 2015	16,418	18,356	11,200	221,865	6,005	4,541	278,385
December 31, 2016	12,656	23,246	10,854	285,564	6,162	4,286	342,768

Fully depreciated assets are retained in cost and accumulated depreciation accounts until such assets are removed from service. Proceeds from disposals are netted against the related assets and the accumulated depreciation and included in the Consolidated Statement of Comprehensive Income.

Land and building additions are used for open point dealerships as well as dealership relocations, dealership re-imagings, and also includes the purchase of a previously leased dealership property.

Land and buildings with a carrying value of $73,552 (2015 - $51,495) are pledged as collateral against bank borrowings.

23 Loans to associate

PPH Holdings Ltd.

On November 30, 2015, the Company loaned $8,421 to PPH, which is a company controlled, and formed, by Priestner. The loan was used by PPH to acquire Whitby Oshawa Honda ("Whitby"). On May 1, 2016, the Company loaned $3,120 to PPH to acquire Southview Acura ("Southview"). The Company has no participation in the equity of PPH, Whitby, or Southview.

The loans are due on November 30, 2035 and May 1, 2036 and carry interest at a variable rate (2016 – 5%, 2015 - 5%). The interest rates on the loans are adjusted annually by way of mutual agreement and are intended to approximate market rates of interest available under arms-length agreements. The loan agreements also provide licensing fees to the Company benchmarked to approximate a total return to the Company equal to 80% of PPH's net income.

During the year ended December 31, 2016, additional advances of $1,971 were loaned to PPH due to adjustments in the initial purchase price of the dealerships and funding for working capital requirements.

The carrying value approximates the fair value of the loans to associate at December 31, 2016 at $14,726 (2015 - $8,470).

Although the Company holds no voting rights in PPH the Company exercises significant influence by virtue of the existence of its loan and the provision of essential technical information required for operations, as well as through the relationship with Priestner, as AutoCanada's Chair. However, the Company does not have the power to make or block key decisions under the terms of the underlying agreements. As a result, the Company has accounted for its loan to PPH under the effective interest method and it is carried at amortized cost. PPH's principal place of business is Alberta, Canada. Refer to Note 34 for disclosure over related parties.

Summarized financial information – PPH Holdings Ltd.

The following table summarizes the consolidated financial information of PPH for the years ended:

	December 31, 2016 $	December 31, 2015 $
Current assets	26,979	10,199
Non-current assets	748	9,667
Current liabilities	20,938	7,336
Non-current liabilities	17,484	9,409

For the year ended December 31, 2016, on a consolidated basis, PPH generated revenue of $104,188 (2015 - $5,601) and total net comprehensive income of $1,561 (2015 - $61).

For the year ended December 31, 2016, transactions relating to the Company's loans to PPH are as follows:

	December 31, 2016 $	December 31, 2015 $
Outstanding, beginning of year	8,470	-
Issuance of loan	3,120	8,421
Accrued interest income	603	35
Accrued licensing fees	562	14
Additional advances	1,971	-
Outstanding, end of year	14,726	8,470

24 Intangible assets and goodwill

Intangible assets consist of rights under franchise agreements with automobile manufacturers ("dealer agreements"). Intangible assets and goodwill are tested for impairment annually as at December 31 or more frequently if events or changes in circumstances indicate that they may be impaired. During the quarter ended September 30, 2016, the Company concluded that an interim test for impairment of certain cash generating units ("CGUs") was required. As a result of the test performed, the Company recorded an impairment in the amount of $54,096 in the quarter ended September 30, 2016, as certain CGUs had actual results that fell short of previous estimates and the outlook for these markets is less robust. The Company also performed its annual test for impairment at December 31, 2016. As a result of the test performed, the Company did not identify any further indication of impairment or recovery of impairment for the year ended December 31, 2016.

The changes in the book value of intangible assets and goodwill for the year ended December 31, 2016 were as follows:

	Intangible assets $	Goodwill $	Total $
Cost:			
January 1, 2015	360,057	32,852	392,909
Acquisitions (Note 14)	55,706	6,744	62,450
Measurement period adjustment	-	1,500	1,500
Transfer to assets held for sale	(2,053)	-	(2,053)
December 31, 2015	413,710	41,096	454,806
Acquisitions (Note 14)	24,330	508	24,838
December 31, 2016	438,040	41,604	479,644
Accumulated impairment:			
January 1, 2015	3,445	-	3,445
Impairment, net of recovery of impairment	10,617	8,140	18,757
December 31, 2015	14,062	8,140	22,202
Impairment	44,996	9,100	54,096
December 31, 2016	59,058	17,240	76,298
Carrying amount:			
December 31, 2015	399,648	32,956	432,604
December 31, 2016	378,982	24,364	403,346

