2019

AutoCanada

Annual Financial Statements

Consolidated Financial Statements

For the year ended December 31, 2019

Independent auditor's report

To the Shareholders of AutoCanada Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of AutoCanada Inc. and its subsidiaries (together, the Company) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of comprehensive loss for the years ended December 31, 2019 and 2018;
- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management’s Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Steven Hollinger.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

Edmonton, Alberta
March 12, 2020

AutoCanada Inc.

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

	December 31, 2019 $	December 31, 2018 Restated (Note 14) $
Revenue (Note 6)	3,476,111	3,150,781
Cost of sales (Note 7)	(2,905,616)	(2,642,818)
Gross profit	570,495	507,963
Operating expenses (Note 8)	(499,768)	(474,804)
Operating profit before other income (expense)	70,727	33,159
Lease and other income, net (Note 10)	10,701	8,213
Gain on disposal of assets, net (Note 10)	11,014	21,480
Impairment of non-financial assets (Note 22)	(36,575)	(101,494)
Restructuring charges (Note 37)	(13,393)	—
Operating profit (loss)	42,474	(38,642)
Finance costs (Note 11)	(68,784)	(47,193)
Finance income (Note 11)	912	1,289
Other (losses) gains (Note 12)	(900)	950
Net loss for the year before tax	(26,298)	(83,596)
Income taxes (Note 13)	775	1,846
Net loss for the year	(27,073)	(85,442)
Other comprehensive loss		
Items that may be reclassified to profit or loss		
Foreign operations currency translation	(7,083)	6,136
Change in fair value of cash flow hedge	(2,424)	(3,762)
Income tax relating to these items	635	1,015
Other comprehensive (loss) income for the year, net of tax	(8,872)	3,389
Comprehensive loss for the year	(35,945)	(82,053)
Net (loss) income for the year attributable to:		
AutoCanada shareholders	(28,353)	(86,097)
Non-controlling interests	1,280	655
	(27,073)	(85,442)
Comprehensive (loss) income for the year attributable to:		
AutoCanada shareholders	(37,225)	(82,708)
Non-controlling interests	1,280	655
	(35,945)	(82,053)
Net loss per share attributable to AutoCanada shareholders:		
Basic	(1.03)	(3.14)
Diluted	(1.03)	(3.14)
Weighted average shares		
Basic (Note 31)	27,420,483	27,399,117
Diluted (Note 31)	27,420,483	27,399,117

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

Approved on behalf of the Company

Paul W. Antony, Director

Barry L. James, Director

AutoCanada Inc.

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	December 31, 2019 $	December 31, 2018 Restated (Note 14) $
ASSETS		
Current assets		
Cash and cash equivalents (Note 17)	55,555	25,324
Trade and other receivables (Note 18)	132,625	131,152
Inventories (Note 19)	821,455	760,865
Current tax recoverable	4,162	10,685
Other current assets (Note 24)	8,502	6,513
Assets held for sale (Note 20)	14,193	54,313
	1,036,492	988,852
Property and equipment (Note 21)	197,410	237,141
Right-of-use assets (Note 27)	303,536	—
Other long-term assets (Note 24)	5,042	10,148
Deferred income tax (Note 13)	13,029	13,642
Intangible assets (Note 22)	410,293	412,353
Goodwill (Note 22)	24,115	58,432
	1,989,917	1,720,568
LIABILITIES		
Current liabilities		
Trade and other payables (Note 25)	134,971	101,280
Revolving floorplan facilities (Note 26)	832,158	748,353
Vehicle repurchase obligations (Note 28)	7,802	7,654
Indebtedness (Note 26)	127	1,654
Redemption liabilities (Note 16)	15,498	14,948
Intangible liabilities (Note 14)	—	5,049
Lease liabilities (Note 27)	21,208	—
Other liabilities (Note 37)	1,240	—
Liabilities held for sale (Note 20)	—	5,281
	1,013,004	884,219
Long-term indebtedness (Note 26)	213,305	326,998
Long-term lease liabilities (Note 27)	359,255	—
Derivative financial instruments (Note 37)	6,186	3,762
Long-term intangible liabilities (Note 14)	—	39,126
Other long-term liabilities (Note 37)	9,767	—
Deferred income tax (Note 13)	20,301	27,170
	1,621,818	1,281,275
EQUITY		
Attributable to AutoCanada shareholders	353,607	420,554
Attributable to Non-controlling interests	14,492	18,739
	368,099	439,293
	1,989,917	1,720,568

Commitments and contingencies (Note 29)

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 $	Cumulative translation adjustment $	OCI - hedge reserve $	Accumulated deficit $	Total $	Non-controlling interests $	Total equity $
Balance, 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 14)	—	—	—	—	(8,014)	(8,014)	—	(8,014)
Change in accounting policy, net of tax (Note 4)	—	—	—	—	(20,460)	(20,460)	—	(20,460)
Balance, January 1, 2019 Restated	**509,538**	**5,109**	**6,136**	**(2,746)**	**(117,943)**	**400,094**	**18,739**	**418,833**
Net (loss) income	—	—	—	—	(28,353)	(28,353)	1,280	(27,073)
Other comprehensive loss	—	—	(7,083)	(1,789)	—	(8,872)	—	(8,872)
Dividends declared on common shares (Note 31)	—	—	—	—	(10,968)	(10,968)	—	(10,968)
Dividends declared by subsidiaries to non-controlling interests (Note 16)	—	—	—	—	—	—	(1,350)	(1,350)
Acquisition of non-controlling interest	—	—	—	—	—	—	(4,177)	(4,177)
Forward share purchase (Note 37)	—	(3,466)	—	—	—	(3,466)	—	(3,466)
Treasury shares acquired (Note 31)	(17)	—	—	—	—	(17)	—	(17)
Shares settled from treasury (Note 31)	369	15	—	—	—	384	—	384
Share-based compensation (Note 30)	—	4,805	—	—	—	4,805	—	4,805
Balance, December 31, 2019	**509,890**	**6,463**	**(947)**	**(4,535)**	**(157,264)**	**353,607**	**14,492**	**368,099**

	Attributable to AutoCanada shareholders							
	Share capital $	Contributed surplus $	Cumulative translation adjustment $	OCI - hedge reserve $	Accumulated deficit $	Total $	Non-controlling interests $	Total equity $
Balance, 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	—	—	—	—	(78,083)	(78,083)	655	(77,428)
Other comprehensive income	—	—	6,136	(2,746)	—	3,390	—	3,390
Dividends declared on common shares (Note 31)	—	—	—	—	(10,956)	(10,956)	—	(10,956)
Dividends declared by subsidiaries to non-controlling interests (Note 16)	—	—	—	—	—	—	(1,650)	(1,650)
Sale of non-controlling interest	—	—	—	—	—	—	5,847	5,847
Acquisition of non-controlling interest	—	—	—	—	(2,675)	(2,675)	(14,674)	(17,349)
Divestiture of subsidiaries	—	—	—	—	—	—	(20,774)	(20,774)
Derecognition of redemption liability upon divestiture of subsidiary (Note 33)	—	—	—	—	26,404	26,404	—	26,404
Derecognition of redemption liability granted to non-controlling interests (Note 33)	—	—	—	—	1,359	1,359	—	1,359
Treasury shares acquired (Note 31)	(29)	—	—	—	—	(29)	—	(29)
Shares settled from treasury (Note 31)	799	(799)	—	—	—	—	—	—
Share-based compensation	—	519	—	—	—	519	—	519
Balance, December 31, 2018	**509,538**	**5,109**	**6,136**	**(2,746)**	**(89,469)**	**428,568**	**18,739**	**447,307**

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, 2019 $	December 31, 2018 Restated (Note 14) $
Cash provided by (used in):		
Operating activities		
Net loss for the year	(27,073)	(85,442)
Income taxes (Note 13)	775	1,846
Amortization of prepaid rent	—	452
Amortization of deferred financing costs (Note 26)	760	1,658
Depreciation of property and equipment (Note 21)	19,823	19,947
Depreciation of right-of-use assets (Note 27)	23,404	—
Gain on disposal of assets (Note 10)	(11,014)	(21,480)
Share-based compensation - equity-settled	4,805	(279)
Share-based compensation - cash-settled	—	371
Revaluation of contingent consideration (Note 12)	—	15
Revaluation of redemption liabilities (Note 12)	550	7
Income taxes recovered (paid)	5,018	(2,773)
Impairment of non-financial assets (Note 22)	36,575	101,494
Restructuring charges (Note 37)	13,393	—
Net change in non-cash working capital (Note 35)	40,073	(32,992)
	107,089	(17,176)
Investing activities		
Withdrawals from restricted cash	—	4,106
Business acquisition, net of cash acquired (Note 14)	—	(176,569)
Purchases of property and equipment (Note 21)	(30,634)	(26,574)
Proceeds on sale of property and equipment	88,129	123,798
Income from loans to associates	—	(294)
Proceeds from loans to associates	—	18,394
Proceeds on divestiture of dealerships (Note 15)	14,297	3,320
Proceeds from divestiture of investments in subsidiaries (Note 33)	—	41,017
	71,792	(12,802)
Financing activities		
Proceeds from indebtedness (Note 26)	45,052	294,085
Repayment of indebtedness (Note 26)	(161,032)	(302,207)
Common shares settled, net (Note 31)	352	770
Dividends paid on common shares (Note 31)	(10,968)	(10,956)
Distributions paid to non-controlling interests by subsidiaries	(1,350)	(20,359)
Principal elements of lease payments	(20,288)	—
	(148,234)	(38,667)
Effect of exchange rate changes on cash and cash equivalents	(416)	(555)
Net increase (decrease) in cash and cash equivalents	30,231	(69,200)
Cash and cash equivalents at beginning of year (Note 17)	25,324	94,524
Cash and cash equivalents at end of year (Note 17)	55,555	25,324

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 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the 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 consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. The areas where assumptions and estimates are significant to the consolidated financial statements are described in Note 5.

The Company adopted IFRS 16 Leases effective January 1, 2019. The adoption of this standard resulted in certain updates to accounting policies, described in Note 3.

These consolidated financial statements were approved by the Board of Directors on March 12, 2020.

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 recognised by the acquiree) and liabilities (including contingent liabilities) of acquired businesses at fair value at the acquisition date. The excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill. If the acquisition cost is less than the fair value of the net assets acquired, the fair value of the net assets is re-assessed and any remaining difference is recognized directly in the Consolidated Statements of Comprehensive Loss. Transaction costs are expensed as incurred. Any subsequent change to the fair value of contingent consideration liabilities is recognized in the Consolidated Statements of Comprehensive Loss.

Revenue recognition

(a) New and Used Vehicles

The Company sells new and used vehicles at its franchised dealerships. The transaction price for a vehicle sale is determined with the customer at the time of sale. Customers often trade in their own vehicle and apply the value against the purchase price of a new or used vehicle. The trade-in vehicle is considered non-cash consideration and is measured at fair value, based on external and internal market data, and applied toward the contract price for the purchased vehicle.

When a vehicle is sold, control is transferred at a point in time upon delivery of the vehicle to the customer, which is generally at time of sale. The Company does not directly finance customers' vehicle purchases or leases however in many cases, third-party financing is arranged for the sale or lease of vehicles to its customers in exchange for a fee paid to the Company by the third-party financial institution. The Company receives payment directly from the customer at the time of sale or from the third-party financial institution (referred to as contracts-in-transit or vehicle receivables, which are part of the Company's receivables from contracts with customers) within a short period of time following the sale.

