2019

AutoCanada

2019 Third Quarter Financial Results

Condensed Interim Consolidated Financial Statements (Unaudited)

September 30, 2019

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CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AutoCanada Inc.

Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

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

	Three-month period ended September 30, 2019 $	Three-month period ended September 30, 2018 Restated (Note 11) $	Nine-month period ended September 30, 2019 $	Nine-month period ended September 30, 2018 Restated (Note 11) $
Revenue (Note 6)	981,870	866,918	2,667,008	2,367,991
Cost of sales (Note 7)	(831,116)	(732,083)	(2,236,189)	(1,988,232)
Gross profit	150,754	134,835	430,819	379,759
Operating expenses (Note 8)	(124,772)	(126,492)	(374,628)	(349,765)
Operating profit before other income (loss)	25,982	8,343	56,191	29,994
Lease and other income, net	3,080	1,318	7,404	6,059
Gain on disposal of assets, net (Notes 16 and 23)	1,026	4,648	11,443	9,540
Impairment of non-financial assets (Note 12)	—	(19,569)	(12,574)	(77,666)
Restructuring charges (Note 17)	(13,393)	—	(13,393)	—
Operating profit (loss)	16,695	(5,260)	49,071	(32,073)
Finance costs (Note 9)	(17,625)	(12,154)	(51,385)	(34,836)
Finance income (Note 9)	339	298	957	942
Other gains	—	—	19	539
Net (loss) income for the period before taxation	(591)	(17,116)	(1,338)	(65,428)
Income taxes (recovery) (Note 10)	3,513	(2,109)	8,949	(15,999)
Net (loss) income for the period	(4,104)	(15,007)	(10,287)	(49,429)
Other comprehensive income (loss)				
Items that may be reclassified to profit or loss				
Foreign operations currency translation	4,059	(2,510)	986	2,421
Change in fair value of cash flow hedge	1,954	—	(5,297)	—
Income tax relating to these items	(527)	—	1,576	—
Other comprehensive income (loss) for the period	5,486	(2,510)	(2,735)	2,421
Comprehensive income (loss) for the period	1,382	(17,517)	(13,022)	(47,008)
Net (loss) income for the period attributable to:				
AutoCanada shareholders	(4,150)	(15,244)	(11,177)	(50,552)
Non-controlling interest	46	237	890	1,123
	(4,104)	(15,007)	(10,287)	(49,429)
Comprehensive income (loss) for the period attributable to:				
AutoCanada shareholders	1,336	(17,754)	(13,912)	(48,131)
Non-controlling interest	46	237	890	1,123
	1,382	(17,517)	(13,022)	(47,008)
Net (loss) income per share attributable to AutoCanada shareholders:				
Basic	(0.15)	(0.56)	(0.41)	(1.85)
Diluted	(0.15)	(0.56)	(0.41)	(1.85)
Weighted average shares				
Basic (Note 21)	27,419,513	27,399,238	27,419,171	27,392,943
Diluted (Note 21)	27,419,513	27,399,238	27,419,171	27,392,943

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

AutoCanada Inc.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited)

(In thousands of Canadian dollars)

	September 30, 2019 $	December 31, 2018 Restated (Note 11) $
ASSETS		
Current assets		
Cash and cash equivalents (Note 13)	32,370	25,324
Trade and other receivables (Note 14)	155,830	131,152
Inventories (Note 15)	778,875	760,865
Current tax recoverable	20,263	10,685
Other current assets	17,642	6,513
Assets held for sale (Note 12)	75,770	54,313
	1,080,750	988,852
Property and equipment (Note 16)	173,216	237,141
Right-of-use assets (Note 4)	299,583	—
Other long-term assets	4,575	10,448
Deferred income tax	13,324	13,642
Intangible assets	408,368	412,353
Goodwill	44,596	58,132
	2,024,412	1,720,568
LIABILITIES		
Current liabilities		
Trade and other payables (Note 18)	123,465	101,280
Revolving floorplan facilities (Note 19)	781,958	748,353
Vehicle repurchase obligations	1,285	7,654
Current indebtedness (Note 19)	1,658	1,654
Current lease liabilities (Note 4)	28,783	—
Redemption liabilities	14,948	14,948
Current intangible liabilities	—	5,049
Other current liabilities (Note 17)	1,662	—
Liabilities held for sale (Note 12)	61,186	5,281
	1,014,945	884,219
Long-term indebtedness (Note 19)	233,045	326,998
Lease liabilities (Note 4)	322,376	—
Derivative financial instruments	9,058	3,762
Long-term intangible liabilities	—	39,126
Other long-term liabilities (Note 17)	14,049	—
Deferred income tax	34,167	27,170
	1,627,640	1,281,275
EQUITY		
Attributable to AutoCanada shareholders	378,343	420,554
Attributable to Non-controlling interests	18,429	18,739
	396,772	439,293
	2,024,412	1,720,568

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

AutoCanada Inc.

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited)

(in thousands of Canadian dollars)

	Attributable to AutoCanada shareholders							
	Share capital $	Contributed surplus $	Cumulative translation adjustment $	OCI hedge reserve $	Accumulated deficit $	Total capital $	Non-controlling interests $	Total equity $
Balance at December 31, 2018 as originally presented	**509,538**	**5,109**	**6,136**	**(2,746)**	**(89,469)**	**428,568**	**18,739**	**447,307**
Measurement period adjustments, net of tax (Note 11)	—	—	—	—	(8,014)	(8,014)	—	(8,014)
Change in accounting policy, net of tax (Note 4)	—	—	—	—	(20,028)	(20,028)	—	(20,028)
Balance, January 1, 2019	**509,538**	**5,109**	**6,136**	**(2,746)**	**(117,511)**	**400,526**	**18,739**	**419,265**
Net (loss) income	—	—	—	—	(11,177)	(11,177)	890	(10,287)
Other comprehensive (loss) income	—	—	986	(3,721)	—	(2,735)	—	(2,735)
Dividends declared on common shares (Note 21)	—	—	—	—	(8,226)	(8,226)	—	(8,226)
Dividends declared by subsidiaries to non-controlling interests	—	—	—	—	(450)	(450)	—	(450)
Acquisition of non-controlling interest	—	—	—	—	—	—	(1,200)	(1,200)
Forward share purchase (Note 17)	—	(3,466)	—	—	—	(3,466)	—	(3,466)
Dividends reinvested (Note 21)	(17)	—	—	—	—	(17)	—	(17)
Shares settled from treasury (Note 21)	65	(65)	—	—	—	—	—	—
Share-based compensation	—	3,888	—	—	—	3,888	—	3,888
Balance, September 30, 2019	**509,586**	**5,466**	**7,122**	**(6,467)**	**(137,364)**	**378,343**	**18,429**	**396,772**