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

	December 31, 2016 $			December 31, 2015 $		
Cash Generating Unit	**Intangible**	**Goodwill**	**Total**	**Intangible**	**Goodwill**	**Total**
AJ	27,807	6,135	33,942	27,807	6,135	33,942
AN	25,417	381	25,798	25,417	381	25,798
Y	24,494	506	25,000	24,494	506	25,000
AX	20,780	458	21,238	-	-	-
AQ	18,044	3,724	21,768	18,044	3,724	21,768
A	21,687	-	21,687	21,687	-	21,687
AI	20,617	-	20,617	21,809	428	22,237
AF	20,181	-	20,181	20,384	992	21,376
AM	14,659	1,514	16,173	14,659	1,514	16,173
AV	14,791	-	14,791	17,298	2,657	19,955
AS	13,508	-	13,508	18,196	1,669	19,865
AC	12,496	941	13,437	12,496	941	13,437
AE	12,208	-	12,208	22,802	-	22,802
U	8,602	3,441	12,043	8,602	3,441	12,043
V	10,630	-	10,630	15,520	236	15,756
AG	9,263	950	10,213	9,263	950	10,213
D	9,626	-	9,626	9,626	-	9,626
B	9,431	-	9,431	9,431	-	9,431
Z	8,507	-	8,507	15,078	2,699	17,777
AL	5,273	2,176	7,449	5,273	2,176	7,449
AU	7,395	5	7,400	7,395	5	7,400
AH	6,591	409	7,000	6,591	409	7,000
E	6,498	-	6,498	8,497	-	8,497
W	5,799	201	6,000	5,799	201	6,000
AA	5,369	-	5,369	5,369	-	5,369
AT	4,099	-	4,099	9,253	384	9,637
C	1,440	-	1,440	5,828	-	5,828
Other CGUs less than $5,000	33,770	3,523	37,293	33,030	3,508	36,538
	378,982	24,364	403,346	399,648	32,956	432,604

The following table shows the impairments (recoveries of impairment) of indefinite-lived identifiable intangible assets and goodwill by CGU:

	December 31, 2016 $			December 31, 2015 $		
Cash Generating Unit	Intangible	Goodwill	Total	Intangible	Goodwill	Total
C	4,388	-	4,388	(1,193)	-	(1,193)
E	1,999	-	1,999	-	-	-
J	-	-	-	(2,053)	-	(2,053)
V	4,890	236	5,126	-	-	-
Z	6,571	2,699	9,270	-	-	-
AA	-	-	-	6,061	784	6,845
AB	-	-	-	4,205	337	4,542
AD	-	-	-	666	89	755
AE	10,594	-	10,594	2,931	1,444	4,375
AF	204	991	1,195	-	-	-
AI	1,192	428	1,620	-	1,152	1,152
AN	-	-	-	-	2,341	2,341
AS	4,688	1,669	6,357	-	1,993	1,993
AT	5,154	384	5,538	-	-	-
AV	2,507	2,657	5,164	-	-	-
AW	2,809	36	2,845	-	-	-
Net impairment	44,996	9,100	54,096	10,617	8,140	18,757

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

Cash Generating Unit	December 31, 2016 $	December 31, 2015 $
C	1,774	6,736
E	9,973	15,638
J	-	2,053
R	2,245	2,339
V	14,838	32,644
X	2,359	2,361
Z	16,546	29,542
AA	8,340	6,682
AB	8,650	5,550
AD	4,271	2,104
AE	13,497	25,778
AF	22,455	28,305
AI	23,523	25,200
AN	30,709	32,421
AS	16,557	20,036
AT	8,417	13,825
AV	17,816	20,891
AW	3,451	5,669

Impairment test of indefinite life intangible assets

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

Valuation Techniques

The Company did not make any changes to the valuation methodology used to assess impairment in the current year. The recoverable amount of each CGU was based on the greater of fair value less cost to dispose and value in use.

Value in Use

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

Fair value less costs to dispose

Fair value less costs to dispose ("FVLCD") assumes that companies operating in the same industry will share similar characteristics and that Company values will correlate to those characteristics. Therefore, a comparison of a CGU to similar companies may provide a reasonable basis to estimate fair value. Under this approach, fair value is calculated based on Earnings before interest, taxes, depreciation and amortization ("EBITDA") multiples comparable to the businesses in each CGU. Data for EBITDA multiples was based on recent comparable transactions and management estimates. Multiples used in the test for impairment for each CGU were in the range of 5.3 to 10.9 times forecasted EBITDA.

Significant Assumptions for Value in Use

Growth

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

Discount Rate

The Company applied a discount rate in order to calculate the present value of its projected cash flows. The discount rate represented the Company's internally computed weighted average cost of capital ("WACC") for each CGU with appropriate adjustments for the risks associated with the CGU's in which intangible assets are allocated. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate. Determination of the discount rate requires separate analysis of the cost of equity and debt, and considers a risk premium based on an assessment of risks related to the projected cash flows of each CGU. Management applied a discount rate between 11.02% and 12.97% in its projections.

Significant Assumptions for Fair Value Less Costs to Dispose

EBITDA

The Company's assumptions for EBITDA were based on the Company's internal budget which is approved by the Board of Directors. As noted above, data for EBITDA multiples was based on recent comparable transactions and management estimates.

Costs to dispose

Management applied a percentage of 1.0% of the estimated purchase price in developing an estimate of costs to dispose, based on historical transactions.

Sensitivity

As there are CGUs that have intangible assets with original costs that exceed their current year carrying values, the Company expects future impairments and recoveries of impairments to occur as market conditions change and risk premiums used in developing the discount rate change.