(b) Parts, service and collision repair

The Company sells parts and services related to customer-paid repairs and maintenance, repairs and maintenance under manufacturer warranties and extended service contracts, and collision-related repairs.

Each automotive repair and maintenance service is a single performance obligation that includes both the parts and labour associated with the service. Payment for automotive service work is typically due upon completion of the service, which is generally completed within a short period of time from contract inception. The transaction price for automotive repair and maintenance services is based on the parts used, the number of labour hours applied, and standardized hourly labour rates. The Company satisfies its performance obligations, transfers control, and recognizes revenue over time for repair and maintenance services because it is creating an asset with no alternative use and has an enforceable right to payment for performance completed to date.

The transaction price for retail counter parts sales is determined at the time of sale based on the quantity and price of each product purchased. Payment is typically due at the time of sale, or within a short period of time following the sale. Control is generally considered to transfer at the point of sale or when the products are shipped, which typically occurs the same day as or within a few days of the sale.

(c) 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 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. These chargebacks are a form of variable consideration and the Company only recognizes commission revenue at the estimated amount of consideration to which it ultimately expects to be entitled. 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.

For the majority of finance and insurance product sales, the Company's performance obligation is to arrange for the provision of goods or services by another party. This performance obligation is satisfied when the finance and insurance product is delivered to the end-customer, generally at the time of the vehicle sale. As an agent, revenue is recognized as the net amount retained after paying the third-party provider for the goods or services that party is responsible for fulfilling.

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 consolidated statements 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 the Company's 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 Statements of Comprehensive Loss.

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 and trade and other receivables, are measured at amortized cost. The contractual cash flows received from the financial assets are solely payments of principal and interest and are held within a business model whose objective is to collect contractual cash flows. The financial assets 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, current and long-term indebtedness, derivative financial instruments, redemption liabilities and lease 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 cash on hand, highly liquid investment grade short-term investments with maturities of three months or less, and other liquid deposits held with financial institutions.

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. The Company applies the simplified approach to measuring expected credit losses, which uses a lifetime expected credit loss allowance for all trade receivables. 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 Statements of Comprehensive Loss 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 Statements of Comprehensive Loss.

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

Machinery and equipment	20%
Furniture, fixtures and other	20%
Company 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 10 to 45 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:

- Specific dealer agreements continue indefinitely by their terms; and
- Specific 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 carried at cost less accumulated impairment losses.

Impairment

Impairments are recorded when the recoverable amounts 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 and right-of-use assets, 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 as cash-generating units (CGUs), the lowest levels for which there are separately identifiable cash flows.

(b) Intangible assets and goodwill

The carrying values of all intangible assets with indefinite lives and goodwill 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 the Company's 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 CGUs 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.

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 provisions due to passage of time is recognized as interest expense.

Leases

Effective January 1, 2019, the Company adopted IFRS 16 *Leases* and changed its accounting policy for leases as a lessee. Refer to Note 4 for the adoption impact. There was no impact for leases in which the Company is a lessor.

The Company as a lessee:

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.

The Company as a lessor:

Lease obligations are classified as either operating or finance, based on the substance of the transaction at inception of the lease. Classification is reassessed 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.

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.

(b) Operating leases

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

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.

Policy applicable before January 1, 2019 for the Company as a lessee:

Lease obligations were classified as either operating or finance, based on the substance of the transaction at inception of the lease. Classification was reassessed if the terms of the lease changed.

(a) Finance leases

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

Assets meeting finance lease criteria were 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 were apportioned between the finance charge and the liability. The finance charge was 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 is retained by the lessor were classified as operating leases.

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

Redemption liabilities

The potential cash payments related to put options issued by the Company over the equity of subsidiary companies are accounted for as financial liabilities when such options may only be settled other than by exchange of a fixed amount of cash, or another financial asset, or for a fixed number of shares in the subsidiary. The amount that may become payable under the option on exercise is initially recognised at fair value within redemption liabilities with a corresponding charge directly to equity attributable to AutoCanada shareholders. Subsequently, if the Company revises its estimates, the carrying amount of the redemption liability is adjusted and the adjustment will be recognised as income or expenses in the Consolidated Statements of Comprehensive Loss. 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.

Share-Based Payments

The Company operates a number of share-based compensation plans for the benefit of certain employees and Company directors, as described in Note 30.

The accounting for a share-based payment plan is based on whether the arrangement is classified as equity-settled or cash settled. Equity-settled arrangements are those in which the Company receives services as consideration for its own equity instruments. Cash-settled arrangements arise where the Company pays the employee cash amounts based on the value of the Company's shares.

The fair value of equity settled awards is recognized as an expense over the vesting period with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options at the grant date.

Foreign Currency Translation

On April 9, 2018, the Company acquired the Grossinger Auto Group in the Chicago, Illinois metropolitan area. The expansion of the Company into the United States requires the Company to translate the financial results of these dealerships from the functional currency (USD) into the reporting currency (CAD) upon consolidation. Assets and liabilities have been translated to the reporting currency (CAD) using the exchange rates in effect on the consolidated balance sheet dates. Revenue and expense accounts are translated using the average exchange rate during the period. The cumulative translation adjustments associated with the net assets of foreign subsidiaries are recorded in accumulated other comprehensive income in the accompanying Consolidated Statement of Changes in Equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Derivative financial instruments

Derivatives are recognized initially at fair value on the date of contract inception and are subsequently re-measured to current fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the instrument is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company currently designates certain derivatives as hedges of the interest rate cash flow risk associated with the cash flows of variable rate loans, and does not hold any derivatives for trading or speculative purposes.

At the inception of the hedge relationship, the Company documents the economic relationship between the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking hedge transactions. The effective portion of changes in the fair value of qualifying hedging derivatives is recognized as a reserve within equity. The gain or loss relating to any ineffective portion is recognized immediately in profit or loss. The periodic net settlement of the interest rate swap is recognized in profit or loss within finance costs at the same time as the interest expense on the hedged borrowings.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is greater than one year.

Further information on the Company's risk management and hedge accounting is presented in Note 37.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in profit or loss and are included in other gains/(losses), as disclosed in Note 36.

Segment Reporting

Operating Segments are components of an entity that engage in business activities from which they earn revenues and incur expenses, the operations for which can be clearly distinguished and for which the operating results are regularly reviewed by a chief operating decision maker to make resource allocation decisions and to assess performance.

Previously, the Company's Chief Operating Decision Maker (CODM) was identified as the Executive Team and the Executive Chair. During the quarter ended September 30, 2018, the Company underwent a management shift and the CODM was reassessed. Going forward, the Chief Executive Officer (CEO) will serve as the function of the CODM and the CEO is responsible for allocating resources and assessing the performance of each dealership. In the absence of the CEO, the Executive Chair will serve the function of the CODM. Supporting the CODM will be the President, Canadian Operations and the President, U.S. Operations, both of whom report to the CODM. As each of these individuals, with support from their respective management teams, report to the CODM, the Company will report segmented information by Canadian Operations and U.S. Operations. Each reportable operating segment is comprised of retail automobile dealerships, which have been aggregated based on their economic similarities.

The Company's CODM measures the performance of each operating segment based on operating profit, which is defined as income before income taxes, net finance costs and other income (expense). The segmented information is set out in Note 38.

4 New and amended accounting standards 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 at 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	263,188	82,602	345,790
(Less): Prepaid rent expense	(4,894)	—	(4,894)
Total lease liability recognized under IFRS 16	**258,294**	**82,602**	**340,896**
Current lease liabilities	15,192	4,274	19,466
Non-current lease liabilities	243,102	78,328	321,430
Total lease liability recognized as at January 1, 2019	**258,294**	**82,602**	**340,896**

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 entirely to properties.

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

	December 31, 2018 Restated (Note 14) $	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	—	275,814	275,814
Other long-term assets	10,448	(4,442)	6,006
Deferred income tax (Note 13)	13,642	5,197	18,839
Total assets	30,603	276,117	306,720
Liabilities and shareholders' equity			
Current lease liabilities	—	19,466	19,466
Current intangible liabilities	5,049	(5,049)	—
Total current liabilities	5,049	14,417	19,466
Lease liabilities	—	321,429	321,429
Long-term intangible liabilities	39,126	(39,126)	—
Total liabilities	44,175	296,720	340,895
Equity attributable to AutoCanada shareholders	420,554	(20,460)	400,094
Total liabilities and shareholders' equity	464,729	276,260	740,989

Certain leases contain future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. The lease liability is reassessed and adjusted against the right-of-use asset when the adjustments to lease payments based on an index or rate take effect.

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	239,098	36,716	275,814
Other long-term assets	(4,442)	—	(4,442)
Deferred income tax	5,197	—	5,197
Current lease liabilities	15,192	4,274	19,466
Current intangible liabilities	—	(5,049)	(5,049)
Lease liabilities	243,101	78,328	321,429
Long-term intangible liabilities	—	(39,126)	(39,126)
Equity attributable to AutoCanada shareholders	(18,892)	(1,568)	(20,460)

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*.

During the course of the year, differences were noted on the opening transition adjustment as a result of finalizing the transition. The balances presented have been updated from amounts previously disclosed.

Amendments to IAS 39 and IFRS 7 Interest Rate Benchmark Reform

AutoCanada has elected to early adopt the 'Amendments to IAS 39 and IFRS 7 Interest Rate Benchmark Reform' issued in September 2019. In accordance with the transition provisions, the amendments have been adopted retrospectively to hedging relationships that existed at the start of the reporting period or were designated thereafter, and to the amount accumulated in the cash flow hedge reserve at that date.

The amendments provide temporary relief from applying specific hedging accounting requirements to hedging relationships directly affected by Interbank Offered Rate (IBOR) reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continues to be recorded in the Consolidated Statements of Comprehensive Loss. Furthermore, the amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present.

In summary, the reliefs provided by the amendments that apply are:

- When considering the 'highly probable' requirement, AutoCanada has assumed that the Canadian Dollar Offered Rate (CDOR) interest rate on which its hedged debts are based does not change as a result of the IBOR reform
- In assessing whether the hedge is expected to be highly effective on a forward-looking basis, AutoCanada has assumed that the CDOR interest rate on which the cash flows of the hedged debt and the interest rate swap that hedges it are based is not altered by the IBOR reform
- AutoCanada will not discontinue hedge accounting during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside the required 80–125% range.
- AutoCanada has not recycled the cash flow hedge reserve relating to the period after the reforms are expected to take effect.

Note 37 provides the required disclosures of the uncertainty arising from the IBOR reform for hedging relationships for which AutoCanada applied the reliefs.

5 Critical accounting estimates

The preparation of consolidated financial statements requires management to make estimates about the future. Estimates 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 were used to determine the value of the following 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 (refer to Note 22).

Inventories

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

Redemption liabilities

Redemption liabilities arise during business combinations where non-controlling interest shareholders have the right to require the Company to redeem their equity interests in certain non-wholly owned subsidiaries (refer to 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 its estimates. If the Company revises its estimates, the Company will adjust the carrying amount of the financial liability to reflect revised estimated profitability and the adjustments will be recognised as income or expenses in the Consolidated Statements of Comprehensive Loss.

Leases

i. Critical judgments in determining the lease term

Extension and termination options are included in a number of property leases held by the Company. 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 that 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 specific 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

	2019 $	2018 $
New vehicles	1,939,614	1,802,203
Used vehicles	891,237	756,154
Parts, service and collision repair	479,727	451,760
Finance, insurance and other	165,533	140,664
	3,476,111	3,150,781

The Company has no material contract assets or liabilities as at December 31, 2019 or 2018.