	Attributable to AutoCanada shareholders						
	Share capital $	Contributed surplus $	Cumulative translation adjustment $	Accumulated deficit $	Total capital $	Non-controlling interests $	Total equity $
Balance at December 31, 2017 as originally presented	**508,768**	**5,389**	**—**	**(25,885)**	**488,272**	**49,335**	**537,607**
Change in accounting policy	—	—	—	367	367	—	367
Balance, January 1, 2018	**508,768**	**5,389**	**—**	**(25,518)**	**488,639**	**49,335**	**537,974**
Net (loss) income	—	—	—	(50,552)	(50,552)	1,123	(49,429)
Other comprehensive income	—	—	2,421	—	2,421	—	2,421
Dividends declared on common shares (Note 21)	—	—	—	(8,217)	(8,217)	—	(8,217)
Transactions with non-controlling interests	—	—	—	—	—	5,963	5,963
Acquisition of non-controlling interests	—	—	—	(2,675)	(2,675)	(14,674)	(17,349)
Divestiture of subsidiary	—	—	—	—	—	(20,774)	(20,774)
Derecognition of redemption liability upon divestiture of subsidiary	—	—	—	26,404	26,404	—	26,404
Dividends reinvested (Note 21)	(24)	—	—	—	(24)	—	(24)
Shares settled from treasury (Note 21)	464	(464)	—	—	—	—	—
Share-based compensation	—	122	—	—	122	—	122
Balance, September 30, 2018	**509,208**	**5,047**	**2,421**	**(60,558)**	**456,118**	**20,973**	**477,091**

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

AutoCanada Inc.

Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)
(in thousands of Canadian dollars)

	Three-month period ended September 30, 2019 $	Three-month period ended September 30, 2018 Restated (Note 11) $	Nine-month period ended September 30, 2019 $	Nine-month period ended September 30, 2018 Restated (Note 11) $
Cash provided by (used in):				
Operating activities				
Net (loss) income for the period	(4,104)	(15,007)	(10,287)	(49,429)
Income taxes (recovery) (Note 10)	3,513	(2,109)	8,949	(15,999)
Amortization of prepaid rent	—	113	—	339
Depreciation of property and equipment (Note 8)	4,527	5,794	14,439	15,484
Depreciation of right-of-use assets (Note 8)	6,076	—	17,229	—
Gain on disposal of assets	(1,884)	(4,648)	(11,443)	(9,540)
Share-based compensation - equity-settled	1,813	86	3,823	(342)
Share-based compensation - cash-settled	—	270	—	342
Revaluation of contingent consideration	—	—	—	15
Income taxes paid	3,385	(2,317)	(2,213)	(10,079)
Impairment of non-financial assets (Note 12)	—	19,569	12,574	77,666
Restructuring charges (Note 17)	13,393	—	13,393	—
Net change in non-cash working capital (Note 22)	28,224	6,750	(8,948)	(22,582)
	54,943	8,501	37,516	(14,125)
Investing activities				
Additions to restricted cash	—	4,106	—	4,106
Business acquisition, net of cash acquired	—	—	—	(131,887)
Purchases of property and equipment (Note 16)	(1,624)	(3,880)	(14,303)	(19,823)
Proceeds on sale of property and equipment	21,481	53,678	76,153	55,634
Income from loans to associates	—	—	—	(294)
Proceeds on divestiture of dealerships (Notes 12 and 23)	1,962	—	24,710	—
Proceeds from divestiture of investments in subsidiaries	—	—	—	41,017
	21,819	53,904	86,560	(51,247)
Financing activities				
Proceeds from indebtedness	—	—	45,000	248,177
Repayment of indebtedness	(54,917)	(61,677)	(138,949)	(227,741)
Common shares settled, net (Note 20)	7	373	48	440
Dividends paid on common shares (Note 21)	(2,742)	(2,739)	(8,226)	(8,217)
Acquisition of non-controlling interests	—	—	—	(18,708)
Proceeds from loans to associates	—	—	—	18,394
Principal portion of lease payments	(5,219)	—	(15,227)	—
	(62,871)	(64,043)	(117,354)	12,345
Effect of exchange rate changes on cash and cash equivalents	21	(235)	324	113
Net increase (decrease) in cash and cash equivalents	13,912	(1,873)	7,046	(52,914)
Cash and cash equivalents at beginning of period (Note 13)	18,458	43,483	25,324	94,524
Cash and cash equivalents at end of period (Note 13)	32,370	41,610	32,370	41,610

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

1 General information

AutoCanada Inc. ("AutoCanada" or the "Company") is incorporated in Alberta, Canada with common shares listed on the Toronto Stock Exchange ("TSX") under the symbol of "ACQ". The business of AutoCanada, held in its subsidiaries, is the operation of franchised automobile dealerships in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia and New Brunswick, and in the State of Illinois in the United States. 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 condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including *IAS 34 Interim Financial Reporting*, and Canadian Generally Accepted Accounting Principles ("GAAP") as set out in the CPA Canada Handbook - Accounting ("CPA Handbook").

The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2018, which have been prepared in accordance with IFRS as issued by the IASB.

These financial statements were approved by the Board of Directors on November 7, 2019 .

