AutoCanada

2022

Annual Financial Results

Consolidated Financial Statements

For the year ended December 31, 2022

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, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of comprehensive income for the years ended December 31, 2022 and 2021;
- the consolidated statements of financial position as at December 31, 2022 and 2021;
- 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 significant accounting policies and other explanatory information.

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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment recoveries of intangible assets in the Canadian Operations segment *Refer to note 3 – Significant accounting policies, note 5 – Critical accounting estimates and note 19 – Goodwill and intangible assets to the consolidated financial statements.* The Company had intangible assets of $659,261 thousand as at December 31, 2022, of which a portion pertains to the Canadian Operations segment. Management performs an impairment test at least annually, or more frequently, if events or changes in circumstances indicate that the carrying value may not be recoverable. For the purpose of assessing impairment, assets are grouped as cash generating units (CGU), the lowest level for which there are separately identifiable cash flows. Impairments are recorded when the recoverable amounts of CGUs are less than their carrying amounts. The recoverable amount of each CGU is based on the greater of fair value less cost to dispose (FVLCD) and value in use (VIU). Impairment losses, other than those relating to goodwill, are evaluated for potential reversals of impairment when events or changes in circumstances warrant such considerations. Under the FVLCD approach, fair value is calculated based on an applicable multiple applied to projected earnings before interest, taxes, depreciation, and amortization (EBITDA). In arriving at the FVLCD, management considers projected EBITDA determined through projected operating margins, growth rates and EBITDA	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the recoverable amount for certain CGUs in the Canadian Operations segment for which events or changes in circumstances have been identified, which included the following: – Tested the appropriateness of the approaches used and the mathematical accuracy of FVLCD and VIU calculations. – Tested the reasonableness of the projected EBITDA through projected operating margins and growth rates applied by management in the applicable calculations by comparing them to the budget, management's strategic plans approved by the Board, available third party published economic data and the results historically achieved by the respective CGUs. – Professionals with specialized skill and knowledge in the field of valuation assisted in testing the reasonableness of the discount rates applied by management based on available data of comparable companies and in testing the reasonableness of the EBITDA multiples by comparing to market data, as well as assessing the valuation methodologies used.

Key audit matter	How our audit addressed the key audit matter
multiples as significant assumptions. Under the VIU approach the discounted cash flow (DCF) method is used, which involves projecting cash flows and converting them into a present value equivalent through discounting. Significant assumptions used in the VIU approach include projected operating margins, growth rates and discount rates. Based on the impairment assessment, management recognized impairment recoveries of $8,691 thousand in the Canadian Operations segment allocated to intangible assets. We consider this a key audit matter due to (i) the significance of the intangible asset balances and (ii) the significant judgment made by management in determining the recoverable amounts of the CGU's, including the use of significant assumptions. This has resulted in a high degree of subjectivity and audit effort in performing audit procedures to test the significant assumptions. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.	– Tested the accuracy and completeness of underlying data used in the FVLCD and VIU calculations. • Tested the disclosures made in the consolidated financial statements, including the sensitivity of the significant assumptions used.
Valuation of indefinite-life intangible assets related to franchise rights acquired *Refer to note 3 – Significant accounting policies, note 5 – Critical accounting estimates and note 13 – Business acquisitions to the consolidated financial statements.* During the year ended December 31, 2022, the Company completed the acquisitions of substantially all of the assets or shares of various dealerships for total consideration of $134,880 thousand. The fair values of the identifiable assets acquired included $83,085 thousand in intangible assets relating to indefinite-life franchise rights associated with the respective dealerships. Management applies significant judgment in estimating the fair value of the intangible assets. The fair value of the intangible assets relating to	Our approach to addressing the matter included the following procedures, among others: • Tested how management estimated the fair values of the indefinite-life intangible assets relating to franchise rights, which included the following: – Read the purchase agreements. – Tested the underlying data used by management in estimating the fair values of the indefinite-life intangible assets relating to franchise rights. – Evaluated the reasonableness of significant assumptions developed by management related to projected operating margins and terminal growth rates by comparing them to the acquisition plan approved by the Board,