7 Cost of sales

	2019 $	2018 $
New vehicles	1,809,117	1,693,071
Used vehicles	841,782	712,826
Parts, service and collision repair	241,061	227,774
Finance, insurance and other	13,656	9,147
	2,905,616	2,642,818

8 Operating expenses

	2019 $	2018 $
Employee costs [1] (Note 9)	291,315	277,891
Administrative costs [2]	160,718	148,098
Facility lease and storage costs [3]	4,508	28,868
Depreciation of right-of-use assets [3] (Note 27)	23,404	—
Depreciation of property and equipment (Note 21)	19,823	19,947
	499,768	474,804

1 *Employee costs include management transition expenses.*
2 *Administrative costs include professional fees, consulting services, technology-related expenses, marketing, and other general and administrative costs.*
3 *Facility lease costs and depreciation of right-of-use assets have been affected by the adoption of IFRS 16 - Refer to Note 4.*

9 Employee costs

Operating expenses incurred in respect of employees were:

	2019 $	2018 $
Wages, salaries and commissions	249,397	235,041
Withholding taxes and insurance	16,571	15,601
Employee benefits	18,894	15,938
Share-based compensation	4,805	1,116
Other benefits [1]	1,648	10,195
	291,315	277,891

1 *Includes management transition costs.*

10 Lease and other income and gain on disposal of assets, net

	2019 $	2018 $
Lease and other income, net		
Non-recurring settlement income [1]	—	1,603
Lease and rental income	6,418	3,056
Other income	4,283	3,554
	10,701	8,213
Gain (loss) on disposal of assets, net		
Gain on dealership divestiture (Note 15)	8,442	757
Sale and leaseback transactions (Note 21)	2,935	13,882
Transactions with non-controlling interests (Note 33)	—	5,984
Disposals of property and equipment, net	(363)	857
	11,014	21,480

1 *The non-recurring settlement is from an automobile manufacturer and has been recognized net of estimated related expenses.*

11 Finance costs and finance income

	2019 $	2018 $
Finance costs:		
Interest on long-term indebtedness	(17,163)	(20,447)
Interest on lease liabilities [1] (Note 27)	(21,673)	—
	(38,836)	(20,447)
Floorplan financing	(23,977)	(21,440)
Other finance costs	(5,971)	(5,306)
	(68,784)	(47,193)
Finance income:		
Short-term bank deposits	912	1,289

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

Cash interest paid during the year ended December 31, 2019 is $68,442 (2018 - $46,952), which includes $21,673 (2018 - $nil) of cash interest paid related to interest on lease liabilities.

12 Other (losses) gains

	2019 $	2018 $
(Loss) gain on foreign currency	(350)	972
Revaluation of redemption liabilities (Note 16)	(550)	(7)
Revaluation of contingent consideration	—	(15)
	(900)	950

13 Income taxes

Reconciliation of effective tax rate for the year ended December 31:

	2019 $	Restated 2018 $
Net loss for the year before tax	(26,298)	(83,596)
Net loss for the year before tax multiplied by the blended rate of Canadian corporate tax of 27.1% (2018 - 26.9%)	(7,127)	(22,487)
Effects of:		
Tax losses and deductible temporary differences not recognized	12,928	14,828
Adjustment in respect of prior years	(9,218)	1,326
Impact of non-deductible items	5,325	1,447
Impact of substantively enacted rates	(464)	1,136
Income tax rates differential of foreign subsidiaries	389	254
Deferred tax recognized on sale of subsidiaries	—	3,851
Other, net	(1,058)	1,491
Income tax expense	775	1,846

Components of income tax:

	2019 $	Restated 2018 $
Current income tax expense	1,747	3,354
Deferred income tax recovery	(972)	(1,508)
Total income tax expense	775	1,846

Segmented components of income tax:

	2019 $	Restated 2018 $
Canada	1,747	3,354
U.S.	—	—
Current income tax expense	1,747	3,354
Canada	(972)	(1,292)
U.S.	—	(216)
Deferred income tax recovery	(972)	(1,508)
Total income tax expense	775	1,846

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 $	Right-of-use assets net of lease liabilities $	Derivative financial instruments $	Other $	Total $
January 1, 2018	(111)	1,265	(28,788)	—	—	1,924	(25,710)
(Expense) benefit charged to income taxes	5,669	174	(4,501)	—	—	(849)	493
Amounts charged to other comprehensive income	—	—	—	—	1,015	—	1,015
Acquisition of subsidiary (Note 14)	—	58	7,434	—	—	—	7,492
Held for sale (Note 20)	—	279	1,654	—	—	1,249	3,182
December 31, 2018	5,558	1,776	(24,201)	—	1,015	2,324	(13,528)
Adoption of IFRS 16 - initial deferred tax recognition (Note 4)	—	—	—	5,197	—	—	5,197
December 31, 2018 - restated	5,558	1,776	(24,201)	5,197	1,015	2,324	(8,331)
(Expense) benefit charged to income taxes	(9,350)	554	1,598	3,607	—	4,563	972
Amounts charged to other comprehensive income	—	—	—	—	635	—	635
Other	1	—	(620)	—	—	71	(548)
December 31, 2019	(3,791)	2,330	(23,223)	8,804	1,650	6,958	(7,272)

	2019 $	2018 $
Deferred tax asset	13,029	13,642
Deferred tax liability	(20,301)	(27,170)
Net deferred tax liability	(7,272)	(13,528)

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 blended rate used for the year ended December 31, 2019 was 27.1% (2018 - 26.9%).

Changes in the deferred income tax components are adjusted through deferred tax expense. Of the above components of the deferred income tax (liability) asset, $(3,791) (2018 - $5,558) is expected to be recovered within 12 months.

Unused tax losses and deductible temporary differences for which no deferred tax asset has been recognized are as follows:

	2019 $	2018 $
U.S. deductible temporary differences	58,341	17,251
U.S. tax losses	42,879	24,922
Total unrecognized temporary differences	101,220	42,173

The Company's U.S. Operations have state and federal net operating losses of $42,879 (2018 - $24,922), as well as deductible temporary differences of $107,297 (2018 - $66,504) available to reduce future taxable income. The federal losses can be carried forward indefinitely, while the state losses expire between 2030 and 2031. The deductible temporary differences arose primarily from impairment charges recorded against the goodwill and intangible assets of the Grossinger dealerships acquired in 2018 (Note 14). At December 31, 2019 the Company has recognized the benefit of $48,956 (2018 - $49,253) of the deductible temporary differences as a deferred tax asset. The Company has concluded that the deferred tax assets are more likely than not to be recovered using estimated future taxable income, based on approved business plans and budgets for the segment. This estimate will be updated in future periods, which may result in increases or decreases in the amount of deferred tax assets recognized based on the amount judged more likely than not to be recoverable.

The Company also has Canadian non-capital losses of $25,258 (2018 - $4,752) available to reduce future taxable income, until their expiry between 2032 and 2039. The benefit of these losses has been recognized as an offset to Canadian taxable temporary differences.

14 Business Acquisitions

During the year ended December 31, 2019, no business acquisition transactions were completed.

Prior year business acquisitions

During the year ended December 31, 2018, the Company completed three business acquisition transactions: one comprising fifteen franchises in eight locations (Grossinger Auto Group) and two consisting of stand-alone automobile dealerships, representing two franchises. These acquisitions have been accounted for using the acquisition method. The acquisitions are as follows:

Grossinger Auto Group

Between the period of April 9, 2018 and April 23, 2018, the Company closed transactions to purchase substantially all of the operating and fixed assets of Grossinger City Autocorp Inc. ("Grossinger City Toyota"), Grossinger City Autoplex Inc. ("Grossinger City Chevrolet" and "Grossinger City Cadillac"), Grossinger Imports Inc. ("Grossinger Honda"), Grossinger North Autocorp Inc. ("Grossinger Toyota North"), Grossinger Autoplex Inc. ("Grossinger Hyundai North" and "Grossinger Kia"), Grossinger Chevrolet Inc. ("Grossinger Chevrolet Palatine"), Grossinger Hyundai of Palatine Inc. ("Grossinger Hyundai Palatine") and Grossinger Motors Inc. ("Audi Bloomington-Normal", "Lincoln Bloomington-Normal", "Mercedes Bloomington-Normal", "Subaru Bloomington-Normal", "Volvo Bloomington-Normal" and "Volkswagen Bloomington-Normal"), herein referred to as the "Grossinger Auto Group", located in Chicago, Illinois and Bloomington-Normal, Illinois for total cash consideration of $131,887. In addition, the Company assumed liabilities under a number of contracts with an acquisition date fair value of $39,803. The Company did not acquire the land and buildings associated with the dealerships, other than with respect to Grossinger Honda, which was allocated a value of $10,031. The Company entered into lease arrangements for the balance of the facilities. The purchase price of the Grossinger Auto Group was financed through a combination of funds drawn on the Scotiabank revolving term facility, proceeds from the repayment of loans to associate and proceeds from the Company's divestiture of dealerships in Canada. Concurrent with this transaction, the Company purchased $81,950 of vehicle inventory through floorplan financing provided by a U.S. financial institution (Note 26).

As a result of entity-wide and business unit level impairment indicators identified as at June 30, 2018, all of the Company's CGU's were tested for impairment at that time and further testing was performed at December 31, 2018, which resulted in impairment charges against certain CGUs within the Grossinger Auto Group. Refer to Note 22.

Since the acquisition date and during the measurement period, additional information was obtained with respect to the value of certain assets acquired and liabilities assumed, resulting in adjustments to the fair values recorded.

Restated December 31, 2018 figures

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 the net identifiable assets acquired. Specifically, an intangible liability related to the extension of an off-market lease was recognized in the amount of $7,614, which gave rise to an additional goodwill of $5,994 and an increase in deferred tax assets of $2,020.

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 the measurement period adjustment in and has been restated as at December 31, 2018 within these consolidated financial statement figures.

The following table shows the revised purchase price allocation balances, accounting for the fair value changes during the measurement period, including (i) the changes to fair values of identifiable assets acquired and liabilities assumed; and (ii) the impact on the associated balances resulting from changes in fair value. The business acquisition has been accounted for as if the fair value changes to the net identifiable assets had been completed as of the acquisition date.

	As reported June 30, 2018	Fair value adjustments	Restated June 30, 2018
Inventories[1]	13,128	(1,513)	11,615
Intangible assets[2]	67,177	(27,958)	39,219
Deferred income tax asset[3]	—	12,580	12,580
Other liabilities[1]	—	2,610	2,610
Intangible liabilities[4]	—	44,805	44,805
Goodwill[5]	16,845	64,306	81,151

1 *Certain adjustments to working capital balances for new information received during the measurement period were made.*
2 *Intangible assets relate to indefinite-life franchise rights associated with the respective dealerships. The fair value adjustments resulted from finalization of the related valuation models.*
3 *A deferred income tax asset has been recorded as a result of the fair market adjustments that create future differences between accounting and taxable income.*
4 *Intangible liabilities have been recorded as a result of off-market lease obligations that were taken on by the Company as part of the acquisition.*
5 *The fair value adjustment to goodwill was the result of the net change in the other assets and liabilities.*

Mercedes-Benz Heritage Valley

On October 1, 2018, the Company, through a wholly owned subsidiary, AutoCanada M LP, purchased all of the issued and outstanding shares of Ericksen M-B Ltd., which owns and operates a Mercedes-Benz dealership in Edmonton, Alberta, for total cash consideration of $23,901. The acquisition was funded through net proceeds of the sale and leaseback transactions with Automotive Properties Real Estate Investment Trust (Note 21).