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

CGUs, which use VIU as the basis of recoverable amount, for which a reasonably possible change in key assumptions would cause an impairment, along with the change required for an impairment to occur:

Cash Generating Unit	Change in Discount Rate	Change in Growth Rate	Recoverable amount	Carrying amount	Recoverable amount exceeds carrying amount
AA	0.12%	0.48%	7,228	6,314	914
AB	0.41%	1.47%	9,785	6,165	3,620
AD	0.32%	1.37%	3,330	2,837	493
AO	0.68%	2.54%	3,538	3,195	343
L	0.05%	0.18%	3,901	3,610	291
Y	0.57%	1.58%	34,344	30,935	3,409

CGUs, which use FVLCTD as the basis of recoverable amount, for which a reasonably possible change in key assumptions would cause an impairment, along with the change required for an impairment to occur:

Cash Generating Unit	Change in Multiple	Recoverable amount	Carrying amount	Recoverable amount exceeds carrying amount
AJ	1.6	51,375	41,357	10,018
AN	1.3	32,617	27,389	5,228

25 Financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset and financial liability are disclosed in the accounting policies. The Company's financial assets have been classified as loans and receivables. The Company's financial liabilities have been classified as other financial liabilities. The carrying values of financial instruments approximate their fair values, excluding the senior unsecured notes. The fair value of the senior unsecured notes is $151,313 (2015 - $139,125). The Company's financial assets and financial liabilities are disclosed below:

	December 31, 2016 $	December 31, 2015 $
Financial assets		
Cash and cash equivalents	103,221	62,274
Trade and other receivables	85,587	90,821
Current portion of finance lease receivables	3,797	4,012
Restricted cash	6,558	6,288
Loans to associate	14,726	8,470
Long-term portion of finance lease receivables	5,747	6,546
Financial liabilities		
Bank indebtedness	226	898
Trade and other payables	90,131	86,284
Revolving floorplan facilities	582,695	548,322
Current indebtedness	21,679	11,484
Current portion of redemption liabilities	22,752	6,338
Long-term indebtedness	330,351	285,759
Redemption liabilities	23,712	40,891

Financial Risk Management Objectives

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

Market Risk

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

Foreign Currency Risk

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

Interest Rate Risk

The Company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note as well as the indebtedness note (see Note 28). The sensitivity analysis below has been determined based on the exposure to interest rates at the reporting date and stipulated change taking place at the beginning of the financial year and held constant throughout the reporting
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period. The amounts below represent the absolute change to the reported account, an increase in the basis point would result in a positive amount and a decrease in the basis point would result in a negative amount. A 100 basis point change and 200 basis point change is used when reporting interest risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

	+/- 200 Basis Point		+/- 100 Basis Point	
	2016	2015	2016	2015
	$	$	$	$
Finance costs	15,200	13,295	7,600	6,647
Finance income	41	146	20	73

Credit Risk

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

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

Concentration of cash and cash equivalents exist due to the significant amount of cash held with Scotiabank (see Note 17 for further discussion of the Company's concentration of cash held on deposit with Scotiabank). The syndicated revolving floorplan facility (see Note 28) allows our dealerships to hold excess cash (used to satisfy working capital requirements of our various OEM partners) in an account with Scotiabank which bears interest at 2.43% at December 31, 2016 (2015 - 2.43%). These cash balances are fully accessible by our dealerships at any time, however in the event of a default by a dealership in its floorplan obligation; the cash may be used to offset unpaid balances under the facility. As a result, there is a concentration of cash balances risk to the Company in the event of a default under the facility.

Liquidity Risk

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

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The amounts below have been determined based on the undiscounted contractual maturities of the financial liabilities. Contractual interest payable includes interest that will accrue to these liabilities.

	2017 $	2018 $	2019 $	2020 $	Thereafter $	Total $
December 31, 2016						
Bank indebtedness	226	-	-	-	-	226
Trade and other payables	90,131	-	-	-	-	90,131
Revolving floorplan facilities	582,695	-	-	-	-	582,695
Vehicle repurchase obligations	6,794	-	-	-	-	6,794
Redemption liabilities	22,752	23,712	-	-	-	46,464
Senior unsecured notes	-	-	-	-	149,739	149,739
HSBC revolving term facility	-	151,121	-	-	-	151,121
Lease financing - RBC	8,079	-	-	-	-	8,079
Lease financing - Scotiabank	394	267	-	-	-	661
Servus mortgage	248	257	268	278	4,268	5,319
VCCI mortgages	10,284	406	1,216	2,563	2,962	17,431
BMW mortgage	768	797	828	860	16,191	19,444
Other long-term debt	1,906	785	153	185	-	3,029
Contractual interest payable	16,152	12,219	9,484	9,357	14,107	61,319
	740,429	189,564	11,949	13,243	187,267	1,142,452