Key audit matter	How our audit addressed the key audit matter
indefinite-life franchise rights is based on the multi-period excess earnings method, using the discounted cash flow model. These determinations of the estimated fair values involve significant estimates and assumptions regarding projected operating margins, terminal growth rates and discount rates. We considered this a key audit matter due to the significant judgment applied by management in estimating the fair values of the intangible assets relating to indefinite-life franchise rights, including the development of significant assumptions. This, in turn, led to a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to the significant assumptions developed by management. The audit effort involved the use of professionals with specialized skill and knowledge in the field of valuation.	available third party economic and industry data and results historically achieved by the respective dealerships. – Professionals with specialized skill and knowledge in the field of valuation assisted in evaluating the appropriateness of the multi period excess earnings method and the discounted cash flow models and in testing the reasonableness of the discount rates.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Richard Probert.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Edmonton, Alberta
March 1, 2023

AutoCanada Inc.

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

	December 31, 2022 $	December 31, 2021 $
Revenue (Note 6)	6,040,619	4,653,415
Cost of sales (Note 7)	(4,997,746)	(3,819,232)
Gross profit	1,042,873	834,183
Operating expenses (Note 8)	(811,018)	(612,609)
Operating profit before other income (expense)	231,855	221,574
Lease and other income, net (Note 10)	14,301	9,035
Loss on disposal of assets, net (Note 10)	(296)	(387)
Recoveries of non-financial assets (Note 19)	8,691	39,846
Operating profit	254,551	270,068
Finance costs (Note 11)	(131,478)	(35,189)
Finance income (Note 11)	4,144	810
Loss on redemption liabilities (Note 14)	(4,829)	(14,116)
Other gains (losses), net	1,496	(353)
Net income for the year before taxation	123,884	221,220
Income tax expense (Note 12)	32,824	54,021
Net income for the year	91,060	167,199
Other comprehensive (loss) income		
Items that may be reclassified to profit or loss		
Foreign operations currency translation	6,505	(2,069)
Change in fair value of cash flow hedge (Note 24)	6,650	8,880
Income tax relating to these items	(1,688)	(2,392)
Other comprehensive (loss) income for the year, net of tax	11,467	4,419
Comprehensive income for the year	102,527	171,618
Net income for the year attributable to:		
AutoCanada shareholders	85,436	164,207
Non-controlling interests	5,624	2,992
	91,060	167,199
Comprehensive income for the year attributable to:		
AutoCanada shareholders	96,903	168,626
Non-controlling interests	5,624	2,992
	102,527	171,618
Net income per share attributable to AutoCanada shareholders:		
Basic	3.28	5.98
Diluted	3.03	5.60
Weighted average shares		
Basic (Note 29)	26,050,206	27,474,106
Diluted (Note 29)	28,233,882	29,305,292

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, 2022 $	December 31, 2021 $
ASSETS		
Current assets		
Cash and cash equivalents (Note 15)	108,301	102,480
Trade and other receivables (Note 16)	217,790	132,913
Inventories (Note 17)	979,540	737,299
Other current assets (Note 20)	10,142	9,572
	1,315,773	982,264
Property and equipment (Note 18)	345,592	248,109
Right-of-use assets (Note 23)	396,369	370,998
Other long-term assets (Note 20)	17,298	17,211
Deferred income tax (Note 12)	40,984	40,881
Derivative financial instruments (Note 24)	4,970	—
Intangible assets (Note 19)	659,261	548,249
Goodwill (Note 19)	78,084	50,961
	2,858,331	2,258,673
LIABILITIES		
Current liabilities		
Trade and other payables (Note 21)	229,696	189,731
Revolving floorplan facilities (Note 22)	992,254	708,561
Current tax payable	13,952	3,119
Vehicle repurchase obligations (Note 25)	2,277	3,584
Indebtedness (Note 22)	777	—
Redemption liabilities (Note 14)	26,219	21,673
Lease liabilities (Note 23)	27,766	25,602
Other liabilities (Note 26)	4,338	1,167
	1,297,279	953,437
Long-term indebtedness (Note 22)	554,351	285,908
Long-term lease liabilities (Note 23)	457,111	427,215
Long-term redemption liabilities (Note 14)	1,050	659
Derivative financial instruments (Note 24)	1,939	8,299
Other long-term liabilities (Note 26)	8,894	9,932
Deferred income tax (Note 12)	50,910	53,814
	2,371,534	1,739,264
EQUITY		
Attributable to AutoCanada shareholders	457,899	493,411
Attributable to non-controlling interests	28,898	25,998
	486,797	519,409
	2,858,331	2,258,673