Since the acquisition date and during the measurement period, additional information was obtained with respect to the value of certain assets acquired and liabilities assumed, resulting in adjustments to the fair values recorded.

The following table shows the revised purchase price allocation balances as at December 31, 2018 accounting for the fair value changes during the measurement period, including (i) the changes to fair values of identifiable assets acquired and liabilities assumed; and (ii) the impact on the associated balances resulting from changes in fair value. The business acquisition has been accounted for as if the fair value changes to the net identifiable assets had been completed as of the acquisition date.

	As reported December 31, 2018	Fair value adjustments	Restated December 31, 2018
Other long term assets[1]	3,456	(300)	3,156
Goodwill[2]	3,651	300	3,951

1 *Certain adjustments to working capital balances for new information received during the measurement period were made.*
2 *The fair value adjustment to goodwill was the result of the net change in the other long term assets.*

Rose City Ford

On December 1, 2018, the Company, through a wholly owned subsidiary, 2667465 Ontario Inc., purchased all of the issued and outstanding shares of Rose City Ford Sales Limited, which owns and operates a Ford dealership in Windsor, Ontario, for total cash consideration of $24,753. At the time of acquisition, Rose City Ford Sales Limited had net working capital of $6,887. The acquisition was funded by drawing on the Company's revolving term facility.

The business acquisitions completed during the year ended December 31, 2018 and incorporated measurement period adjustments described above are summarized as follows:

	Grossinger Auto Group $	Mercedes-Benz Heritage Valley $	Rose City Ford $	Total $
Current assets				
Cash and cash equivalents	21	274	3,677	3,972
Trade and other receivables	84	3,592	4,094	7,770
Inventories [1]	11,615	18,725	14,909	45,249
Other current assets	516	887	205	1,608
	12,236	23,478	22,885	58,599
Long-term assets				
Property and equipment	34,218	1,268	248	35,734
Other long term assets	—	3,156	10	3,166
Intangible assets	39,219	21,250	18,599	79,068
Deferred income tax	12,580	—	—	12,580
Total assets	98,253	49,152	41,742	189,147
Current liabilities				
Trade and other payables	102	1,887	1,510	3,499
Other liabilities	167	—	—	167
Intangible liabilities	4,656	—	—	4,656
Current indebtedness	—	4,330	—	4,330
Revolving floorplan facility [1]	—	18,449	14,369	32,818
	4,925	24,666	15,879	45,470
Long-term liabilities				
Long-term indebtedness	—	1,862	—	1,862
Other liabilities	2,443	—	—	2,443
Intangible liabilities	40,149	—	—	40,149
Deferred income tax	—	2,674	2,413	5,087
Total liabilities	47,517	29,202	18,292	95,011
Net assets acquired	50,736	19,950	23,450	94,136
Goodwill	81,151	3,951	1,303	86,405
Total net assets acquired	131,887	23,901	24,753	180,541
Total consideration	131,887	23,901	24,753	180,541

1 *Concurrent with this transaction, the Company purchased $81,950 of vehicle inventory through floorplan financing provided by Bank of America. Refer to Note 26.*

15 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.

The dealership divestitures completed during the year ended December 31, 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
Right-of-use assets	—	—	2,684	2,684
Other current assets	—	72	53	125
Intangible assets	1,456	1,234	1,500	4,190
Total assets	13,916	5,976	7,733	27,625
Trade and other payables	124	193	87	404
Revolving floorplan facilities	11,327	4,005	2,864	18,196
Lease liabilities	—	—	3,170	3,170
Total liabilities	11,451	4,198	6,121	21,770
Net assets disposed of	2,465	1,778	1,612	5,855
Net proceeds on divestiture	6,785	5,550	1,962	14,297
Net pre-tax gain on divestiture	4,320	3,772	350	8,442

16 Interest in subsidiaries

The Company owns 100% of most subsidiaries, but also has a controlling interest in certain subsidiaries that also have non-controlling interests ("NCI") 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 2019 $	Dividends paid to non-controlling interests 2018 $
Green Isle G Auto Holdings Inc.	British Columbia	10%	10%	—	—
Prairie Auto Holdings Ltd.	Saskatchewan	15%	15%	900	900
NBFG Holdings Inc.	Saskatchewan	5%	5%	—	—
AutoCanada B Holdings Inc.	Quebec	15%	15%	450	750
AutoCanada M Holdings Inc.	Quebec	5%	10%	—	—
				1,350	1,650

The Company provides long-term loans to specific NCI parties and these are presented as other assets. Refer to Note 24.

Prairie Auto Holdings Ltd., AutoCanada B Holdings Inc., and AutoCanada M 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, measured at their fair value on the Consolidated Statement of Financial Position.

The continuity of the redemption liabilities is summarized as follows:

	Redemption liabilities $
January 1, 2018	**42,704**
Adjustment to fair value (Note 12)	7
Derecognition on settlement (Note 33)	(27,763)
December 31, 2018	**14,948**
Adjustment to fair value (Note 12)	550
December 31, 2019	**15,498**

The change in fair value is recorded in other gains and losses on the Consolidated Statements of Comprehensive Loss (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 that own automotive dealerships. For purposes of disclosure, 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, 2019 $	December 31, 2018 $
Cash at bank and on hand	52,535	23,061
Short-term deposits	3,020	2,263
	55,555	25,324

Short-term deposits include cash held with a national Canadian financial institution. The Company's revolving floorplan facility agreements allow the Company to hold excess cash in accounts with the financial institution, which is used to offset its finance costs on revolving floorplan facilities. The Company has immediate access to this cash unless it is in default of its facilities, in which case the cash may be used by the financial institution in repayment of its facilities. Refer to Note 23 for further detail regarding cash balances held with the financial institution. The remaining short-term deposits are term deposits that bear interest at 3.0% (2018 - 3.2%).

18 Trade and other receivables

	December 31, 2019 $	December 31, 2018 $
Trade receivables	129,733	129,338
Less: Expected loss allowance (Note 23)	(1,869)	(3,208)
	127,864	126,130
Other receivables	4,761	5,022
	132,625	131,152

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, 2019 $	December 31, 2018 $
New vehicles	610,406	580,216
Demonstrator vehicles	41,051	48,856
Used vehicles	134,407	98,109
Parts and accessories	35,591	33,684
	821,455	760,865

Amounts recognized in the Consolidated Statements of Comprehensive Loss:

	December 31, 2019 $	December 31, 2018 $
Inventory expensed as cost of sales	2,769,581	2,577,465
Net writedowns on used vehicles included in cost of sales	1,489	185
Change in inventory reserves recognized in cost of sales	(1,406)	3,146
Demonstrator expenses included in administrative costs	9,298	9,982

20 Assets and liabilities held for sale

Land and buildings

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

During the year ended December 31, 2019, the Company sold five 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).
- During the three-month period ended December 31, 2019, the Company disposed of one property in the Canadian Operations segment that were previously held for sale as at December 31, 2018 for proceeds of $2,650, which resulted in a net loss of $(227).

The net losses related to the disposal of land and buildings are included in gain on disposal of assets, net in the Consolidated Statements of Comprehensive Loss.

As at December 31, 2019, assets held for sale in the Canadian Operations segment, include land and buildings of $14,193 . During the three-month period ended December 31, 2019, the Company recorded an impairment charge of $6,016 related to the the non-core Canadian land and buildings classified as held for sale.

During the three-month period ended June 30, 2019, the Company recorded an impairment charge of $674 related to a dealership classified as held for sale in the Canadian Operations segment

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.

U.S. dealerships

The net assets and liabilities related to four dealerships in the U.S. Operations segment were classified as held for sale during the second quarter of 2019.

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 $11,900 related to the four dealerships in the U.S. Operations segment.

The four dealerships have been reclassified out of held for sale as at December 31, 2019 as the Company no longer has intentions to actively market the stores for sale. This decision was made subsequent to reviewing the September 30, 2019 results which showed improved operational performance.

21 Property and equipment

	Company & lease vehicles $	Leasehold improvements $	Machinery & equipment $	Land & buildings[1] $	Furniture, fixtures & other $	Computer equipment $	Total $
Cost:							
January 1, 2018	19,279	33,352	30,136	323,113	17,529	11,473	434,882
Capital expenditures	—	7,170	4,020	—	2,229	2,237	15,656
Acquisitions of dealership assets (Note 14)	—	20,467	2,915	10,031	1,998	323	35,734
Acquisitions of real estate	—	—	—	10,918	—	—	10,918
Disposals	—	(1,335)	(2,575)	(115,845)	(1,955)	(1,541)	(123,251)
Impairment losses recognized	—	(19,330)	(19)	—	(7)	(5)	(19,361)
Transfers to assets held for sale	(368)	(714)	(494)	(33,789)	(447)	(249)	(36,061)
Transfers in from inventory, net	3,950	—	—	—	—	—	3,950
Foreign currency translation	—	1,169	141	—	111	14	1,435
December 31, 2018	22,861	40,779	34,124	194,428	19,458	12,252	323,902
Capital expenditures	—	13,987	3,850	8,975	526	3,296	30,634
Disposals	—	(931)	(1,711)	(71,014)	(932)	(567)	(75,155)
Impairment losses recognized	(68)	—	(361)	—	(41)	(93)	(563)
Transfers to assets held for sale	—	—	—	(1,800)	—	—	(1,800)
Transfer from assets held for sale	88	71	9	—	82	—	250
Transfers from inventory, net	10,975	—	—	—	—	—	10,975
Foreign currency translation	(36)	(269)	(176)	—	(108)	(43)	(632)
December 31, 2019	**33,820**	**53,637**	**35,735**	**130,589**	**18,985**	**14,845**	**287,611**
Accumulated depreciation:							
January 1, 2018	(5,108)	(12,843)	(19,365)	(30,444)	(8,992)	(7,776)	(84,528)
Depreciation	(3,934)	(2,966)	(2,891)	(6,576)	(2,032)	(1,548)	(19,947)
Disposals	—	1,163	2,324	6,502	817	1,385	12,191
Transfers to assets held for sale	153	299	376	1,339	337	176	2,680
Transfers in from inventory, net	2,894	—	—	—	—	—	2,894
Foreign exchange	(2)	(15)	(19)	—	(12)	(3)	(51)
December 31, 2018	(5,997)	(14,362)	(19,575)	(29,179)	(9,882)	(7,766)	(86,761)
Depreciation	(4,022)	(2,735)	(3,402)	(5,589)	(1,921)	(2,154)	(19,823)
Disposals	—	367	1,546	9,304	931	134	12,282
Impairment losses recognized	30	—	107	—	12	20	169
Transfers to assets held for sale	—	—	—	732	—	—	732
Transfer from assets held for sale	(22)	(58)	(1)	—	(66)	—	(147)
Transfers in from inventory, net	3,244	—	—	—	—	—	3,244
Foreign exchange	13	20	38	—	21	11	103
December 31, 2019	**(6,754)**	**(16,768)**	**(21,287)**	**(24,732)**	**(10,905)**	**(9,755)**	**(90,201)**
Carrying amount:							
December 31, 2018	**16,864**	**26,417**	**14,549**	**165,249**	**9,576**	**4,486**	**237,141**
December 31, 2019	**27,066**	**36,869**	**14,448**	**105,857**	**8,080**	**5,090**	**197,410**

1 *As at December 31, 2019, the Company owns land of $39,515 (2018 - $94,882).*

Construction-in-progress additions of $15,102 are included in land and buildings, as well as leasehold improvements, and are not subject to depreciation until the assets are available for use.

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

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

Sale and Leaseback Transactions

During the year ended December 31, 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 third quarter. The minimum annual lease payments under the respective leases are $1,550.