	2016 $	2017 $	2018 $	2019 $	Thereafter $	Total $
December 31, 2015						
Bank indebtedness	898	-	-	-	-	898
Trade and other payables	86,284	-	-	-	-	86,284
Revolving floorplan facilities	548,322	-	-	-	-	548,322
Vehicle repurchase obligations	1,846	-	-	-	-	1,846
Redemption liabilities	6,337	39,790	1,102	-	-	47,229
Senior unsecured notes	-	-	-	-	149,739	149,739
HSBC revolving term facility	-	-	103,591	-	-	103,591
Lease financing - RBC	7,797	-	-	-	-	7,797
Lease financing - Scotiabank	435	456	24	-	-	915
Lease financing - BMO	346	-	-	-	-	346
Servus mortgage	239	248	258	269	4,543	5,557
VCCI mortgages	213	213	213	213	3,180	4,032
BMW mortgage	737	768	797	757	17,122	20,181
Other long-term debt	1,717	1,537	3,642	1,808	-	8,704
Contractual interest payable	14,593	14,370	11,466	9,390	25,358	75,177
	669,764	57,382	121,093	12,437	199,942	1,060,618

26 Other long-term assets

	December 31, 2016 $	December 31, 2015 $
Prepaid rent	5,386	5,838
Other assets	1,724	1,240
	7,110	7,078

27 Trade and other payables

	December 31, 2016 $	December 31, 2015 $
Trade payables	45,783	46,443
Accruals and provisions	14,681	11,974
Sales tax payable	5,339	4,710
Wages and withholding taxes payable	24,328	23,157
	90,131	86,284

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

	Finance and insurance (a) $	Other $	Total $
January 1, 2015	2,001	411	2,412
Provisions arising during the year	1,245	257	1,502
Amounts expired or disbursed	(1,334)	(129)	(1,463)
December 31, 2015	1,912	539	2,451
Provisions arising during the year	815	826	1,641
Amounts expired or disbursed	(1,299)	(577)	(1,876)
December 31, 2016	1,428	788	2,216

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

28 Indebtedness

This note provides information about the contractual terms of the Company's interest-bearing debt, which are measured at amortized cost. For more information about the Company's exposure to interest rate, foreign currency and liquidity risk, see Note 25.

	December 31, 2016 $	December 31, 2015 $
Revolving floorplan facilities		
Revolving floorplan facilities - Syndicate (i)	354,774	348,840
Revolving floorplan facilities - VCCI (ii)	37,418	33,086
Revolving floorplan facilities - BMW Financial (iii)	65,036	72,111
Revolving floorplan facilities - RBC (iv)	84,374	70,790
Revolving floorplan facilities - Scotiabank (v)	30,824	23,495
Revolving floorplan facilities - Toronto-Dominion Bank (vi)	10,269	-
	582,695	**548,322**
Indebtedness		
Senior unsecured notes (vii)		
Senior unsecured notes	149,739	149,739
Embedded derivative	(21)	(24)
Unamortized deferred financing costs	(2,370)	(2,907)
	147,348	146,808
HSBC revolving term facility (viii)		
HSBC revolving term facility	151,121	103,591
Unamortized deferred financing costs	(402)	(688)
	150,719	102,903
Other debt:		
Lease financing - RBC (ix)	8,079	7,797
Lease financing - Scotiabank (x)	661	915
Lease financing - BMO (xi)	-	346
Servus mortgage (xii)	5,319	5,557
VCCI mortgages (xiii)	17,431	4,032
BMW mortgage (xiv)	19,444	20,181
Other long-term debt	3,029	8,704
Total indebtedness	**352,030**	**297,243**
Current indebtedness	**21,679**	**11,484**
Long-term indebtedness	**330,351**	**285,759**

Terms and conditions of outstanding loans are as follows:

i Scotiabank and the Canadian Imperial Bank of Commerce ("CIBC") provide the Company's syndicated floorplan credit facility (the "Facility"). The availability of the Facility is $550,000 (2015 - $550,000) and it bears a rate of Bankers' Acceptance plus 1.15% (2015 - 1.15%) per annum for a total of 2.03% at December 31, 2016 (2015 - 2.17%). The Facility has certain reporting requirements and financial covenants and is collateralized by each individual dealership's inventories that are directly financed by the Facility, a general security agreement with each dealership financed, and a guarantee from AutoCanada Holdings Inc., a subsidiary of the Company.

ii VW Credit Canada, Inc. ("VCCI") provides floorplan financing for new, used and demonstrator vehicles for all of the Company's Volkswagen and Audi dealerships (the "VCCI facilities"). The VCCI facilities bear interest at Royal Bank of Canada ("RBC") prime rate plus 0.00%-1.25% (2015 - 0.00%-1.25%). The RBC prime rate was 2.70% at December 31, 2016 (2015 - 2.70%). The combined total interest rates were 2.70%-3.95% at December 31, 2016 (2015 – 2.70%-3.95%). The maximum amount of financing provided by the VCCI facilities is $52,845 (2015 - $46,930). The VCCI facilities have certain reporting requirements and financial covenants and are collateralized by all of the dealerships' assets financed by VCCI and all cash and other collateral in the possession of VCCI and a general security agreement over the Volkswagen and Audi dealerships financed by VCCI. The individual notes payable of the VCCI facilities are due when the related vehicle is sold.

iii BMW Financial Services Canada ("BMW Financial"), a division of BMW Canada Inc., provides floorplan financing for new, used and demonstrator vehicles for all of the Company's BMW dealerships (the "BMW Facilities"). The BMW Facilities bear a variable interest rate of prime minus 0.40% (2015 - 0.40%) per 360 day annum for a total of 2.30% at December 31, 2016 (2015 - 2.30%). The BMW Facilities have a current advance limit of $93,550 (2015 - $103,150). The BMW Facilities have certain reporting requirements and financial covenants and are collateralized by the dealerships' movable and immovable property.