Commitments and contingencies (Note 27)

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 $	Treasury shares $	Contributed surplus $	Cumulative translation adjustment $	OCI hedge reserve $	Retained earnings $	Total capital $	Non-controlling interests $	Total equity $
Balance, January 1, 2022	**510,819**	**(2,440)**	**(6,823)**	**(5,105)**	**(6,149)**	**3,109**	**493,411**	**25,998**	**519,409**
Net income	—	—	—	—	—	85,436	85,436	5,624	91,060
Other comprehensive (loss) income	—	—	—	6,505	4,962	—	11,467	—	11,467
Dividends paid by subsidiaries to non-controlling interests (Note 14)	—	—	—	—	—	—	—	(3,247)	(3,247)
Repurchase of common shares under the Normal Course Issuer Bid (Note 29)	(32,089)	—	(24,516)	—	—	—	(56,605)	—	(56,605)
Repurchase of common shares under the Substantial Issuer Bids (Note 29)	(55,533)	—	(27,009)	—	—	—	(82,542)	—	(82,542)
Reorganization of non-controlling interests (Note 14)	—	—	(21)	—	—	863	842	523	1,365
Forward share purchase (Note 26)	—	—	(2,890)	—	—	—	(2,890)	—	(2,890)
Repayment of Executive Advance (Note 33)	—	—	376	—	—	—	376	—	376
Settlement of share-based awards (Note 28)	10,496	—	(5,101)	—	—	—	5,395	—	5,395
Shares settled from treasury (Note 29)	—	1,768	(1,768)	—	—	—	—	—	—
Share-based compensation (Note 28)	—	—	5,410	—	—	—	5,410	—	5,410
Deferred tax on share-based payments	—	—	(2,401)	—	—	—	(2,401)	—	(2,401)
Balance, December 31, 2022	**433,693**	**(672)**	**(64,743)**	**1,400**	**(1,187)**	**89,408**	**457,899**	**28,898**	**486,797**

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 $	Treasury shares $	Contributed surplus $	Cumulative translation adjustment $	OCI hedge reserve $	Retained earnings $	Total capital $	Non-controlling interests $	Total equity $
Balance, January 1, 2021	**510,606**	**(2,494)**	**9,995**	**(3,036)**	**(12,637)**	**(160,560)**	**341,874**	**20,946**	**362,820**
Net income	—	—	—	—	—	164,207	164,207	2,992	167,199
Other comprehensive (loss) income	—	—	—	(2,069)	6,488	—	4,419	—	4,419
Dividends paid by subsidiaries to non-controlling interests (Note 14)	—		—	—	—	—	—	(79)	(79)
Reorganization of non-controlling interests (Note 14)	—	—	—	—	—	(538)	(538)	2,139	1,601
Forward share purchase (Note 26)	—	(3,631)	(2,570)	—	—	—	(6,201)	—	(6,201)
Settlement of share-based awards (Note 28)	213	—	(18,422)	—	—	—	(18,209)	—	(18,209)
Issuance of executive and employee advances	—	—	(4,570)	—	—	—	(4,570)	—	(4,570)
Deferred tax on share-based payments	—	—	9,084	—	—	—	9,084	—	9,084
Shares settled from treasury (Note 29)	—	3,685	(3,685)	—	—	—	—	—	—
Share-based compensation (Note 28)	—	—	3,345	—	—	—	3,345	—	3,345
Balance, December 31, 2021	**510,819**	**(2,440)**	**(6,823)**	**(5,105)**	**(6,149)**	**3,109**	**493,411**	**25,998**	**519,409**