During the year ended December 31, 2018, the Company entered into multiple sale-leaseback transactions as follows:

- Two dealership facilities were sold to Automotive Properties Real Estate Investment Trust and the properties were leased back to the Company. The Company received net proceeds of $55,500 for the sale, which resulted in a $4,645 pre-tax gain. The minimum annual lease payments under the operating leases are $3,750;
- Four dealership properties were sold to Capital Automotive Real Estate Services Inc. ("Capital Automotive"). The Company received net proceeds of $54,737 for the sale. The Company realized a pre-tax gain of $9,237 on the sale of dealership properties. Net proceeds of $2,176 related to the sale of leasehold interests on a property it did not own, which reduced impairment charges recorded at June 30, 2018. The minimum annual lease payments under the operating leases are $4,090.

22 Impairment of non-financial assets

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. The Company performed its annual test for impairment as at December 31, 2019. As a result of the test performed, the Company recorded $36,575 for the year ended December 31, 2019 (2018 - $101,494).

The impairment charges were allocated to the assets of the respective CGU’s as follows:

	Year ended December 31, 2019 $	Year ended December 31, 2018 Restated (Note 14) $
Leasehold improvements	—	19,330
Land and buildings (Note 20)	6,016	2,092
Intangible assets	(1,527)	25,788
Goodwill	32,086	54,284
	36,575	101,494

The changes in the book value of intangible assets and goodwill for the year ended December 31, 2019 were as follows:

	Intangible assets $	Goodwill $	Total $
Cost:			
January 1, 2018	413,788	38,622	452,410
Acquisitions (Note 14)	79,068	86,405	165,473
Transfer to assets and liabilities held for sale	(2,690)	—	(2,690)
Effect of foreign currency translation	3,303	4,326	7,629
December 31, 2018	**493,469**	**129,353**	**622,822**
Divestitures	(11,431)	(783)	(12,214)
Effect of foreign currency translation	(2,100)	(3,889)	(5,989)
December 31, 2019	**479,938**	**124,681**	**604,619**
Accumulated impairment:			
January 1, 2018	53,792	16,631	70,423
Impairment	25,788	54,284	80,072
Effect of foreign currency translation	1,536	6	1,542
December 31, 2018	**81,116**	**70,921**	**152,037**
Impairment (recovery)	(1,527)	32,086	30,559
Divestitures	(9,931)	(783)	(10,714)
Effect of foreign currency translation	(13)	(1,658)	(1,671)
December 31, 2019	**69,645**	**100,566**	**170,211**
Carrying amount:			
December 31, 2018	412,353	58,432	470,785
December 31, 2019	410,293	24,115	434,408

The impairment for the year ended December 31, 2019 relates to the Company's reportable segments as follows:

	Canadian Operations $	U.S. Operations $	Total $
Land and buildings (Note 20)	6,016	—	6,016
Intangible assets	(1,917)	390	(1,527)
Goodwill	2,421	29,665	32,086
	6,520	30,055	36,575

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:

Cash Generating Unit	December 31, 2019 $ Intangible assets	Goodwill	Total	Restated December 31, 2018 $ Intangible assets	Goodwill	Total
AD	27,807	6,135	33,942	27,807	6,135	33,942
AI	23,067	3,923	26,990	24,228	11,790	36,018
C	21,250	3,951	25,201	21,250	3,951	25,201
AM	24,494	506	25,000	24,494	506	25,000
AA	21,806	—	21,806	13,836	—	13,836
X	18,044	3,724	21,768	18,044	3,724	21,768
T	21,687	—	21,687	21,687	—	21,687
AC	18,198	—	18,198	11,498	—	11,498
AH	17,641	—	17,641	18,599	1,303	19,902
K	16,040	644	16,684	16,848	7,770	24,618
E	14,872	—	14,872	9,592	—	9,592
AE	13,908	—	13,908	13,148	—	13,148
U	12,496	941	13,437	12,496	941	13,437
F	12,930	—	12,930	12,930	—	12,930
AK	12,041	—	12,041	14,791	—	14,791
P	11,656	—	11,656	10,516	—	10,516
O	10,690	—	10,690	15,400	—	15,400
D	9,263	950	10,213	9,263	950	10,213
AN	9,626	—	9,626	9,626	—	9,626
Z	9,431	—	9,431	9,431	—	9,431
Q	8,698	—	8,698	2,638	—	2,638
I	8,495	—	8,495	7,795	—	7,795
R	8,048	—	8,048	11,549	459	12,008
AF [1]	4,684	1,343	6,027	4,684	1,343	6,027
S	5,799	—	5,799	4,989	—	4,989
B	5,790	—	5,790	6,591	409	7,000
V	5,590	—	5,590	13,700	—	13,700
Other CGUs less than $5,000[1]	36,242	1,998	38,240	47,613	19,151	66,764
	410,293	24,115	434,408	415,043	58,432	473,475
Held for sale	—	—	—	2,690	—	2,690
Carrying amount	410,293	24,115	434,408	412,353	58,432	470,785

1 *The original CGU was split into two CGUs (dealerships), as an Open Point began operations in 2018.*

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

Canadian dealerships

	December 31, 2019 $			December 31, 2018 $		
Cash Generating Unit	**Intangible assets**	**Goodwill**	**Total**	**Intangible assets**	**Goodwill**	**Total**
AL	—	—	—	1,063	—	1,063
AA	(7,970)	—	(7,970)	2,312	—	2,312
V	8,110	—	8,110	1,101	—	1,101
AB	1,130	—	1,130	(1,788)	—	(1,788)
AC	(6,700)	—	(6,700)	2,776	—	2,776
P	(1,140)	—	(1,140)	4,142	1,514	5,656
G	2,900	250	3,150	—	—	—
B	801	409	1,210	—	—	—
F	—	—	—	4,794	—	4,794
A [1]	—	—	—	—	1,567	1,567
AF	—	—	—	—	531	531
AK	2,750	—	2,750	—	—	—
O	4,710	—	4,710	4,782	—	4,782
AH	957	1,303	2,260	—	—	—
AP	—	—	—	84	—	84
Y	1,970	—	1,970	1,315	—	1,315
S	(810)	—	(810)	810	200	1,010
I	(700)	—	(700)	702	—	702
BA	—	—	—	1,500	—	1,500
Q	(6,060)	—	(6,060)	903	—	903
R	3,501	459	3,960	—	2,629	2,629
AE	(760)	—	(760)	—	—	—
AO	674	—	674	2,109	—	2,109
E	(5,280)	—	(5,280)	(1,085)	—	(1,085)
Net impairment (recovery)	(1,917)	2,421	504	25,520	6,441	31,961

1 *The original CGU impairment was assessed prior to the two CGU splits and the impairment was split in the same manner as the intangible and goodwill split. Additional assessment was performed as at December 31, 2018, to ensure there was no further impairment of either CGU.*

U.S. dealerships

	December 31, 2019 $			Restated December 31, 2018 $		
Cash Generating Unit	**Intangible assets**	**Goodwill**	**Total**	**Intangible assets**	**Goodwill**	**Total**
N	—	1,724	1,724	—	2,265	2,265
M	—	3,679	3,679	—	2,622	2,622
AG	65	3,860	3,925	—	164	164
K	—	6,754	6,754	—	472	472
L	—	3,532	3,532	—	6,179	6,179
H	—	—	—	136	15,369	15,505
J	—	—	—	132	7,956	8,088
AI	—	6,520	6,520	—	2,661	2,661
W	325	3,596	3,921	—	10,155	10,155
Net impairment	390	29,665	30,055	268	47,843	48,111

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:

Canadian dealerships

Cash Generating Unit	FVLCD or VIU	December 31, 2019 $	December 31, 2018 $
AL	VIU	4,731	4,942
AA	VIU	28,763	17,967
V	VIU	6,782	15,771
AB	VIU [2]	4,085	5,490
AC	VIU	21,725	15,667
P	VIU	15,395	15,667
G	VIU	705	—
B	VIU	9,526	—
F	VIU	14,910	15,550
A	FVLCD	—	9,549
AK	VIU	13,309	—
O	VIU	12,903	17,807
AH	VIU	19,612	—
Y	VIU	4,421	—
S	VIU	15,600	8,847
I	VIU	19,001	11,126
Q	VIU [2]	11,045	5,207
R	FVLCD	6,945	16,753
AE	VIU	15,176	17,035
AO [1]	N/A	—	4,283
E	FVLCD [3]	11,343	16,318
Z	VIU	—	10,583

1 *The CGU was sold during the year and therefore, has no CGU recoverable amount. Refer to Note 15.*
2 *The CGU was valued using the FVLCD technique in the prior year.*
3 *The CGU was valued using the VIU technique in the prior year.*

U.S. dealerships

Cash Generating Unit	FVLCD or VIU	December 31, 2019 $	December 31, 2018 $
N	VIU [2]	231	4,577
M	VIU [2]	5,177	7,016
AG	FVLCD	—	8,024
K	VIU [2]	23,891	26,755
L	VIU [2]	4,008	9,562
H	VIU [2]	21,229	3,363
J [1]	N/A	—	2,251
AI	VIU [2]	29,111	41,444
W	FVLCD	—	8,642

1 *The CGU ceased operations during the year and therefore, has no CGU recoverable amount.*
2 *The CGU was valued using the FVLCD technique in the prior year.*

Impairment test of indefinite life intangible assets

The 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 the Company's values will correlate to those characteristics. Therefore, a comparison of a CGU to similar companies may provide a reasonable basis to estimate fair value. Under this approach, fair value is calculated based on EBITDA ("Earnings before interest, taxes, depreciation and amortization") multiples comparable to the businesses in each CGU. Data for EBITDA multiples was based on recent comparable transactions and management estimates. Multiples used in the test for impairment for each CGU were in the range of 2.5 to 7.9 times forecasted EBITDA (2018 - 3.5 to 8.8 times).

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. 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 10.14% and 11.72% in its projections (2018 - 10.18% and 13.45%).

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, market comparatives 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 amounts, 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 are as follows:

Cash Generating Unit	Change In discount rate	Change In growth rate	Carrying amount	Recoverable amount exceeds carrying amount
F	0.01%	0.01%	14,931	—

CGUs, which use FVLCD 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 are as follows:

Cash Generating Unit	Change In multiple	Recoverable amount	Carrying amount	Recoverable amount exceeds carrying amount
X	0.1	20,330	20,130	200

23 Financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset and financial liability are disclosed in the accounting policies (Note 3). The Company's financial assets are measured at amortized cost. The Company's financial liabilities are measured at amortized cost except for redemption liabilities, which are carried at fair value through profit or loss. The carrying values of financial instruments approximate their fair values, excluding the senior unsecured notes. The fair value of the senior unsecured notes is $149,580 (2018 – $147,000).

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

The Company has operations in Canada and the United States. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant entity. The Company is exposed to foreign exchange risk because its Canadian and U.S. operations engage in transactions denominated in a currency other than their respective functional currency. Risk arises as a result of specific transfers associated with working capital between

Canadian and U.S. operations as well as wholesale used vehicle transactions where Canadian operations will participate in disciplined cross-border sales when arbitrage opportunities are present.

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, the indebtedness note (refer to Note 26), and the hedge accounting note (refer to Note 37). The sensitivity analysis below has been determined based on the exposure to interest rates at the reporting date and stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. The amounts below represent the absolute change to the reported account, an increase in the basis point would result in a positive amount and a decrease in the basis point would result in a negative amount. A 100 basis point change and 200 basis point change is used when reporting interest risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

	+/- 200 Basis Point		+/- 100 Basis Point	
	2019 $	2018 $	2019 $	2018 $
Finance costs	17,957	18,656	8,978	9,328
Finance income	19	26	9	13

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 the Company's customer base. Details of the aging of the Company's trade and other receivables are disclosed in the table below.