iv The Royal Bank of Canada ("RBC") provides floorplan financing for new, used and demonstrator vehicles for eight of the Company's dealerships (the "RBC Facilities"). The RBC Facilities bear interest rates of RBC's Cost of Funds Rate plus 0.40%-0.75% (2015 - 0.40%-1.35%). The RBC's Cost of Funds Rate was 1.78% at December 31, 2016 (2015 - 1.63%). The combined total interest rates were 2.18%-2.53% as at December 31, 2016 (2015 - 2.03%-2.98%). The maximum amount of financing provided by the RBC facilities is $134,300 (2015 - $136,500). The RBC Facilities have certain reporting requirements and financial covenants and are collateralized by the new, used, and demonstrator inventory financed by RBC and a general security agreement from the General Motors dealerships financed by RBC.

v Scotiabank provides floorplan financing for new, used and demonstrator vehicles for three of the Company's dealerships (the "Scotiabank Facilities"). The Scotiabank Facilities bear interest rates of Scotia Fixed Flooring Rate plus 0.93% (2015 - 1.25%). The Scotia Fixed Flooring rate was 0.97% at December 31, 2016 (2015 - 0.93%). The combined total interest rate was 1.90% at December 31, 2016 (2015 - 2.18%). The maximum amount of financing provided by Scotiabank Facilities is $50,400 (2015 - $50,400). The Scotiabank Facilities have certain reporting requirements and financial covenants and are collateralized by the new, used, and demonstrator inventory financed by Scotiabank and a general security agreement from the Company's three dealerships financed by Scotiabank.

vi On October 14, 2016, the Company entered into an agreement with Toronto Dominion Bank ("TD") to provide floorplan financing for new, used and demonstrator vehicles for one of the Company's dealerships (the "TD Facilities"). The TD Facilities bear interest rates of TD prime rate (2.70% at December 31, 2016) minus 0.75% per annum and provide a maximum amount of financing of $21,500. The TD Facilities have certain reporting requirements and financial covenants and are collateralized by the new, used and demonstrator inventory financed by TD and a general security agreement from the Company's dealership financed by TD.

vii The Company has $150,000 5.625% Senior Unsecured Notes due May 25, 2021 (the "Notes"). The Notes were issued at par. Interest is payable semi-annually on May 15 and November 15 of each year the Notes are outstanding. In connection with the issuance of the Notes, the Company incurred issue costs of $3,638 which were recorded as a deduction from the carrying amount of the long-term debt. The 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 an equity offering or following certain dates specified in the agreement. In addition, the Noteholders 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 reinvested in the time and manner specified in the agreement. These redemption features constitute embedded derivatives that are required to be separated from the Notes and measured at fair value. The embedded derivative components of this compound financial instrument is measured at fair value at each reporting date with gains or losses in fair value recognized through profit or loss.

viii On November 18, 2015, the Company amended the existing Credit Agreement with HSBC Bank Canada ("HSBC") Alberta Treasury Branches ("ATB"), and RBC, with HSBC acting as administrative agent to the Credit Agreement. The revised Credit Agreement provides the Company with a $250,000 revolving operating facility that may be used for general corporate purposes, including repayment of existing indebtedness, funding working capital requirements, capital expenditures and financing acquisitions.

Fees and interest on borrowings under the Credit Agreement are subject to a pricing grid whereby the pricing level is determined by the leverage ratio. Based on the Company's Leverage Ratio, as defined by the Lender, the interest rate on the loan ranges from HSBC's prime rate plus 0.75% to HSBC's prime rate plus 2.00%. As at December 31, 2016, 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% for a total of 4.70% at December 31, 2016 (2015 - 4.70%). Amounts drawn under the Credit Agreement as at December 31, 2016 are due May 22, 2018 and may be extended annually for an additional 364 days at the request of the Company and upon approval by the lenders. The Credit Agreement has certain reporting requirements and financial covenants and 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 priority agreements signed by HSBC, Scotiabank, VCCI, BMW Financial, TD, and the Company, the collateral for the Credit Agreement excludes all new, used and demonstrator inventory financed with Scotiabank, VCCI, BMW Financial, RBC, and TD revolving floorplan facilities.

ix RBC provides financing for the lease vehicles of two of the Company's dealerships (the "RBC lease financing"). The RBC lease financing bears interest rates of RBC's Costs of Funds Rate plus 0.90% (2015 - 0.90%-1.50%). The RBC's Cost of Funds Rate was 1.78% at December 31, 2016 (2015 - 1.63%). The combined total interest rates were 2.68% at December 31, 2016 (2015 - 2.53%-3.13%). The maximum amount of financing provided by RBC lease financing is $16,000 (2015 - $15,000) repayable over the terms of the contract in varying amounts of principal. The RBC lease financing has certain reporting requirements and financial covenants and is collateralized by the lease vehicles under the related lease agreements. The RBC lease financing is due on demand.