3 Significant accounting policies

The significant accounting policies used in the preparation of these condensed interim consolidated financial statements are the same accounting policies and method of computation as disclosed in the consolidated annual financial statements for the year ended December 31, 2018, except for the adoption of a new and amended standard as described in Note 4.

4 New accounting pronouncement adopted in 2019

IFRS 16 Leases

The Company adopted IFRS 16 retrospectively on January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the new standard. The cumulative effect of initially applying the new standard is recognized on January 1, 2019.

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases, which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 6.18% and 5.27% for the Canadian Operations segment and U.S. Operations segment leases, respectively.

There was no impact to lessor accounting from the adoption of IFRS 16.

	Canadian Operations $	U.S. Operations $	Total $
Operating lease commitments disclosed as at December 31, 2018	**342,728**	**99,280**	**442,008**
Add: Adjustments as a result of a different treatment of extension and termination option	4,025	422	4,447
(Less): Short-term leases recognized on a straight-line basis as an expense	(235)	—	(235)
(Less): Low-value leases recognized on a straight-line basis as an expense	—	(52)	(52)
Total adjusted operating lease commitments as at January 1, 2019	346,518	99,650	446,168
Discounted using the lessee's incremental borrowing rate as at January 1, 2019	264,475	82,754	347,229
(Less): Prepaid rent expense	(4,821)	—	(4,821)
Total lease liability recognized under IFRS 16	**259,654**	**82,754**	**342,408**
Current lease liabilities	21,283	6,526	27,809
Non-current lease liabilities	238,371	76,228	314,599
Total lease liability recognized as at January 1, 2019	**259,654**	**82,754**	**342,408**

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at December 31, 2018.

Off-market lease contracts related to intangible liabilities resulted in an adjustment to the right-of-use assets at the date of initial application for the Company's U.S. Operations segment.

The recognized right-of-use assets relate to properties:

	September 30, 2019 $	January 1, 2019 $
Properties	299,583	276,744

The impacts of adopting IFRS 16 as at January 1, 2019 are as follows:

	December 31, 2018 Restated (Note 11) $	IFRS 16 Adjustments $	January 1, 2019 $
Assets			
Other current assets	6,513	(452)	6,061
Total current assets	6,513	(452)	6,061
Right-of-use assets	—	276,744	276,744
Other long-term assets	10,448	(4,369)	6,079
Deferred income tax	13,642	6,684	20,326
Total assets	30,603	278,607	309,210
Liabilities and shareholders' equity			
Current lease liabilities	—	27,809	27,809
Current intangible liabilities	5,049	(5,049)	—
Total current liabilities	5,049	22,760	27,809
Lease liabilities	—	314,599	314,599
Long-term intangible liabilities	39,126	(39,126)	—
Total liabilities	44,175	298,233	342,408
Attributable to shareholders' equity	420,554	(20,028)	400,526
Total liabilities and shareholders' equity	464,729	278,205	742,934

The impacts on segment assets and segment liabilities as at January 1, 2019 are as follows:

	Canadian Operations $	U.S. Operations $	IFRS 16 Adjustments $
Other current assets	(452)	—	(452)
Right-of-use assets	239,352	37,392	276,744
Other long-term assets	(4,369)	—	(4,369)
Deferred income tax	6,684	—	6,684
Current lease liabilities	21,283	6,526	27,809
Current intangible liabilities	—	(5,049)	(5,049)
Lease liabilities	238,371	76,228	314,599
Long-term intangible liabilities	—	(38,724)	(38,724)
Attributable to shareholders' equity	(18,438)	(1,590)	(20,028)

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessments on whether leases are onerous;
- The accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019, as short-term leases;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Company relied on its assessment made applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease*.

The Company's accounting policy under IFRS 16 is as follows:

The Company leases various properties. Lease agreements range from 1 to 20 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The Company recognizes a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease if the lease term reflects the lessee exercising that option. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low value assets comprise IT-equipment and office furniture.

Under IAS 17, Leases ("IAS 17"), the Company's accounting policy was as follows:

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

(a) Finance leases

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

The Company as a lessor:

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

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

The Company as a lessee:

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

(b) Operating leases

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

The Company as a lessor:

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

The Company as a lessee:

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

5 Critical accounting estimates, judgments & measurement uncertainty

The critical accounting estimates, judgments, and measurement uncertainty used in the preparation of these condensed interim consolidated financial statements are the same as disclosed in the consolidated annual financial statements for the year ended December 31, 2018, except for the adoption of a new standard as described below.

IFRS 16 Leases

i. Critical judgments in determining the lease term

Extension and termination options are included in a number of property leases that the Company is party to. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability if it is not reasonably certain that the leases will be extended.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

ii. Estimation uncertainty arising from variable lease payments

Certain leases contain variable payment terms that are linked to the consumer price index.

Restructuring Charges

The Company has assumed it will not be able to sublet or otherwise realize any economic benefit from the vacated premises. Should these circumstances change, some or all of the provision pertaining to the committed premises costs could be reversed in a future period.

6 Revenue

	Three-month period ended September 30, 2019 $	Three-month period ended September 30, 2018 $	Nine-month period ended September 30, 2019 $	Nine-month period ended September 30, 2018 $
New vehicles	555,843	509,281	1,509,512	1,369,447
Used vehicles	262,297	206,668	674,174	563,166
Parts, service and collision repair	116,439	113,087	359,163	330,456
Finance, insurance and other	47,291	37,882	124,159	104,922
	981,870	866,918	2,667,008	2,367,991

7 Cost of sales

	Three-month period ended September 30, 2019 $	Three-month period ended September 30, 2018 $	Nine-month period ended September 30, 2019 $	Nine-month period ended September 30, 2018 $
New vehicles	519,088	480,131	1,408,584	1,286,177
Used vehicles	250,566	193,713	637,395	528,476
Parts, service and collision repair	56,798	55,881	179,260	166,848
Finance, insurance and other	4,664	2,358	10,950	6,731
	831,116	732,083	2,236,189	1,988,232