The Company applies the simplified approach to measuring expected credit losses, which uses a lifetime expected credit loss allowance for all trade receivables. The expected loss rates are based on the payment profiles of sales over the 12-month periods prior to December 31, 2019 and December 31, 2018 and the corresponding historical credit losses experienced within these periods.

The loss allowance for trade receivables as at December 31, 2019 and December 31, 2018 was determined as follows:

	December 31, 2019			December 31, 2018		
	Expected loss rate %	Gross carrying amount - Trade receivables $	Expected loss allowance (Note 18) $	Expected loss rate %	Gross carrying amount - Trade receivables $	Expected loss allowance (Note 18) $
Current	0.01%	86,921	12	0.07%	97,074	68
31 - 60 days	1.15%	18,777	216	1.99%	15,950	317
61 - 90 days	3.71%	9,365	348	8.42%	8,631	727
91 - 120 days	5.37%	4,414	237	11.69%	2,282	267
> 120 days	7.01%	15,062	1,056	17.55%	10,423	1,829
Total		**134,539**	**1,869**		**134,360**	**3,208**

The closing loss allowance for trade receivables as at December 31, 2019 reconciles to the opening loss allowance as follows:

	2019
As at January 1, 2019	**3,208**
Loan loss allowance recognized in profit or loss during the year	(611)
Receivables allowed for during the year	(1,134)
Additional amount recorded	406
As at December 31, 2019	**1,869**

The amounts disclosed on the balance sheet for accounts receivable are net of the expected loss allowance, details of which are disclosed in Note 18. 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 Statements of Comprehensive Loss.

Concentration of cash and cash equivalents exist due to the significant amount of cash held with a Canadian financial institution (refer to Note 17 for further discussion of the Company's concentration of cash held on deposit with the financial institution). The syndicated revolving floorplan facility (Note 26) allows the Company's dealerships to hold excess cash (used to satisfy working capital requirements of the Company's various OEM partners) in an account with the financial institution which bears interest at 3.128% at December 31, 2019 (2018 – 3.348%). These cash balances are fully accessible by the Company's 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.

As at December 31, 2019, the Company has $185,125 (2018 - $240,747) in readily available liquidity from its revolving term facility. However, the Company's ability to borrow under this facility requires it to comply with its financial covenants.

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.

	2020 $	2021 $	2022 $	2023 $	Thereafter $	Total $
December 31, 2019						
Trade and other payables	134,971	—	—	—	—	134,971
Revolving floorplan facilities	832,158	—	—	—	—	832,158
Vehicle repurchase obligations	7,802	—	—	—	—	7,802
Indebtedness	11,560	219,947	—	—	—	231,507
Lease liabilities	45,529	45,587	44,720	43,241	425,674	604,751
Derivative financial instruments	1,709	1,702	1,443	1,325	7	6,186
	1,033,729	267,236	46,163	44,566	425,681	1,817,375

	2019 $	2020 $	2021 $	2022 $	Thereafter $	Total $
December 31, 2018						
Trade and other payables	101,280	—	—	—	—	101,280
Revolving floorplan facilities	748,353	—	—	—	—	748,353
Vehicle repurchase obligations	7,654	—	—	—	—	7,654
Indebtedness	18,778	17,215	336,184	—	—	372,177
Derivative financial instruments	752	752	752	752	754	3,762
	876,817	17,967	336,936	752	754	1,233,226

24 Other assets

	December 31, 2019 $		December 31, 2018 $	
	Current	Long-term	Current	Long-term
Prepaid expenses	8,468	—	6,513	4,482
Other assets[1]	34	5,042	—	5,666
	8,502	5,042	6,513	10,148

1 *$1,670 (2018 - $5,847) relates to long-term loans receivable from the respective non-controlling interests (refer to Note 33).*

25 Trade and other payables

	December 31, 2019 $	December 31, 2018 $
Trade payables	84,774	49,805
Accruals and provisions	22,165	22,751
Sales tax payable	5,743	5,852
Wages and withholding taxes payable	22,289	22,872
	134,971	101,280

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

	Finance and insurance[1] $	Legal and other $	Total $
January 1, 2018	**1,631**	**689**	**2,320**
Provisions made during the year	405	3,236	3,641
Amounts expired or disbursed	(765)	(354)	(1,119)
December 31, 2018	**1,271**	**3,571**	**4,842**
Provisions made during the year	—	1,125	1,125
Amounts expired or disbursed	(1,200)	(942)	(2,142)
December 31, 2019	**71**	**3,754**	**3,825**

1 *Represents an estimated chargeback reserve provided by the Company's third party underwrite of finance and insurance products.*

26 Indebtedness

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

	December 31, 2019 $	December 31, 2018 $
Revolving floorplan facilities		
Revolving floorplan facilities - Syndicate (i) (Note 39)	480,662	384,954
Revolving floorplan facilities - Bank of America (ii)	91,903	122,950
Revolving floorplan facilities - VW Credit Canada, Inc. (iii)	65,864	51,784
Revolving floorplan facilities - BMW Financial (iv)	75,783	82,810
Revolving floorplan facilities - RBC (v)	28,355	30,534
Revolving floorplan facilities - Scotiabank (vi)	26,474	23,664
Revolving floorplan facilities - Toronto-Dominion Bank (vii)	18,396	9,068
Revolving floorplan facilities - Mercedes-Benz Financial (viii)	44,721	46,873
	832,158	752,637
Held for sale	—	(4,284)
Carrying value	832,158	748,353
Indebtedness		
Senior unsecured notes (ix) (Note 39)		
Senior unsecured notes	149,739	149,739
Unamortized deferred financing costs	(537)	(1,297)
	149,202	148,442
Revolving term facilities (i)		
Revolving term facility	64,875	179,253
Unamortized deferred financing costs	(1,594)	(1,651)
	63,281	177,602
Other debt		
Mortgage *(x)*	858	910
Other long-term debt	91	1,698
Total indebtedness	**213,432**	**328,652**
Current indebtedness	127	1,654
Long-term indebtedness	213,305	326,998

The following table shows the movement of indebtedness during the year ended December 31:

	2019 $	2018 $
Balance, December 31, 2018	**328,652**	**335,116**
Amortization of deferred financing costs	760	1,658
Draws and additions	45,052	294,085
Repayments	(161,032)	(302,207)
Balance, December 31, 2019	**213,432**	**328,652**

Terms and conditions of outstanding loans are as follows:

i. The three-year syndicate credit agreement provides the Company with a facility for floorplan, lease financing for new, used, and demonstrator vehicles, financing for acquisitions and capital expenditures and a facility for general corporate purposes.

During the second, third, and fourth quarters of 2019, the Company executed Second, Third, Fourth, and Fifth Amendments to the syndicate credit agreement with the Bank of Nova Scotia (“Scotiabank”), the Canadian Imperial Bank of Commerce (“CIBC”), the Royal Bank of Canada (“RBC”), HSBC and Alberta Treasury Branches (“ATB”), with Scotiabank serving as the administrative agent for the Facility.

	Facility limits					Interest rate	
	Q4 2019	**Q3 2019**	**Q2 2019**	**Q1 2019**	**2018**	**2019**	**2018**
Floorplan and lease financing of new, used and demonstrator vehicles [1]	680	680	680	660	660	3.13%	3.35%
Acquisitions and capital expenditures [2]	180	180	230	350	350	4.58%	4.80%
General corporate purposes [2]	70	70	70	70	70	4.58%	4.80%
	930	930	980	1,080	1,080		

1 *The floorplan facility bears interest rates of Canadian Dollar Offered Rate ("CDOR") plus 1.050% (2018 - CDOR plus 1.050%)*

2 *Interest on borrowings under these facilities are subject to a pricing grid, whereby the pricing level is determined on a leverage ratio. Based on the Company's Leverage Ratio, as defined by the Lender, the interest rate ranges from CDOR plus 1.75% to 2.75% (2018 - CDOR plus 1.75% to 2.75%). As at December 31, 2019, the Company is in the second of five tiers of the pricing grid providing interest rates of 2.500%.*

The agreement has certain reporting requirements and financial covenants. The floorplan facility is collateralized by each individual dealership’s inventories that are directly financed by the facility. The general operating and acquisition facilities are collateralized by certain of the Company’s real property and fixed assets, as well as certain current receivable and inventory assets not otherwise pledged as collateral.

ii. Bank of America ("BoA") provides floorplan financing for new, used and demonstrator vehicles for all of the Company's U.S. dealerships. During the fourth quarter, an amendment was made to the pricing grid, whereby the interest rate is contingent on the net income and the Fixed Charge Coverage Ratio ("FCCR"). As at December 31, 2019, the Company is in the fourth of the four tiers of the pricing grid, whereby the BoA facilities for New and Demonstrator vehicles bear interest rates of London Interbank Offered Rate (“LIBOR”) plus 2.00% (2018 - 1.15%) per annum for a total of 3.76% (2018 - 3.67%).

The maximum amount of financing provided by BoA for New and Demonstrator vehicle financing is $106,500 (2018 - $106,500). The floorplan facilities for used vehicles bear interest rates of LIBOR plus 2.10% (2018 - 1.40%) for a total of 3.86% (2018 - 3.92%). The maximum amount of financing provided by BoA for Used vehicle financing is $25,000 (2018 - $25,000). The floorplan facility has certain reporting requirements and financial covenants and is collateralized by each individual dealership’s inventories that are directly financed by the facility.

iii. 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”). During the second, third and fourth quarters of 2019, amendments were made to the maximum amount of financing provided to $76,765, $79,365, and $ 81,835, respectively. As at December 31, 2019, the maximum amount of financing is $81,835 (2018 - $77,935). The VCCI facilities bear interest at RBC prime rate plus 0.00% - 0.75% (2018 - 0.00% - 0.75%). The RBC prime rate was 3.95% at December 31, 2019 (2018 - 3.95%). The combined total interest rates were 3.95% - 4.70% (2018 - 3.95% - 4.70%). The VCCI facilities have certain reporting requirements and financial covenants and are collateralized by all of the dealerships’ assets financed by VCCI. The individual notes payable of the VCCI facilities are due when the related vehicle is sold.

iv. 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”). During the first and second quarters of 2019, amendments were made to the maximum advance limit to $99,936 and $101,705, respectively. As at December 31, 2019, the maximum advance limit is $101,705 (2018 - $98,806). The BMW Facilities bear a variable interest rate of prime minus 0.40% (2018 - 0.40%) per 360 day annum for a total of 3.55% at December 31, 2019

(2018 - 3.55%). The BMW Facilities have certain reporting requirements and financial covenants and are collateralized by the dealerships' movable and immovable property.

v. RBC provides floorplan financing for new, used and demonstrator vehicles for three of the Company's dealerships (the "RBC Facilities"). During the third quarter of 2019, an amendment was made to the maximum amount of financing to $47,800. As at December 31, 2019, the maximum advance limit is $47,800 (2018 - $45,800). The RBC Facilities bear interest rates of RBC's Cost of Funds Rate plus 0.25% - 0.50% (2018 - 0.25% - 0.65%). RBC's Cost of Funds Rate was 2.84% at December 31, 2019 (2018 - 3.04%). The combined total interest rates were 3.09% - 3.34% as at December 31, 2019 (2018 - 3.29% - 3.69%). 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.