x Scotiabank provides financing for the lease vehicles of two of the Company's dealerships (the "Scotiabank lease financing"). The Scotiabank lease financing bears interest rates of Scotiabank's Cost of Funds Rate plus 1.25% (2015 - 1.25%) for a total of 3.47% at December 31, 2016 (2015 - 3.78%). The maximum amount of financing provided by the Scotia lease financing is $2,500 (2015 - $2,500) repayable over the terms of the contract in varying amounts of principal. The Scotiabank lease financing has certain reporting requirements and financial covenants and is collateralized by the lease vehicles under the related lease agreement. The Scotiabank lease financing is due on demand.

xi The Bank of Montreal ("BMO") provided financing for the lease vehicles of one of the Company's dealerships (the "BMO lease financing"). The BMO lease financing bears interest rates of BMO's Dealership Finance Base Rate plus 1.65% (2015 - 1.65%) for a total of 3.11%-3.59%, depending on term, at December 31, 2016 (2015 - 2.93%-3.59%). The BMO lease financing is collateralized by a general security agreement, a standard fixed rate prepayment agreement, and a priority agreement with General Motors Acceptance Corporation and other secured lenders. The balance has been fully repaid in 2016.

xii Servus Credit Union provides the Company with a mortgage (the "Servus Mortgage"). The Servus Mortgage bears a fixed annual rate of 3.90% (2015 - 3.90%) and is repayable with monthly blended installments of $38 (2015 - $38), originally amortized over a 20 year period with term expiring September 27, 2017. The Servus Mortgage requires certain reporting requirements and financial covenants and is collateralized by a general security agreement consisting of a first fixed charge over the property. At December 31, 2016, the carrying amount of the property was $8,829 (2015 - $9,204).

xiii VCCI provides the Company with mortgages (the "VCCI Mortgages"), which bear interest at a floating rate of interest per annum equal to the Royal Bank of Canada's prime rate plus 0.15%-0.50% (2015 - 0.15%-0.50%). The RBC prime rate was 2.70% at December 31, 2016 (2015 - 2.70%). The combined total interest rates were 2.85%-3.20% at December 31, 2016 (2015 - 2.85%-3.20%). The VCCI Mortgages are repayable with blended monthly payments of $51 amortized over a 20 year period with terms expiring in between April 2019 and April 2021. The VCCI Mortgages have certain reporting requirements and financial covenants and are collateralized by a general security agreement consisting of a first fixed charge over the properties. At December 31, 2016, the carrying amount of the properties was $34,334 (2015 - $11,268).

xiv BMW Financial provides the Company with a mortgage (the "BMW Mortgage"), which bears a fixed rate of interest per annum of 3.80%. The BMW Mortgage is repayable with sixty equal blended monthly payments of $124, amortized over a twenty year period with term expiring on December 31, 2019. The BMW Mortgage has certain reporting requirements and financial covenants and is collateralized by the property and any other present and future property, rights and assets, movable or immovable, and a general security agreement consisting of a first fixed charge over the property. At December 31, 2016, the carrying amount of the property was $30,390 (2015 - $31,023).

29 Vehicle repurchase obligations

The Company operates service loaner programs and provides vehicles to a third party vehicle rental company with individual terms not to exceed twelve months, at which time the Company has an obligation to repurchase each vehicle at a predetermined amount. As a result, the Company has recorded the contractual repurchase amounts as outstanding vehicle repurchase obligations and has classified the liability as current due to the short term nature of the obligation.

30 Commitments and contingencies

Commitments

The Company has operating lease commitments, with varying terms through 2037, to lease premises used for business purposes. The Company leases certain lands and buildings used in its franchised automobile dealership operations from related parties (Note 34) and other third parties. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2016 $
2017	19,051
2018	16,912
2019	14,486
2020	12,520
2021	12,288
Thereafter	123,489
	198,746

Lawsuits and legal claims

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 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. Note 27 includes provisions to account for information known to the Company and based on estimates of probable resolutions.

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 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.

Letters of guarantee

The Company has outstanding letters of guarantee totaling $1,223 as at December 31, 2016 (2015 - $1,015) with various due dates.

The Company will settle obligations as they arise for which these letters have been issued as security and it is not the Company's intent that draws will be made on these letters.

Capital Commitments

At December 31, 2016, the Company is committed to capital expenditure obligations in the amount of $15,856 (2015 - $35,484) related to dealership relocations, dealership re-imagings, and dealership open points with expected completion of these commitments in 2017.

31 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 share-based payments. The plans are as follows:

Restricted Share Units (RSUs)

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

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

	2016 Number of RSUs	2016 Amount $	2015 Number of RSUs	2015 Amount $
Outstanding, beginning of the year	64,835	1,566	84,772	3,772
Settled - equity	(40,019)	(784)	(31,558)	(1,211)
Settled - cash	(26,679)	(522)	(21,039)	(808)
Granted	45,586	875	30,452	1,302
Forfeited units	(11,539)	(235)	-	-
Dividends reinvested	1,492	29	2,208	69
Impact of movements in share price	-	(150)	-	(1,558)
Outstanding, end of the year	33,676	779	64,835	1,566

Deferred Share Units (DSUs)

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

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

	2016 Number of DSUs	2016 Amount $	2015 Number of DSUs	2015 Amount $
Outstanding, beginning of the year	25,659	620	16,612	739
Settled	(6,362)	(152)	-	-
Granted	14,519	293	8,481	304
Dividends reinvested	915	19	566	19
Impact of movements in share price	-	45	-	(442)
Outstanding, end of the year	34,731	824	25,659	620

Stock Option Plan

The Stock Option Plan (the "Plan") is designed to provide long-term incentives to designated management to deliver long-term shareholder returns. Under the Plan, participants are granted options which only vest if certain service conditions are met. The terms of the Plan specify that following retirement an employee may exercise vested options with the rights to exercise continuing for 120 days following the retirement date.