8 Operating expenses

	Three-month period ended September 30, 2019 $	Three-month period ended September 30, 2018 Restated (Note 11) $	Nine-month period ended September 30, 2019 $	Nine-month period ended September 30, 2018 Restated (Note 11) $
Employee costs	74,412	74,180	220,151	206,551
Administrative costs [1]	39,189	39,370	120,329	108,965
Facility lease and storage costs [2]	568	7,148	2,480	18,765
Depreciation of right-of-use assets [2]	6,076	—	17,229	—
Depreciation of property and equipment	4,527	5,794	14,439	15,484
	124,772	126,492	374,628	349,765

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

2 *Facility lease costs and depreciation of right-of-use-assets have been affected by the adoption of IFRS 16 - Refer to Note 4.*

9 Finance costs and finance income

	Three-month period ended September 30, 2019 $	Three-month period ended September 30, 2018 $	Nine-month period ended September 30, 2019 $	Nine-month period ended September 30, 2018 $
Finance costs:				
Interest on long-term indebtedness	(4,090)	(4,958)	(13,432)	(14,639)
Floorplan financing	(6,022)	(5,853)	(17,767)	(16,245)
Interest on lease liabilities [1]	(5,923)	—	(15,715)	—
Other finance costs	(1,590)	(1,343)	(4,471)	(3,952)
	(17,625)	(12,154)	(51,385)	(34,836)
Finance income:				
Short-term bank deposits	339	298	957	942

1 *Interest on lease liabilities relates to the adoption of IFRS 16 - Refer to Note 4.*

Cash interest paid during the nine-month period ended September 30, 2019 was $44,761 (2018 - $32,290), which includes $15,715 of cash interest paid related to interest on lease liabilities.

10 Taxation

Components of income tax were as follows:

	Three-month period ended September 30, 2019 $	Three-month period ended September 30, 2018 $	Nine-month period ended September 30, 2019 $	Nine-month period ended September 30, 2018 $
Current tax	(6,375)	2,772	(6,387)	9,777
Deferred tax	9,888	(4,881)	15,336	(25,776)
Total income tax expense (recovery)	3,513	(2,109)	8,949	(15,999)

Income tax (recovery) 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 statutory rate used for the nine-month period ended September 30, 2019 was 26.8% (2018 - 26.9%).

11 Business acquisition

In the second quarter of 2018, the Company recorded an impairment charge related to its April 9, 2018 acquisition of the Grossinger Auto Group as described in the June 30, 2018 financial statements.

IFRS requires an impairment test to be performed for an acquired business before the end of the annual period in which it is acquired. Subsequent to closing the acquisition and prior to filing the 2018 second quarter interim financial statements, evidence indicated that the economic performance of the acquired business would be worse than expected, which is an impairment indicator in accordance with IAS 36 *Impairment of Assets*.

More specifically, the initial valuation supporting the transaction was based on forecasts that incorporated assumptions with respect to achieving and/or improving profitable operations in the Grossinger Auto Group. Once management took over the operations of the business, it became apparent that these forecasts were unrealistic given elements of the cost structure that would take longer than anticipated to adjust, as well as unduly optimistic revenue growth assumptions. Revised forecasts were then prepared by management reflecting best estimates with respect to the expected performance of the business in the context of current market conditions, which resulted in the impairment charge noted above.

During the quarter ended March 31, 2019, new information was obtained about circumstances that existed at the acquisition date, which resulted in certain adjustments to the fair value of net identifiable assets acquired. Specifically, an intangible liability related to the extension of an off-market lease was recognized in the amount of $7,612, which gave rise to additional goodwill of $5,592 and an increase in deferred tax assets of $2,020.

As a result of the intangible liability that was recognized as at December 31, 2018, operating expenses for the three-month period ended September 30, 2018 and nine-month period ended September 30, 2018, have been decreased by $1,208 and $2,416 respectively in the Condensed Interim Consolidated Statement of Comprehensive Income (Loss).

The Company determined the impact of these adjustments on its post-acquisition earnings in 2018, which resulted in an increase in goodwill impairment and future tax expense in the fourth quarter totaling an increase in the reported net loss for the year of $8,014. This amount is reflected as a measurement period adjustment in the September 30, 2019 Condensed Interim Consolidated Statement of Changes in Equity.

12 Assets and liabilities held for sale

Land and buildings

The Company has committed to a plan and entered into agreements to sell specific land and buildings. The agreements are subject to customary closing conditions. The net assets have been reclassified as held for sale as at the Condensed Interim Consolidated Statement of Financial Position date.

During the nine-month period ended September 30, 2019, the Company sold four properties:

- During the three-month period ended March 31, 2019, the Company disposed of two properties in the Canadian Operations segment that were previously held for sale as at December 31, 2018 for proceeds of $6,048, which resulted in a net loss of $(152).
- During the three-month period ended June 30, 2019, the Company disposed of two properties in the Canadian Operations segment that were previously held for sale as at December 31, 2018 for proceeds of $4,365, which resulted in a net loss of $(628).

The net losses related to the disposal of land and buildings are included in gain on disposal of assets, net in the Condensed Interim Consolidated Statement of Comprehensive Income (Loss).

Dealerships

The Company is actively engaged in seeking buyers for four of its dealerships in the U.S. Operations segment.

The net assets and liabilities related to the above franchised dealership locations have been reclassified as held for sale as at the Condensed Interim Consolidated Statement of Financial Position date.

During the nine-month period ended September 30, 2019, the Company sold three dealerships (refer to Note 23):

- On March 3, 2019, the Company sold Toronto Dodge, which was previously held for sale as at December 31, 2018, for cash consideration. Net proceeds of $6,785 resulted in a total pre-tax gain on divestiture of $4,320, in the Canadian Operations segment; and
- On June 1, 2019, the Company sold Victoria Hyundai, which was previously held for sale as at December 31, 2018, for cash consideration. Net proceeds of $5,550 resulted in a total pre-tax gain on divestiture of $3,772, in the Canadian Operations segment.
- On July 2, 2019, the Company sold Calgary Hyundai, which was previously held for sale as at March 31, 2019, for cash consideration. Net proceeds of $1,962 resulted in a total pre-tax net gain on divestiture of $350, in the Canadian Operations segment (a $485 gain was recognized as a result of the de-recognition of the IFRS 16 right-of-use asset and related lease liability, as well, a loss of $135 related to the disposition of the net assets as disclosed in Note 23) .