vi. Scotiabank provides floorplan financing for new, used and demonstrator vehicles for two of the Company's dealerships (the "Scotiabank Facilities"). The Scotiabank Facilities bear interest rates of Scotia Fixed Flooring Rate plus 0.93% (2018 - 0.93%). The Scotia Fixed Flooring rate was 2.08% at December 31, 2019 (2018 - 2.27%). The combined total interest rate was 3.01% at December 31, 2019 (2018 – 3.20%). The maximum amount of financing provided by Scotiabank Facilities is $47,800 (2018 - $47,800). 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 two dealerships financed by Scotiabank.

vii. Toronto-Dominion Bank ("TD") provides 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 minus 0.75% (2018 – 0.75%) per annum and provide a maximum amount of financing of $23,500 (2018 - $23,500). The TD prime rate was 3.95% at December 31, 2019 (2018 – 3.95%). The combined total interest rate was 3.20% at December 31, 2019 (2018 – 3.20%). 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.

viii. Mercedes-Benz Financial provides floorplan financing for new, used and demonstrator vehicles for two of the Company's dealerships (the "Mercedes-Benz Facilities"). The Mercedes-Benz Facilities bear interest rates of Canadian Dollar Offered Rate ("CDOR") of 2.08% (2018 - 2.30%) plus 1.80% (2018 - 1.80%) per annum for a total of 3.88% at December 31, 2019 (2018 - 4.10%) and provide a maximum amount of financing of $58,000 (2018 - $46,500). The Mercedes-Benz Facilities have certain reporting requirements and financial covenants and are collateralized by the new, used, and demonstrator inventory financed by Mercedes-Benz Financial and a general security agreement from the Company's dealership financed by Mercedes-Benz Financial.

ix. 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 Note holders have the right to require the Company to redeem the Notes or a portion thereof, at the redemption prices set forth in the agreement in the event of change in control or in the event certain asset sale proceeds are not reinvested in the time and manner specified in the agreement.

x. VCCI provides the Company with a mortgage (the "VCCI Mortgage"), which bears interest at a floating rate of interest per annum equal to the RBC prime rate plus 0.15% (2018 - 0.15%). The RBC prime rate was 3.95% at December 31, 2019 (2018 - 3.95%). The total interest rate was 4.10% at December 31, 2019 (2018 - 4.10%). The VCCI Mortgage is repayable with blended monthly payments of $4 amortized over a 20 year period with the term expiring in 2021. The VCCI Mortgage has certain reporting requirements and financial covenants and is collateralized by a general security agreement consisting of a first fixed charge over the property. At December 31, 2019, the carrying amount of the property was $1,278 (2018 - $1,540).

27 Leases

	Total $
Right-of-use asset balance, January 1, 2019	**275,814**
Additions	56,068
Transfers from assets held for sale	545
Depreciation (Note 8)	(23,404)
Disposals	(3,832)
Effect of foreign currency translation	(1,655)
Right of use asset balance, December 31, 2019	**303,536**

	Total $
Lease liability balance, January 1, 2019	**340,896**
Additions	66,096
Transfers from liabilities held for sale	599
Repayments	(41,961)
Interest expense (Note 11)	21,673
Disposals	(3,170)
Effect of foreign currency translation	(3,670)
Lease liability balance, December 31, 2019	**380,463**
Current lease liabilities	21,208
Lease liabilities	359,255

Other than depreciation, the following amounts have been recognized in income:

	2019 $
Expenses related to short-term leases (included in Operating expenses)	235
Expenses related to leases of low-value assets that are not shown above as short-term leases (included in Operating expenses)	119
Income from sub-leasing right-of-use assets (included in Lease and other income, net)	394

As at December 31, 2019, potential cash outflows of $474,475 (undiscounted) have not been included in the lease liability as it is not reasonably certain the extension options will be exercised. The financial effect of including reasonably certain extension options in leases liabilities and right-of-use assets is $56,124.

As at December 31, 2019, estimated commitments associated with low-value and short-term leases are insigificant.

28 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.

29 Commitments and contingencies

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 25 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 $2,314 as at December 31, 2019 (2018 – $1,293) 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, 2019, the Company is committed to capital expenditure obligations in the amount of $17,959 (2018 – $11,215) related to dealership relocations, dealership re-imagings, and dealership Open Points with expected completion of these commitments in 2022.

30 Share-based payments

The Company operates an 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. Effective in 2018, the RSU Plan was modified such that awards are intended to be settled in shares. The RSU plan settles by way of 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 at different intervals over three years — conditional upon continued employment with the Company.

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

	2019		2018	
	Number of RSUs	**Amount $**	**Number of RSUs**	**Amount $**
Outstanding, beginning of the year	54,789	622	20,032	454
Settled - equity	(6,071)	(65)	(29,732)	(464)
Settled - cash	–	–	(17,017)	(279)
Granted	89,904	962	80,910	693
Forfeited units	(14,631)	(153)	–	–
Dividends reinvested	3,666	40	596	9
Impact of movements in share price	–	–	–	209
Outstanding, end of the year	127,657	1,406	54,789	622

During the year ended December 31, 2019, 28,959 RSU's were vested but not settled.

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. Effective in 2018, the DSU Plan was modified such that awards are intended to be settled in shares. 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 granted. 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 common shares 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 and value of DSUs for the years ended December 31:

	2019		2018	
	Number of DSUs	Amount $	Number of DSUs	Amount $
Outstanding, beginning of the year	79,618	904	49,716	1,126
Settled	(24,063)	(429)	–	–
Granted	47,414	498	28,490	394
Dividends reinvested	4,234	47	1,412	20
Impact of movements in share price	–	–	–	(636)
Outstanding, end of the year	107,203	1,020	79,618	904

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 and market 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 exercisable to acquire one common 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 years ended December 31:

	2019		2018	
	Average exercise price per share option $	Share options #	Average exercise price per share option $	Share options #
Outstanding, beginning of the year	10.72	2,743,332	18.68	420,000
Granted	11.11	470,000	10.05	2,530,000
Exercised	—	—	—	—
Expired	18.68	(213,332)	—	—
Forfeited	10.05	(600,000)	18.68	(206,668)
Outstanding, end of the year	10.26	2,400,000	10.72	2,743,332
Vested and exercisable, end of the year	10.05	850,000	18.68	213,332

During the year ended December 31, 2019, no options were exercised.

The following table shows the expiry date and exercise price for the share options outstanding as at December 31, 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			8.46 years

The weighted average remaining contractual life for the share options outstanding as at December 31, 2018 was 9.44 years.

For the year ended December 31, 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 year ended December 31, 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 two 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.

During the year ended December 31, 2019, expenses of $3,413 (2018 - $1,630) and recoveries of $1,823 (2018 - $735) arose as a result of options issued in 2016 and 2018.

Share Appreciation Rights (SARs)

The share appreciation rights are designed to advance the Go-Forward Plan of the Corporation by enabling those granted rights under the plan to participate in the growth and profitability of the Company. All of the rights are time-based and vest over a maximum period of three years. Vested rights are exercisable for a maximum period of five years after grant date. In connection with the grant of share appreciation rights, annual variable profit share bonuses of some participants will be reduced annually by amounts pre-determined by the Company over a maximum of three compensation years.

Each share appreciation right that is exercised entitles the employee to receive a number of common shares that is equal to (i) the amount by which the fair market value of one common share exceeds the notional exercise price of the vested share appreciation right; divided by (ii) the fair market value of one common share.

The following table shows the change in the number of share appreciation rights for the year ended December 31, 2019:

	Weighted average exercise price per share appreciation right $	Share appreciation rights #
Outstanding, beginning of the year	11.18	1,043,950
Granted	10.60	250,500
Forfeited	12.00	(135,000)
Outstanding, end of the year	10.86	1,159,450
Vested and exercisable, end of the year	11.38	51,000

During the year ended December 31, 2019, no share appreciation rights were exercised or expired.

The weighted average contractual life remaining for these share appreciation rights as at December 31, 2019 is 3.68 years.

The assessed weighted average fair value at grant date of the share appreciation rights granted during the year ended December 31, 2019 was $1.81 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 year ended December 31, 2019 include:

- Exercise price: $10.60
- Expected life of option: 3.60 years
- Share price at grant date: $10.30
- Expected price volatility of the Company's shares: 31.77%
- Expected dividend yield: 3.98%
- Risk-free interest rate: 1.81%

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 year included in employee costs are as follows:

	2019 $	2018 $
Stock options	2,876	896
Restricted share units	663	(265)
Deferred share units	543	415
Share appreciation rights	723	220
	4,805	1,266

31 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.

Restricted Share Unit Trust

Shares are held in trust to mitigate the risk of future share price increases from the time the RSUs and DSUs (refer to Note 30) are granted to when they are fully vested and can be exercised. The beneficiaries 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 year-ended December 31, 2019 on the shares held in trust of $17 (2018 – $29) are reinvested to purchase additional shares. The shares held in trust are accounted for as treasury shares and have been deducted from the Company's consolidated equity as at December 31, 2019.

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

	2019		2018	
	Number of shares	$	Number of shares	$
Outstanding, beginning of the year	27,417,062	509,538	27,388,900	508,768
Dividends reinvested	(1,368)	(17)	(1,567)	(29)
Treasury shares settled	15,215	369	29,729	799
Outstanding, end of the year	27,430,909	509,890	27,417,062	509,538

As at December 31, 2019, 28,774 (2018 - 42,621) common shares were held in trust for the RSU 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 year ended December 31, 2019, eligible dividends totaling $0.40 (2018 - $0.40) per common share were declared and paid, resulting in total payments of $10,968 (2018 - $10,956).

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, DSUs, SARs, and stock options to calculate the diluted earnings per share.

	2019 $	2018 $
Net loss for the year attributable to common shares	(28,353)	(86,097)

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

	2019	2018
Basic	27,420,483	27,399,117
Effect of dilution from RSUs	—	—
Effect of dilution from stock options	—	—
Effect of dilution from DSUs	—	—
Effect of dilution from SARs	—	—
Diluted	27,420,483	27,399,117

For the year ended December 31, 2019, potential common shares related to RSUs (69,980), stock options (94,929), DSUs (89,368) and SARs (11,398) were excluded from the computation of diluted earnings per share because they were anti-dilutive.

32 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 maximizing 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 and equity.

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

	December 31, 2019 $	December 31, 2018 $
Long-term indebtedness (Note 26)	213,305	326,998
Equity	368,099	439,293
	581,404	766,291

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, 2019.

33 Transactions with non-controlling interests

During the year ended December 31, 2019 no transactions with non-controlling interests were completed.

Prior year transactions with non-controlling interests

Acquisition of non-controlling interest

On January 2, 2018, the Company acquired a 100% ownership interest in certain subsidiaries by acquiring the remaining 20% of issued shares of Green Isle G Auto Holdings Inc., 20% of issued shares of Waverley BG Holdings Inc., 20% of issued shares of NBFG Holdings Inc., and 17.6% of issued shares in Prairie Auto Holdings Ltd. (Prairie Auto Holdings Ltd. holds interest in two operating dealerships where the dealer principal retained a 15% ownership interest) for cash consideration of $18,708. Immediately prior to the purchase, the carrying amount of the existing non-controlling interest of Green Isle G Auto Holdings Inc., Waverly BG Holdings Inc., NBFG Holdings Inc., and Prairie Auto Holdings Ltd. was $14,674. The Company recognized a decrease in non-controlling interests of $14,674 and a decrease in equity attributable to owners of the Company of $2,675.