Options are granted under the Plan for no consideration and carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share. The exercise price of options is determined by the Board and shall not be lower than the closing price of the AutoCanada shares on the Toronto Stock Exchange immediately preceding the date of grant.

The following table shows the change in the number of stock options for the year ended December 31, 2016:

	Average exercise price per share option **$**	**Share options** **#**
Outstanding, beginning of the year	-	-
Granted	18.68	520,000
Outstanding, end of the year	18.68	520,000
Vested and exercisable at end of the year	18.68	10,000

During the year ended December 31, 2016, no options have been exercised, forfeited, or expired.

The following table shows the expiry date and exercise prices for stock options outstanding for the year ended December 31, 2016:

Grant date	**Expiry date**	**Exercise price** **$**	**Share options December 31, 2016** **#**
April 1, 2016	March 31, 2026	18.68	520,000
Total			**520,000**
Weighted average remaining contractual life of options outstanding at end of the year			9.25 years

The assessed fair value at grant date of options granted on April 1, 2016 was $6.03 per option. The fair value at grant date is determined using an adjusted form of the Black Scholes Model that takes into account the exercise price, the expected life of the option, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield of the underlying share, and the risk free interest rate for the term of the option.

The model inputs for options granted include:

a) Options are granted for no consideration and vest based on varying terms over a four year period. Vested options are exercisable for a period of ten years after grant date.

b) Exercise price: $18.68

c) Grant date: April 1, 2016

d) Expected life of option: five years

e) Share price at grant date: $18.18

f) Expected price volatility of the Company's shares: 45.52%

g) Expected dividend yield: 2.20%

h) Risk-free interest rate: 1.50%

Expected price volatility was determined at the time of grant using the AutoCanada share price on a historical basis. It reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

During the year ended December 31, 2016, total expenses of $1,306 arose as a result of options issued under the Plan.

32 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.

There were no common shares issued during the year ended December 31, 2016. The following table shows the common shares issued during the year ended December 31, 2015:

		Number	$/share	Amount
Public offering [a]	December 14, 2015	2,950,000	25.50	72,702

[a] *Share issuance amount is net of issuance costs of $3,437 and future income tax on the issuance costs of $914.*

Restricted Share Unit Trust

A trust ("Trust") was formed to hedge the risk of future share price increases from the time the RSUs and DSUs (see Note 31) 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 RSU Plan and independent members of the Board of Directors who participate in the DSU Plan. Under the Trust Agreement, the third party trustee will administer the distribution of cash and shares to the beneficiaries upon vesting, as directed by the Company. Dividends earned during the twelve-month period ended December 31, 2016 on the shares held in trust of $57 (2015 - $89) are reinvested to purchase additional shares. The shares held in the Trust are accounted for as treasury shares and have been deducted from the Company's consolidated equity as at December 31, 2016. As the Company controls the Trust, it has included the Trust in its consolidated financial statements for the year ended December 31, 2016.

The following table shows the change in shareholders' capital for the years ended:

	2016 Number of shares	2016 Amount $	2015 Number of shares	2015 Amount $
Outstanding, beginning of the year	27,388,750	508,237	24,409,656	434,572
Common shares issued	-	-	2,950,000	72,702
Treasury shares acquired	(60,824)	(1,244)	-	-
Dividends reinvested	(2,832)	(57)	(2,463)	(89)
Treasury shares settled	31,345	950	31,557	1,052
Outstanding, end of the year	27,356,439	507,886	27,388,750	508,237

As at December 31, 2016, 103,244 (2015 - 70,933) common shares were held in trust for the Restricted Share Unit Plan, resulting in a total of 27,459,683 (2015 - 27,459,683) 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 year ended December 31, 2016, eligible dividends totaling $0.55 (2015 – $1.00) per common share were declared and paid, resulting in total payments of $15,046 (2015 - $24,432).

Earnings per share

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

	2016 $	2015 $
Earnings attributable to common shares	2,596	22,821

The following table shows the weighted-average number of shares outstanding for the years ended:

	2016	2015
Basic	27,350,555	24,574,022
Effect of dilution from RSUs	50,334	100,061
Effect of dilution from stock options	54,797	-
Diluted	27,455,686	24,674,083

33 Capital disclosures

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

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

	December 31, 2016 $	December 31, 2015 $
Long-term indebtedness (Note 28)	330,351	285,759
Equity	497,592	510,029
	827,943	795,788

The Company manages its capital structure in accordance with changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may assume additional debt, refinance existing debt with different characteristics, sell assets to reduce debt, issue new shares or adjust the amount of dividends paid to its shareholders. The Company was in compliance with its debt covenants at December 31, 2016.