The pre-tax gains (losses) related to the above dealership divestitures are included in gain on disposal of assets, net, in the Condensed Interim Consolidated Statement of Comprehensive Income (Loss).

Impairment charges as a result of classification of held for sale

During the three-month period ended June 30, 2019, the carrying amount of the dealerships reclassified to held for sale exceeded the fair value less costs to sell. As a result, the Company recorded an impairment charge of $674 related to the one dealership in the Canadian Operations segment and $11,900 related to the four dealerships in the U.S. Operations segment.

The fair values are based on estimates and assumptions that are subject to revision once final deals are negotiated. In particular, the company has included the entire right-of-use asset and related lease liability for each of the dealerships held for sale in the U.S. Operations.

The assets and liabilities held for sale are included in the Canadian and U.S. Operations segments and summarized as follows:

	Canadian Operations		U.S. Operations		
	Land and buildings $	Dealership $	Land and buildings $	Dealerships $	September 30, 2019 $
Net cash and cash equivalents	—	—	—	126	126
Trade and other receivables	—	—	—	5,300	5,300
Inventories	—	—	—	28,409	28,409
Property and equipment	22,992	—	—	5,394	28,386
Intangible assets	—	—	—	2,450	2,450
Other assets	—	—	—	684	684
Right-of-use assets	—	—	—	10,415	10,415
Assets Held for Sale	22,992	—	—	52,778	75,770
Revolving floorplan liabilities	—	—	—	24,389	24,389
Lease liabilities	—	—	—	36,797	36,797
Liabilities Held for Sale	—	—	—	61,186	61,186

Assets and liabilities held for sale in the Canadian Operations segment as at December 31, 2018 included land and buildings of $31,915, dealership net assets of $22,398 and net liabilities of $5,281.

13 Cash and cash equivalents

	September 30, 2019 $	December 31, 2018 $
Cash at bank and on hand	31,353	23,061
Short-term deposits	1,017	2,263
Cash and cash equivalents	32,370	25,324

14 Trade and other receivables

	September 30, 2019 $	December 31, 2018 $
Trade receivables	151,286	129,338
Less: Expected loss allowance	(2,484)	(3,208)
Net trade receivables	148,802	126,130
Other receivables	7,028	5,022
Trade and other receivables	155,830	131,152

15 Inventories

	September 30, 2019 $	December 31, 2018 $
New vehicles	579,946	580,216
Demonstrator vehicles	40,958	48,856
Used vehicles	123,579	98,109
Parts and accessories	34,392	33,684
Inventories	778,875	760,865

During the three-month period ended September 30, 2019, $781,324 of inventory (2018 - $711,762) was expensed as cost of goods sold which included net recovery of write-downs on used vehicles of $266 (2018 - net write-down of $281).

During the three-month period ended September 30, 2019, $2,025 of demonstrator expense (2018 - $2,427) was included in administration costs. During the three-month period ended September 30, 2019, demonstrator reserves decreased by$1,306 (2018 - increased by $1,119). As at September 30, 2019, the Company had recorded reserves for inventory write-downs of $10,099 (2018 - $8,727).

16 Property and equipment

During the nine-month period ended September 30, 2019, the Company purchased $14,303 (2018 - $19,823) of property and equipment including land and buildings additions of $3,646 (2018 - $10,098) to be used for dealership relocations, dealership re-imaging, and dealership open points.

Sale and leaseback transactions

During the nine-month period ended September 30, 2019, the Company entered into multiple sale-leaseback transactions as follows:

- On March 26, 2019, the Company sold two dealership facilities to Automotive Properties Real Estate Investment Trust and the properties were leased back to the Company. The Company received proceeds of $23,950 for the sale, which resulted in a pre-tax gain of $2,716 recognized in the first quarter. The minimum annual lease payments under the respective leases are $1,665.
- On June 25, 2019, the Company sold three dealership facilities to Automotive Properties Real Estate Investment Trust and the properties were leased back to the Company. The Company received proceeds of $30,400 for the sale, which resulted in a pre-tax loss of $360 recognized in the second quarter. The minimum annual lease payments under the respective leases are $2,204.
- On August 23, 2019, the Company sold two dealership facilities to Capital Automotive Real Estate Services Inc. and the properties were leased back to the Company. The Company received proceeds of $20,000 for the sale, which resulted in a pre-tax gain of $579 recognized in the current quarter. The minimum annual lease payments under the respective leases are $1,550.

17 Other current and long-term liabilities

Restructuring charges

In the third quarter of 2019, the Company recognized a non-cash restructuring charge of of $13,393 related to the planned closure of two franchises in the fourth quarter of 2019. Components of the restructuring charge were an impairment to the associated committed right-of-use asset of $1,148, write-down of assets of $3,719 and provisions for closing costs of $732. These costs were fully provided for in the current reporting period. The remaining provision of $7,794 relates to the operating costs of the related leased facility.

	September 30, 2019 $	December 31, 2018 $
Restructuring charges	1,662	—
Other current liabilities	1,662	—
Equity forward liability	3,466	—
Restructuring charges	10,583	—
Other long-term liabilities	14,049	—

Equity forward liability

The Company has entered into a equity forward purchase agreement with a major Canadian financial institution to reduce its cash and income exposure to fluctuations in its share price relating to the RSUs, DSUs, and SARs. Pursuant to the agreement, the Company receives the economic benefit of share price appreciation and suffers the economic loss of share price depreciation, while providing payments to the financial institution for the institution's cost of funds minus dividends.