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, 2022 $	December 31, 2021 $
Cash provided by (used in):		
Operating activities		
Net income for the year	91,060	167,199
Adjustments for:		
Income tax expense (Note 12)	32,824	54,021
Amortization of deferred financing costs	1,377	1,896
Amortization of note premium	(322)	(1,253)
Depreciation of property and equipment (Note 18)	20,852	17,272
Depreciation of right-of-use assets (Note 23)	30,781	26,420
Amortization of terminated hedges (Note 24)	3,268	3,268
Amortization of intangible assets	374	—
Loss on disposal of assets, net (Note 10)	296	387
Share-based compensation - equity-settled (Note 28)	5,410	3,345
Share-based compensation - Used Digital Retail Division (Note 28)	391	224
Loss on extinguishment of debt (Note 11)	9,860	1,128
Loan forgiveness	—	(6,728)
Unrealized fair value changes on non-hedging instruments (Note 24)	(9,303)	(8,412)
Unrealized fair value changes on foreign exchange forward contracts (Note 24)	(18)	539
Loss on extinguishment of embedded derivative (Note 11, 22)	29,306	—
Unrealized fair value changes on embedded derivative (Note 11)	—	(29,306)
Revaluation of redemption liabilities (Note 14)	4,829	14,116
Income taxes paid	(33,114)	(25,276)
Recoveries of non-financial assets (Note 19)	(8,691)	(39,846)
Settlement of share-based awards (Note 28)	(3,641)	(18,075)
Issuance of employee advances (Note 28)	—	(2,570)
Repayment (issuance) of executive advance (Note 33)	376	(2,000)
Net change in non-cash working capital (Note 34)	(27,941)	(43,407)
	147,974	112,942
Investing activities		
Business acquisitions, net of cash acquired (Note 13)	(174,882)	(183,197)
Purchases of property and equipment (Note 18)	(52,667)	(34,576)
Settlement of prior year business acquisitions	(598)	—
Proceeds on sale of property and equipment	123	2,399
	(228,024)	(215,374)
Financing activities		
Proceeds from indebtedness	1,010,006	353,957
Repayment of indebtedness	(770,064)	(231,180)
Repurchase of common shares under Normal Course Issuer Bid (Note 29)	(56,605)	—
Shares settled from treasury, net (Note 29)	1,768	3,685
Proceeds from exercise of stock options, net	8,573	—
Settlement of share-based awards (Note 28)	—	173
Forward share purchase (Note 26)	—	(3,631)
Settlement of Substantial Issuer Bids (Note 29)	(82,542)	—
Dividends paid to non-controlling interests (Note 14)	(3,247)	(79)
Repayment of loan by non-controlling interests	2,162	—
Principal portion of lease payments	(27,214)	(25,922)
	82,837	97,003
Effect of exchange rate changes on cash and cash equivalents	3,034	205
Net increase (decrease) in cash and cash equivalents	5,821	(5,224)
Cash and cash equivalents at beginning of year (Note 15)	102,480	107,704
Cash and cash equivalents at end of year (Note 15)	108,301	102,480

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 and related businesses 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, after-market products and auction services. 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.

These consolidated financial statements were approved by the Board of Directors on March 1, 2023.

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 and redemption liabilities.

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. The Company uses judgment in determining the entities that it controls and therefore consolidates. Judgment is applied in determining whether the Company controls the entities in which it does not have full ownership rights. Most often, judgment involves reviewing contractual rights to determine if rights are participating (giving power over one entity) or protective rights (protecting the Company's interest without giving it power). 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 when the acquired set of activities and assets meet the definition of a business and control is transferred to the Company. This involves recognizing identifiable assets (including intangible assets not previously recognized by the acquiree) and liabilities (including contingent liabilities) of acquired businesses at fair value at the acquisition date. The excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill. If the acquisition cost is less than the fair value of the net assets acquired, the fair value of the net assets is re-assessed and any remaining difference is recognized directly in the Consolidated Statements of Comprehensive Income. Transaction costs are expensed as incurred.

Contingent consideration is classified as either equity or a financial liability. Any subsequent change to the fair value of contingent consideration is recognized in the Consolidated Statements of Comprehensive Income.