The effect on the equity attributable to the owners of AutoCanada during the period is summarized as follows:

	January 2, 2018 $
Carrying amount of non-controlling interests	14,674
Total consideration paid to non-controlling interests	(17,349)
Decrease in equity attributable to AutoCanada shareholders	(2,675)

In combination with the above transaction, redemption liabilities in the amount of $1,359 were settled during the year.

Divestiture of subsidiaries

On January 2, 2018, the Company sold its 31% interest in Dealer Holdings Ltd., its 80% interest in DFC Holdings Inc., and its 75% interest in LWD Holdings Ltd. for cash consideration of $41,017. Immediately prior to the divestiture, the carrying amount of the existing non-controlling interests in Dealer Holdings Ltd., DFC Holdings., and LWD Holdings Ltd. was $20,774. The Company recognized a decrease in non-controlling interest of $20,774 and a pre-tax gain attributable to AutoCanada shareholders of $5,984.

The breakdown of the transaction was as follows:

	January 2, 2018 $
Assets held for sale	162,086
Liabilities held for sale	(132,683)
Derecognition of redemption liability	26,404
Derecognition of non-controlling interests	(20,774)
Net assets disposed of	35,033
Net proceeds on divestiture	41,017
Net gain on divestiture	5,984

Since the divestiture date, adjustments have been made to the previously disclosed assets and liabilities part of the transaction, resulting in the changes noted below:

	As reported March 31, 2018	Post-close adjustments	Final balances
Assets held for sale	163,228	(1,142)	162,086
Net gain on divestiture	4,842	1,142	5,984

The net gain on divestiture is included in the gain on disposal of assets, net on the Consolidated Statements of Comprehensive Loss.

Sale of non-controlling interest

During the year ended December 31, 2018, the Company sold non-controlling interests, between 5% and 10%, in four of its dealerships to the respective dealer principals for consideration of $5,847.

The Company retained the balance of the ownership interests and therefore continues to control and consolidate the dealerships.

34 Related party transactions

Transactions with companies controlled by Directors

During the year, there were transactions whose partners or senior officers are Directors of the Company or related to Directors of the Company. These counterparties are:

- Business associates of the Executive Chair who provide consulting services;
- A firm, whose controlling partner is the Executive Chair, that provides administrative, limited transportation, and other support services; and
- A company that is controlled by a family member of the President of Canadian Operations, which 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 these transactions are as follows:

	2019 $	2018 $
Consulting services	670	135
Administrative and other support fees	722	307
	1,392	442

Key management personnel compensation

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

	2019 $	2018 $
Employee costs (including Directors)	6,183	12,508
Short-term employee benefits	61	165
Share-based compensation	47	741
	6,291	13,414

35 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 years ended:

	December 31, 2019 $	December 31, 2018 Restated $
Trade and other receivables	(2,495)	(42,448)
Inventories	(83,411)	3,236
Finance lease receivables	—	3,566
Current tax recoverable/payable	(1,686)	(22,830)
Other assets	(5,343)	(2,269)
Trade and other payables	33,190	21,706
Vehicle repurchase obligations	148	3,545
Other liabilities	(3,942)	1,359
Revolving floorplan facilities	103,612	1,143
	40,073	(32,992)

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 cut-offs occur.

36 Fair value of financial instruments

The Company's financial instruments at December 31, 2019 are represented by cash and cash equivalents, trade and other receivables, trade and other payables, revolving floorplan facilities, vehicle repurchase obligations, long-term indebtedness, bank indebtedness, contingent consideration, redemption liabilities and hedging derivatives.

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

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 carrying value, refer to Note 23.

Derivative financial instruments are made up of interest-rate swaps (Level 2). The fair value of interest-rate swaps are calculated as the present value of the future cash flows. Both contractually agreed payments and forward interest rates are used to calculate the cash flows, which are then discounted on the basis of a yield curve that is observable in the market.

Redemption liabilities (Level 3) are remeasured at fair value each reporting period with the gain or loss being recognized through profit or loss.

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

The fair value hierarchy categorizes fair value measurements 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 $
Opening balance, January 1, 2018	(42,704)
Gain (loss) recognized in net income (Note 12)	(7)
Settlement of redemption liabilities	27,763
Closing balance, December 31, 2018	(14,948)
Gain (loss) recognized in net income (Note 12)	(550)
Closing balance, December 31, 2019	(15,498)

37 Other liabilities and derivative financial instruments

Other liabilities

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. As the agreement requires settlement in shares, the liability has been recorded as the present value of the settlement and is not subject to remeasurement.

As at December 31, 2019, the equity forward agreement covered 329,000 (2018 - nil) common shares of the Company and the associated long-term liability was valued at $3,466 (2018 - $nil).

Restructuring charges

During the three-month period ended September 30, 2019, the Company recognized a non-cash restructuring charge of $13,393, related to the voluntary termination 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. The remaining provision of $7,794 relates to the operating costs of the related leased facility.

		Restructuring Charges			
	Equity forward $	**Assets $**	**Closing costs $**	**Operating costs $**	**Total $**
September 30, 2019	**3,466**	**3,719**	**732**	**7,794**	**15,711**
Amounts recorded against provision	—	(3,648)	(718)	(103)	(4,469)
Effect of foreign currency translation	—	(71)	(14)	(150)	(235)
December 31, 2019	**3,466**	**—**	**—**	**7,541**	**11,007**
Current other liability	—	—	—	1,240	1,240
Long-term other liability	3,466	—	—	6,301	9,767

Derivative financial instruments

Hedging of interest-rate risk

The Company uses cash flow hedge accounting in connection with the hedging of interest-rate risk. It hedged the interest-rate risk arising on the variable-rate debt of the syndicated floorplan by entering into a number of interest-rate swaps, thereby, transforming the variable interest-rate exposure into fixed-rate obligations.

In total, $400 million of variable-rate debt (2018 - $200 million), which has a weighted-average hedge rate of 2.62% (2018 - 2.98%), was hedged and designated as hedged items — the $400 million notional amount relates to cash flows that are expected in 2019 to 2023.

Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Company enters into interest rate swaps that have similar critical terms as the hedged item, such as interest rate, payment dates, maturities and notional amount. The group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, the economic relationship was 100% effective.

Effect of IBOR reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as CDOR and other interbank offered rates ('IBORs') has become a priority for global regulators. The Canadian Alternative Reference Rate Working Group (CARR) was created to identify and seek to develop a new risk-free Canadian dollar interest rate benchmark. Although there are no plans to immediately discontinue CDOR rates, an enhanced Canadian Oversight Repo Rate Average (CORRA) has been designed to comply with recommendations of the Financial Stability Board as part of a global effort to reform benchmark interest rates. As a result, there is uncertainty about how the Canadian dollar benchmark rates will evolve and the speed at which CORRA will become a dominant benchmark for Canadian dollar borrowings.

The Company performs a qualitative assessment of hedge ineffectiveness for interest rate swaps, which may occur due to:

- The credit value/debit value adjustment on the interest rate swaps which is not matched by the loan;
- Differences in critical terms between the interest rate swaps and loans; and
- The effects of the forthcoming reforms to CDOR because these may take effect at a different time and have a different impact on the hedged item (the floating-rate debt) and the hedging instrument (the interest rate swap used to hedge the debt).

The associated derivative financial instruments were valued at $6,186 at December 31, 2019 (2018 - $3,762). There was no ineffectiveness during 2019 and in 2018.

38 Segmented reporting

During the year ended December 31, 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.

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

	Year ended December 31, 2019			Year ended December 31, 2018		
	Canada [1] $	U.S. $	Total $	Canada [1] $	U.S. [2] $	Total $
Revenues						
External revenues	3,094,062	441,483	3,535,545	2,778,820	371,961	3,150,781
Inter-segment revenue	(59,434)	—	(59,434)	—	—	—
Total revenues	3,034,628	441,483	3,476,111	2,778,820	371,961	3,150,781

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.*

	Year ended December 31, 2019			Year ended December 31, 2018 Restated (Note 14)		
	Canada [1] $	U.S. $	Total $	Canada [1] $	U.S. [2] $	Total $
Operating profit (loss) before other income	79,877	(9,149)	70,728	43,503	(10,344)	33,159
Lease and other income, net (Note 10)	8,866	1,835	10,701	7,491	722	8,213
Gain on disposal of assets, net (Note 10)	11,014	—	11,014	17,484	3,996	21,480
Impairment of non-financial assets (Note 22)	(6,520)	(30,055)	(36,575)	(34,053)	(67,441)	(101,494)
Restructuring charges (Note 37)	—	(13,393)	(13,393)	—	—	—
Operating profit (loss)	93,237	(50,763)	42,474	34,425	(73,067)	(38,642)
Finance costs			(68,784)			(47,193)
Finance income			912			1,289
Other (losses) gains			(900)			950
Net (loss) for the period before tax			(26,298)			(83,596)

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 December 31, 2019			As at December 31, 2018 Restated (Note 14)		
	Canada [1] $	U.S. $	Total $	Canada [1] $	U.S. $	Total $
Assets held for sale	14,193	—	14,193	54,313	—	54,313
Segment assets	1,752,151	237,766	1,989,917	1,473,856	246,712	1,720,568
Capital expenditures	29,882	752	30,634	23,247	3,327	26,574
Segment liabilities	1,371,460	250,358	1,621,818	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.*

Disaggregation of Revenue

The significant majority of the Company's revenue is from contracts with customers. Taxes assessed by governmental authorities that are directly imposed on revenue transactions are excluded from revenue. In the following table, revenue is disaggregated by major lines of goods and services and timing of transfer of goods and services. The Company has determined that these categories depict how the nature, amount, timing, and uncertainty of its revenue and cash flows are affected by economic factors. The table below also includes a reconciliation of the disaggregated revenue with the Company's reportable segments:

	Canada[1] $	U.S.[2] $	Total $
New vehicles	1,682,205	257,409	1,939,614
Used vehicles	788,819	102,418	891,237
Parts, service and collision repair	417,971	61,756	479,727
Finance, insurance and other	145,633	19,900	165,533
Total revenue	3,034,628	441,483	3,476,111

1 *AutoCanada's corporate office has been included with the Canadian operating segment, as it is located in Canada.*
2 *Grossinger Auto Group was acquired in April 2018; refer to Note 14.*

39 Subsequent events

Senior Unsecured Notes

The Company issued $125 million 8.75% Senior Unsecured Notes (the "New Notes") on February 11, 2020to fund the Tender Offer for all the outstanding $150 million Notes. Through the Tender Offer, the Company redeemed $124 million of the outstanding $150 million Notes on February 13, 2020. Subsequent to the settlement of the Tender Offer, the Company issued a call notice for the remaining $26 million outstanding Notes with an expected settlement date of March 13, 2020 at which point the Company will extinguish the outstanding Notes using proceeds from the New Credit Facility. The New Notes hold a term of five years and mature on February 11, 2025.

The New Notes were issued at a discounted issue price of $990.11 per $1,000 principal amount of notes (99.011%) for an issue yield of 9.00%. Interest is payable semi-annually on February 11 and August 11 of each year the Notes are outstanding. The initial interest payment date for the New Notes will be August 11, 2020.

Amended and Restated Credit Facilities

On February 11, 2020, the Company entered into an amended and restated $950 million syndicated credit agreement ("New Credit Facility") with Scotiabank, CIBC, RBC, HSBC, ATB and the Bank of Montreal. The New Credit Facility has specified-use tranches and provides the Company with revolving credit capacity for operational and growth purposes as well as floorplan financing to assist with the purchasing of inventory. The maturity of the New Credit Facility is February 11, 2023.

Dividends

On February 21, 2020, 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 16, 2020 to shareholders of record at the close of business on March 2, 2020.

AutoCanada Inc.

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