For the period ended September 30, 2019, the equity forward agreement covered 329,000 (2018 - nil) common shares of the Company. The associated long-term liability was valued at $3,466 (2018 - $nil) at September 30, 2019 .

The Company's derivative financial instruments and redemption liabilities are carried at fair value through profit or loss. There have been no significant changes to the Company's valuation categories since December 31, 2018.

The Company has a number of financial instruments which are not measured at fair value in the Condensed Interim Consolidated Statement of Financial Position. For the majority of these instruments, the fair values are not materially different from their carrying amounts.

18 Trade and other payables

	September 30, 2019 $	December 31, 2018 $
Trade payables	69,677	49,805
Accruals and provisions	19,398	22,751
Sales tax payable	6,760	5,852
Wages and withholding taxes payable	27,630	22,872
Trade and other payables	123,465	101,280

19 Indebtedness

	September 30, 2019 $	December 31, 2018 $
Revolving floorplan facilities	806,347	752,637
Held for sale (Note 12)	(24,389)	(4,284)
Carrying value	781,958	748,353
Indebtedness		
Senior unsecured notes	148,844	148,442
Revolving term facilities	83,360	177,602
Other debt	2,499	2,608
Carrying value	234,703	328,652
Current indebtedness	1,658	1,654
Long-term indebtedness	233,045	326,998

20 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 and cash payments.

Restricted Share Units (RSUs)

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

	September 30, 2019		September 30, 2018	
	Number of RSUs	Amount $	Number of RSUs	Amount $
Outstanding, beginning of the period	54,789	622	20,032	454
Settled - equity	(6,071)	(65)	(29,729)	(464)
Settled - cash	—	—	(17,017)	(279)
Granted	89,904	994	33,862	693
Forfeited units	(14,631)	(153)	—	—
Dividends reinvested	2,726	27	524	9
Impact of movements in share price [1]	–	–	–	(308)
Outstanding, end of the period	126,717	1,425	7,672	105

1 *As a result of the 2018 modification to the RSU plan resulting in awards to be settled in shares, there is no impact of movements in share price for the period ended September 30, 2019.*

Deferred Share Units (DSUs)

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

	September 30, 2019		September 30, 2018	
	Number of DSUs	Amount $	Number of DSUs	Amount $
Outstanding, beginning of the period	79,618	904	49,716	1,126
Granted	36,068	381	17,384	270
Dividends reinvested	2,371	24	887	15
Impact of movements in share price [1]	–	–	–	(484)
Outstanding, end of the period	118,057	1,309	67,987	927

1 *As a result of the 2018 modification to the DSU plan resulting in awards to be settled in shares, there is no impact of movements in share price for the period ended September 30, 2019.*

Stock Option Plan

The following table shows the change in the number of stock options for the nine-month period ended September 30, 2019:

	Average exercise price per share option $	Share options #
Outstanding, beginning of the period	10.72	2,743,332
Granted	11.11	470,000
Forfeited	12.31	(813,332)
Outstanding, end of the period	10.28	2,400,000
Vested and exercisable, end of the period	10.05	850,000

During the nine-month period ended September 30, 2019, no options were exercised or expired.

The following table shows the expiry date and exercise price for the share options outstanding for the nine-month period ended September 30, 2019:

Grant date	Expiry date	Exercise price $	Share options #
August 14, 2018	August 14, 2028	10.05	1,930,000
March 19, 2019	August 14, 2028	11.49	370,000
August 14, 2019	August 14, 2024	9.72	100,000
Total			2,400,000
Weighted average remaining contractual life of options outstanding, end of the period			8.71 years

During the nine-month period ended September 30, 2019, the assessed weighted average fair value at grant date of options granted was $3.05 per option. The fair value at grant date is determined using an adjusted form of the Black-Scholes Model that takes into account probabilities using the Monte Carlo simulation, as well as 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 during the nine-month period ended September 30, 2019 include:

March 19, 2019 Grant

- Options are granted for no consideration and vest based on varying service and market price conditions over a three year period. For example, a portion of the options vest on the later of 2 years from the date of grant and the share price reaching at least $15.08 and another portion only vests at the later of three years and the share price reaching at least $20.10. Vested options are exercisable until August 14, 2028.
- Exercise price: $11.49
- Grant date: March 19, 2019
- Life of option: 9.4 years
- Share price at grant date: $11.49
- Expected price volatility of the company's shares: 32.8%
- Expected dividend yield: 3.62%
- Risk-free interest rate: 2.18%

August 14, 2019 Grant

- Options are granted for no consideration and vest evenly on each of the first, second and third anniversaries of the grant date. Vested options are exercisable until August 14, 2024.
- Exercise price: $9.72
- Grant date: August 14, 2019
- Life of option: 4 years
- Share price at grant date: $9.61
- Expected price volatility of the company's shares: 43.38%
- Expected dividend yield: 4.16%
- Risk-free interest rate: 1.19%

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.

The market price condition was factored into the fair value of the options granted using the Monte Carlo simulation to determine the probability that the options will vest based on the market price vesting condition.

Share Appreciation Rights (SARs)

The following table shows the change in the number of share appreciation rights for the nine months ended September 30, 2019:

	Weighted average exercise price per share appreciation right $	**Share appreciation rights #**
Outstanding, beginning of the period	11.18	1,043,950
Granted	10.67	210,500
Forfeited	12.00	(127,500)
Outstanding, end of the period	10.99	1,126,950
Vested and exercisable, end of the period	12.00	24,750

During the nine months ended September 30, 2019, no share appreciation rights were exercised or expired.

The weighted average contractual life remaining for these share appreciation rights as at September 30, 2019 is 3.87 years.