Non-controlling interests

Non-controlling interests are measured initially at their proportionate share of the acquiree's or entity's identifiable net assets at the date of acquisition or date the interest was granted. Certain arrangements contain a vesting component where the non-controlling interest vests over a specified period. Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Non-controlling interests are issued in subsidiaries of the Company at their proportionate share at the date of issuance. Subsequent measurement of the carrying value of the non-controlling interests is the value at acquisition plus the non-controlling interest portion of profit and loss, as governed by the individual agreements.

Revenue recognition

(a) New and Used Vehicles

The Company sells new and used vehicles at its franchised dealerships, used dealerships, and related businesses. 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 commissions and fees

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 on 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.

Finance income

Finance income comprises of finance lease income and interest income on short term deposits. Finance income is recognized in profit or loss as they accrue using the effective interest method.

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.

Deferred tax assets and liabilities are not recognized in respect of temporary differences between the carrying amount and tax bases of investments in subsidiaries where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(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 on 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 Income.

Financial instruments

Financial assets and financial liabilities are recognized on the Consolidated Statements 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 these 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, non-hedge interest swaps, contingent consideration and embedded derivative, which are carried at fair value through profit or loss. Transaction costs associated with the establishment of indebtedness or amendment of loan facilities are recorded against proceeds and recognized in the Consolidated Statements of Comprehensive Income over the term of the borrowings using the effective interest rate.

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 ("ECL"), 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 Income within operating expenses.

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

Inventories

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

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

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 a 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 acquired in a business combination consist of rights under franchise agreements ("dealer agreements") and certifications with automobile manufacturers. The Company has determined that dealer agreements and certifications 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 and certifications 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. The fair value is determined based on the multi-period excess earnings method, using the discounted cash flow model. When market value is not readily determinable, cost is determined using generally accepted valuation methods based on revenues, costs, or other appropriate criteria.

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets with finite lives amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

(b) Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability and intention to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in operating expenses. During the period of development, the asset is tested for impairment annually.

(c) Goodwill

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquirees, and the acquisition date fair value of any previous equity interest in the acquirees 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 costs to dispose 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 and certifications 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, subsequently measured at amortized cost, and 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

(a) 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.

After the commencement date of a lease contract, remeasurements of a lease liability result from either a lease modification or reassessment. A change in the scope of a lease contract, or the consideration for a lease, that was not part of its original terms and conditions is considered a lease modification. A lease modification is assessed to determine whether it meets the criteria of a separate lease that would require a separate right-of-use asset and a corresponding lease liability at the effective date of the modification. If the lease modification is not a separate lease, the Company remeasures the lease liability to reflect changes to the lease payments and adjusts the carrying amount of the right-of-use asset. If the carrying amount of the right-of-use asset has already been reduced to zero, the Company recognizes the remaining amount of the remeasurement in the determination of net earnings (loss). A lease reassessment takes place when there are changes in the lease payments based on contractual clauses included in the original contract. For lease reassessments, the lease liability is remeasured to reflect changes to the lease payments and adjusts the carrying amount of the right-of-use asset. If the carrying amount of the right-of-use asset has already been reduced to zero, the Company recognizes the remaining amount of the remeasurement in the determination of profit or loss.

(b) 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.

(i) 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 recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income.

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

(ii) 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 Statements of Financial Position based on the nature of the asset. Lease income on operating leases is recognized over the term of the lease on a straight-line basis.

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 are to be settled in cash or a variable number of shares. The amount that may become payable under the option on exercise is initially recognized at fair value within redemption liabilities with a corresponding charge directly to equity attributable to AutoCanada shareholders or share-based compensation. Subsequently, if the Company revises its estimates, the carrying amount of the redemption liability is adjusted and the adjustment will be recognized as income or expenses in the Consolidated Statements of Comprehensive Income. Options that are not exercisable for at least one year from the Consolidated Statements of Financial Position 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 28.

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 or redemption liabilities. The total amount to be expensed is determined by reference to the fair value of the options at the grant date.

Foreign currency translation

The financial results of the dealerships that operate in the United States (U.S.) are translated 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 Statements of Financial Position 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 Consolidated Statements 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.