34 Related party transactions

Transactions with Companies Controlled by the Chair of AutoCanada

During the year ended December 31, 2016, the Company had financial transactions with entities controlled by the Company's Chair. Priestner is the controlling shareholder of Canada One Auto Company ("COAG") and its subsidiaries, which beneficially own approximately 8.6% (2015 - 8.6%) of the Company's shares. In addition to COAG, Priestner is the controlling shareholder of other companies in which AutoCanada earns administrative fees. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. All significant transactions between AutoCanada and companies controlled by Priestner are approved by the Company's independent members of the Board of Directors.

(a) Rent paid to companies with common directors

During the year ended December 31, 2016, total rent paid to companies controlled by Priestner amounted to $2,822 (2015 - 2,846). The Company currently leases two of its dealership facilities from affiliates of COAG.

The Company's independent Board of Directors has received advice from a national real estate appraisal Company that the market rents at each of the COAG properties were at fair market value rates at inception.

(b) Administrative support fees
During the year ended December 31, 2016, total administrative support fees received from companies controlled by Priestner amount to $1,384 (2015 - $977).

(c) Loans to related parties
During the year ended December 31, 2016, interest only, unsecured loans of $3,120 (2015 - $8,421) and additional advances of $1,971 were made to a company controlled by Priestner (Note 23). Total interest charged relating to the loans were $603 (2015 - $35) and the total licensing fees were $562 (2015 - $14). As at December 31, 2016 there were $638 (2015 - $35) of interest receivable and $576 (2015 - $14) of licensing fees receivable related to the loans (Note 23).

Commitments with Companies controlled by the Chair of AutoCanada

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

	December 31, 2016 $
2017	2,458
2018	2,458
2019	2,458
2020	2,458
2021	2,273
Thereafter	17,990
	30,095

Key management personnel compensation

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

	2016 $	2015 $
Employee costs (including Directors)	5,636	3,106
Short-term employee benefits	455	222
Share-based compensation	1,887	1,997
	7,978	5,325

Payable to related parties

Included in trade and other payables at December 31, 2016 is $2,527 (2015 - $465) payable to related parties. These amounts are unsecured and non-interest bearing.

35 Net change in non-cash working capital

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

	December 31, 2016 $	December 31, 2015 $
Trade and other receivables	8,031	1,939
Inventories	(8,765)	(3,584)
Finance lease receivables	1,014	3,271
Other current assets	150	(1,761)
Trade and other payables	2,670	3,959
Revolving floorplan facilities	20,535	(2,867)
Vehicle repurchase obligations	4,948	307
	28,583	1,264

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.

36 Fair value of financial instruments

The Company's financial instruments at December 31, 2016 are represented by cash and cash equivalents, trade and other receivables, loans to associate, finance lease receivables, trade and other payables, revolving floorplan facilities, vehicle repurchase obligations, long-term indebtedness, contingent consideration, and redemption liabilities.

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

The long-term indebtedness has a carrying value that approximates the fair value due to the floating rate nature of the debt, while there is a portion that has a fixed rate, the long-term indebtedness has a carrying value that is not materially different from its fair value. Senior unsecured notes have a fair value that is different than the carry value, refer to Note 25.

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

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

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

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

There were no transfers between the levels of the fair value hierarchy during the year.

The following table summarizes the remeasurements at fair value with the gain or loss being recognized through profit or loss for the years ended:

	Redemption liabilities $	Contingent consideration $	Total $
Opening balance, January 1, 2015	(41,798)	(2,775)	(44,573)
Acquisitions (Note 14)	(1,102)	(5,416)	(6,518)
(Loss) gain recognized in net income (Note 12)	(4,329)	(149)	(4,478)
Closing balance, December 31, 2015	(47,229)	(8,340)	(55,569)
Gain recognized in net income (Note 12)	765	5,020	5,785
Settlement of contingent consideration	-	1,500	1,500
Closing balance, December 31, 2016	(46,464)	(1,820)	(48,284)

37 Subsequent events

Dividends

On February 21, 2017, the Board of Directors of the Company declared a quarterly eligible dividend of $0.10 per common share on the Company's outstanding Class A common shares, payable on March 15, 2017 to shareholders of record at the close of business on February 28, 2017.

AutoCanada

CORPORATE INFORMATION

Shareholder Information

AutoCanada Inc.

Senior Management

Steven Landry,
President and Chief Executive Officer

Christopher Burrows,
Senior Vice-President and Chief Financial Officer

Mark Warsaba
Senior Vice-President and Chief Operations Officer

Erin Oor,
Vice-President Corporate Development and Administration

Board of Directors

Patrick Priestner – Chair

Gordon Barefoot – Lead Director

Michael Ross

Dennis DesRosiers

Barry James

Maryann Keller

Steven Landry

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Auditors

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Edmonton, Alberta

Legal Counsel

Borden Ladner Gervais LLP
Calgary, Alberta

Shares Listed

Toronto Stock Exchange
Trading Symbol: ACQ

Transfer Agent

Computershare

Annual General Meeting

Friday May 5, 2017
10:00 a.m. Mountain Time
Hilton Doubletree West Edmonton Hotel
Room SBCC #7
16615-109 Avenue
Edmonton, Alberta

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