The assessed weighted average fair value at grant date of the share appreciation rights granted during the nine months ended September 30, 2019 was $2.01 per option. The fair value at grant date has been determined using the Black-Scholes Model. The weighted average model inputs for the share appreciation rights granted during the nine months ended September 30, 2019 include:

- Exercise price: $10.67
- Expected life of option: 3.52 years
- Share price at grant date: $10.76
- Expected price volatility of the company's shares: 31.77%
- Expected dividend yield: 3.78%
- Risk-free interest rate: 1.59%

Expected price volatility was determined at the time of grant using the AutoCanada share price on a historical basis, adjusted for any expected changes to future volatility due to publicly available information. It reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

Total expenses net of recoveries arising from share-based payment transactions recognized, during the nine-month periods ended September 30, 2019 and September 30, 2018, included in employee costs (Note 8) are as follows:

	September 30, 2019 $	September 30, 2018 $
Stock options:		
Expenses	2,952	1,153
Recoveries	(1,823)	(734)
	1,129	419
Share appreciation rights:		
Expenses	576	—
Recoveries	(58)	—
	518	—
Total expenses net of recoveries	1,647	419

21 Share capital

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

The following table shows the change in shareholders' capital for the nine-month periods ended:

	September 30, 2019 Number of common shares	September 30, 2019 $	September 30, 2018 Number of common shares	September 30, 2018 $
Outstanding, beginning of the period	27,417,062	509,538	27,388,900	508,768
Dividends reinvested	473	(17)	(1,143)	(24)
Treasury shares settled	(828)	65	29,729	464
Outstanding, end of the period	27,416,707	509,586	27,417,486	509,208

As at September 30, 2019, 40,586 (2018 - 42,197) common shares were held in trust for the Restricted Share Unit Plan, resulting in a total of 27,459,683 (2018 - 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 nine-month period ended September 30, 2019, eligible dividends totaling $0.30 (2018 - $0.30) per common share were declared and paid, resulting in total payments of $8,226 (2018 - $8,217).

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 and stock options to calculate the diluted earnings per share.

The following table shows the weighted-average number of shares outstanding for the three- and nine- month periods ended:

	Three-month period ended September 30, 2019 $	Three-month period ended September 30, 2018 $	Nine-month period ended September 30, 2019 $	Nine-month period ended September 30, 2018 $
Basic	27,419,513	27,399,238	27,419,171	27,392,943
Effect of dilution from RSUs	—	—	—	—
Effect of dilution from stock options	—	—	—	—
Effect of dilution from DSUs	—	—	—	—
Effect of dilution from SARs	—	—	—	—
Diluted	27,419,513	27,399,238	27,419,171	27,392,943

For the three-month period ended September 30, 2019, potential common shares related to DSUs (126,536), RSUs (122,673), SARs (137,373) and stock options (293,632) were excluded from the computation of diluted earnings per share because they were anti-dilutive.

For the nine-month period ended September 30, 2019, potential common shares related to DSUs (129,570), RSUs (103,691), SARs (46,539) and stock options (84,945) were excluded from the computation of diluted earnings per share because they were anti-dilutive.

22 Net change in non-cash working capital

The following table summarizes the net increase (decrease) in cash due to changes in non-cash working capital for the three- and nine- month periods ended:

	Three-month period ended September 30, 2019 $	Three-month period ended September 30, 2018 $	Nine-month period ended September 30, 2019 $	Nine-month period ended September 30, 2018 $
Trade and other receivables	(2,438)	1,229	(30,414)	(71,266)
Inventories	(3,158)	(13,227)	(59,810)	(60,036)
Current tax recoverable/payable	3,306	9,422	(2,714)	(12,042)
Finance lease receivables	—	93	—	137
Other current assets	(3,055)	2,456	(12,058)	(5,580)
Trade and other payables	(4,301)	(7,109)	26,912	40,944
Vehicle repurchase obligations	(7,038)	1,038	(6,368)	3,494
Revolving floorplan facilities	44,908	12,848	75,504	81,767
	28,224	6,750	(8,948)	(22,582)

23 Dealership divestitures

Toronto Dodge

On March 3, 2019, the Company sold substantially all of the operating and fixed assets of Toronto Dodge, located in Toronto, Ontario, for cash consideration. Net proceeds of $6,785 resulted in a pre-tax gain on divestiture of $4,320, included in gain (loss) on disposal of assets, net in the Canadian Operations segment.

Victoria Hyundai

On June 1, 2019, the Company sold substantially all of the operating and fixed assets of Victoria Hyundai, located in Victoria, British Columbia, for cash consideration. Net proceeds of $5,550 resulted in a pre-tax gain on divestiture of $3,772, included in gain (loss) on disposal of assets, net in the Canadian Operations segment.

Calgary Hyundai

On July 2, 2019, the Company sold substantially all of the operating and fixed assets of Calgary Hyundai, located in Calgary, Alberta, for cash consideration. Net proceeds of $1,962 resulted in a net pre-tax gain on divestiture of $350, included in gain (loss) on disposal of assets, in the Canadian Operations segment (a $485 gain was recognized as a result of the de-recognition of the IFRS 16 right-of-use asset and related lease liability, as well, a loss of $135 related to the disposition of the net assets as presented below).

The dealership divestitures completed during the nine-month period ended September 30, 2019 are summarized as follows:

	Toronto Dodge $	Victoria Hyundai $	Calgary Hyundai $	Total $
Inventories	11,845	4,444	3,223	19,512
Property and equipment	615	226	273	1,114
Other current assets	—	72	53	125
Intangible assets	1,456	1,234	1,500	4,190
Total assets	13,916	5,976	5,049	24,941
Trade and other payables	124	193	87	404
Revolving floorplan facilities	11,327	4,005	2,864	18,196
Total liabilities	11,451	4,198	2,951	18,600
Net assets disposed of	2,465	1,778	2,097	6,340
Net proceeds on divestiture	6,785	5,550	1,962	14,297
Net pre-tax gain (loss) on divestiture	4,320	3,772	(135)	7,957

24 Segmented reporting

During the nine-month period ended September 30, 2019, the Executive Chair served as the function of the Chief Operating Decision Maker (CODM). The Executive Chair is responsible for allocating resources and assessing the performance of the following segments: Canadian Operations and U.S. Operations.