Upon the expiry, sale, or termination of a hedging instrument, any cumulative deferred gain or loss and deferred costs of hedging remain in equity until the original hedged transactions occur.

Further information on the Company's risk management and hedge accounting is presented in Note 24.

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 Revenue and Finance costs, as disclosed in Note 24.

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

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.

The Company's Chief Operating Decision Maker (CODM) is identified as the Chief Executive Officer (CEO) and will serve as the function of the CODM. The CEO is responsible for allocating resources and assessing the performance of each dealership. In the absence of the CEO, the Executive Chairman will serve the function of the CODM. Supporting the CODM will be the President, Canadian Operations and the Vice 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 35.

Government assistance

Government assistance received by the Company for the purpose of subsidizing specific expenses is recognized in profit or loss on a systematic basis in the periods in which the expenses are recognized, as further described in Note 8.

4 New and amended accounting standards issued

Accounting standards and amendments issued and adopted in 2022

Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16)

Under IAS 16 Property, Plant and Equipment, it is required that the cost of an asset includes any costs attributable to bringing the asset to the location and condition necessary for the asset to be capable for operating in its intended manner. Testing that asset is functioning properly is one of those costs.

In May 2020, the IASB published an amendment to IFRS 16 that prohibits deducting any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management from the cost of an item of property, plant, and equipment. This amendment states that an entity should recognize the proceeds from selling such items, and the cost of producing those items, in profit or loss. Further, an entity will use IAS 2 *Inventories* as guidance on how to measure the cost of such items and specifically deprecation of the asset should not be included as the asset is not ready for intended use.

The amendment requires separate disclosure in the statement of comprehensive income or loss for the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

This amendment can have a significant impact on entities where items are produced and sold as part of bringing an item of property, plant, and equipment to the location and condition required for its intended use. The Company has assessed the adoption of this standard to have no material impact to the assets currently held and under the scope of IAS 16.

Reference to Conceptual Framework (Amendments to IFRS 3 Business Combinations)

The IASB published minor amendments to IFRS 3 to update the references for what constitutes as asset or a liability in a business combination in the Conceptual Framework for Financial Reporting to a current version issued in March 2018, without significantly changing its requirements.

An amendment was included to add an exception to the recognition principle under IFRS 3 for liabilities and contingent liabilities that fall under the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC *21 Levies* rather than the 2018 Conceptual Framework previously used. Under this new exception, an entity will not recognize some liabilities when applying IAS 37 rather than would have been recognized under IFRS 3 and therefore ensuring that certain liabilities do not need to be derecognized immediately after the acquisition date along with a subsequent gain recognized that did not depict an economic gain.

Clarification by the board was also made that when applying IFRS 3, that contingent assets should not be recognized in business combinations at the acquisition date, as defined in IAS 37. The Company has assessed that there is no material impact upon adoption of the amendment.

Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37 Provisions, Contingent Liabilities, and Contingent Assets)

IAS 37 defines an onerous contract as one in which the unavoidable costs of meeting the entity's obligations exceed the economic benefits to be received under that contract. Unavoidable costs are the lower of the net cost of exiting the contract and the costs to fulfil the contract.

In May 2020, the IASB published an amendment to IFRS 37 that clarifies that the costs of fulfilling a contract should include both the incremental direct costs and an allocation of other costs directly related to fulfilling the contact. The amendment also clarifies that before a separate provision for an onerous contract can be recognized, any impairment loss on assets used in fulfilling the contract must first be recorded.

This expands the potential costs to be recorded and could result in the recognition of more onerous contract provisions. The Company has assessed that there is no material impact upon adoption of the amendment.

Amendment to IFRS 9 Financial Instruments

An amendment was made to clarify which fees should be included in the "10 per cent" test for assessing derecognition of financial liabilities. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. Costs or fees paid to third parties are not to be included. The Company has assessed that there is no material impact upon adoption of the amendment.

Accounting standards and amendments issued but not yet adopted in 2022

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are not effective for the year ended December 31, 2022, and have not been applied in the preparation of these consolidated financial statements.