Each reportable operating segment is comprised of retail automobile dealerships.

Transactions between reportable segments are accounted for in accordance with the accounting policies described in the summary of significant accounting policies.

Our CODM measures the performance of each operating segment based on operating profit (loss). The segmented information is set out in the following tables:

	Three-month period ended September 30, 2019			Three-month period ended September 30, 2018		
	Canada [1] $	U.S. $	Total $	Canada [1] $	U.S. $	Total $
Revenues						
External revenues	893,127	110,692	1,003,819	725,174	141,744	866,918
Inter-segment revenue	(21,949)	—	(21,949)	—	—	—
Total revenues	871,178	110,692	981,870	725,174	141,744	866,918

1 *AutoCanada's corporate office has been included with the Canadian Operations segment, as it is located in Canada.*

	Nine-month period ended September 30, 2019			Nine-month period ended September 30, 2018		
	Canada [1] $	U.S. $	Total $	Canada [1] $	U.S. [2] $	Total $
Revenues						
External revenues	2,382,717	330,665	2,713,382	2,125,842	242,149	2,367,991
Inter-segment revenue	(46,374)	—	(46,374)	—	—	—
Total revenues	2,336,343	330,665	2,667,008	2,125,842	242,149	2,367,991

1 *AutoCanada's corporate office has been included with the Canadian Operations segment, as it is located in Canada.*
2 *Grossinger Auto Group was acquired in April 2018.*

	Three-month period ended September 30, 2019			Three-month period ended September 30, 2018 Restated (Note 11)		
	Canada [1] $	U.S. $	Total $	Canada [1] $	U.S. $	Total $
Operating profit (loss) before other income	25,424	558	25,982	9,414	(1,071)	8,343
Lease and other income, net	2,345	735	3,080	737	581	1,318
Gain on disposal of assets, net (Notes 16 and 23)	1,026	—	1,026	4,648	—	4,648
Impairment of non-financial assets (Note 12)	—	—	—	(19,569)	—	(19,569)
Restructuring charges (Note 17)	—	(13,393)	(13,393)	—	—	—
Operating profit (loss)	28,795	(12,100)	16,695	(4,770)	(490)	(5,260)
Finance costs			(17,625)			(12,154)
Finance income			339			298
Net (loss) for the period before taxation			(591)			(17,116)

1 *AutoCanada's corporate office has been included with the Canadian Operations segment, as it is located in Canada.*

	Nine-month period ended September 30, 2019			Nine-month period ended September 30, 2018 Restated (Note 11)		
	Canada [1] $	U.S. $	Total $	Canada [1] $	U.S. [2] $	Total $
Operating profit (loss) before other income	62,950	(6,759)	56,191	31,105	(1,111)	29,994
Lease and other income, net	6,035	1,369	7,404	5,170	889	6,059
Gain on disposal of assets, net (Notes 16 and 23)	11,443	—	11,443	9,540	—	9,540
Impairment of non-financial assets (Note 12)	(674)	(11,900)	(12,574)	(33,666)	(44,000)	(77,666)
Restructuring charges (Note 17)	—	(13,393)	(13,393)	—	—	—
Operating profit (loss)	79,754	(30,683)	49,071	12,149	(44,222)	(32,073)
Finance costs			(51,385)			(34,836)
Finance income			957			942
Other gains			19			539
Net (loss) for the period before taxation			(1,338)			(65,428)

1 *AutoCanada's corporate office has been included with the Canadian Operations segment, as it is located in Canada.*
2 *Grossinger Auto Group was acquired in April 2018.*

	As at September 30, 2019			As at December 31, 2018 Restated (Note 11)		
	Canada [1] $	U.S. $	Total $	Canada [1] $	U.S. $	Total $
Assets held for sale	22,992	52,778	75,770	54,313	—	54,313
Segment assets	1,759,445	264,967	2,024,412	1,473,856	246,712	1,720,568
Capital expenditures	13,765	538	14,303	23,247	3,327	26,574
Segment liabilities	1,391,312	236,328	1,627,640	996,947	284,328	1,281,275

1 *AutoCanada's corporate office has been included with the Canadian Operations segment, as it is located in Canada.*

25 Related party transactions

During the nine-month period ended September 30, 2019, there were transactions with companies whose partners or senior officers are Directors of the Company or related to Directors of the Company. These counter parties are:

- Business associates of the Executive Chair who provide consulting services;
- A firm, whose controlling partner is the Executive Chair, provides administrative, limited transportation, and other support services;
- A company which is controlled by a family member of the President of Canadian Operations, provides the sourcing of customer leads.

All significant transactions between AutoCanada and companies related to Directors were approved by the Company's Board of Directors. A summary of the transactions are as follows:

	Three-month period ended September 30, 2019 $	Three-month period ended September 30, 2018 $	Nine-month period ended September 30, 2019 $	Nine-month period ended September 30, 2018 $
Consulting services	156	70	513	70
Administrative and other support fees	71	67	583	67
Total	227	137	1,096	137

26 Seasonal nature of the business

The Company’s results from operations for the period ended September 30, 2019 are not necessarily indicative of the results that may be expected for the full fiscal year due to seasonal variations in sales levels. The results from operations of the Company have historically been lower in the first and fourth quarters of each year, largely due to consumer purchasing patterns during the holiday season, inclement weather and the number of business days during the period. As a result, the Company’s financial performance is generally not as strong during the first and fourth quarters than during the other quarters of each fiscal year. The timing of acquisitions and divestitures may also cause substantial fluctuations in operating results from quarter to quarter.

27 Subsequent events

Dividends

In determining the dividend to be paid to our shareholders, the Board of Directors considers a number of factors, including the forecasts for operating and financial results, maintenance and growth capital requirements, as well as market activity and conditions.

On November 7, 2019, the Board declared a quarterly eligible dividend of $0.10 per common share on AutoCanada's outstanding common shares, payable on December 16, 2019 to shareholders of record at the close of business on November 29, 2019.

AutoCanada Inc.
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