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

Insurance Contracts (IFRS 17)

IFRS 17 was issued in May 2017 as a replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are remeasured in each reporting period. The standard allows a choice between recognizing changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

Targeted amendments were made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying IFRS 17 to investors and others. The amendments also deferred the application date of IFRS 17 to annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted. The Company is assessing the potential impact of this standard.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

In May 2021 amendments were made to IAS 12 Income Taxes that require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. These will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable, these amendments attempt to uniform the approach taken.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The Company is assessing the potential impact of this standard.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

In February 2021 IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is material accounting policy information and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The Company is assessing the potential impact of this standard.

Definition of Accounting Estimates (Amendments to IAS 8)

The amendment made in February 2021 to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The Company is assessing the potential impact of this standard.

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 for 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. Management applies significant judgement in estimating the fair value of the intangible assets. These determinations involve significant estimates and assumptions regarding projected operating margins, terminal growth rates and discount rates.

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 (Note 19).

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial on instruments. See Note 31 for further disclosure.

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 14). 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 recognized as income or expenses in the Consolidated Statements of Comprehensive Income.

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.

Deferred taxes

The extent to which deferred tax assets are recognized is based on estimates of future profitability. Management has concluded that it is probable that the deferred tax assets will be recovered using estimated future taxable income, based on approved business plans and budgets for each segment. The estimates 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 to be probable of recovery.

6 Revenue

	2022 $	2021 $
New vehicles	2,160,565	1,963,881
Used vehicles	2,870,145	1,937,541
Parts, service and collision repair	642,665	484,639
Finance, insurance and other	367,244	267,354
Revenue	6,040,619	4,653,415

7 Cost of sales

	2022 $	2021 $
New vehicles	1,941,253	1,787,466
Used vehicles	2,748,846	1,796,279
Parts, service and collision repair	289,153	217,985
Finance, insurance and other	18,494	17,502
Cost of sales	4,997,746	3,819,232

8 Operating expenses

	2022 $	2021 Revised (Note 36) $
Employee costs (Note 9)	520,515	389,145
Government assistance [1]	(264)	(11,769)
Administrative costs [2, 3]	235,116	187,746
Expected credit losses on trade and other receivables [3]	1,273	2,984
Facility lease costs	2,745	811
Depreciation of right-of-use assets (Note 23)	30,781	26,420
Depreciation of property and equipment (Note 18)	20,852	17,272
Operating expenses	811,018	612,609

1 *Government assistance represents the Company's eligible claim of $nil (2021 - $4,388) for the Canada Emergency Wage Subsidy (CEWS) and $264 (2021 - $653) claim for the Canada Emergency Rent Subsidy (CERS) for the year ended December 31, 2022, with $nil (2021 - $299) included in trade and other receivables. There are no unfulfilled conditions or other contingencies attached to the subsidy recognized.*

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

3 *Reclassification of comparative figures for presentation purposes (Note 36). The Company previously presented its expected credit losses on trade and other receivables as part of administrative costs. However, management considers it to be more relevant if expected credit losses on trade and other receivables are presented on a separate line. Prior year comparative as at December 31, 2021 have been revised by reclassifying $2,984 from administrative costs to expected credit losses on trade and other receivable.*

9 Employee costs

Operating expenses incurred in respect of employees were as follows:

	2022 $	2021 $
Wages, salaries and commissions	461,260	344,819
Withholding taxes and insurance	27,182	19,839
Employee benefits	23,593	18,934
Share-based compensation (Note 28)	5,801	3,569
Other benefits	2,679	1,984
Employee costs	520,515	389,145

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

	2022 $	2021 $
Lease and other income, net		
Lease and rental income	8,083	6,416
Other income	6,218	2,619
	14,301	9,035
Loss on disposal of assets, net		
Loss on lease terminations, net	—	(427)
Disposals of property and equipment (loss) gains, net	(296)	40
	(296)	(387)

11 Finance costs and finance income

	2022 $	2021 $
Finance costs		
Interest on long-term indebtedness	29,325	21,900
Interest on lease liabilities (Note 23)	29,828	23,062
Loss on extinguishment of debt (Note 22)	9,860	1,128
Unrealized fair value changes on non-hedging instruments (Note 24)	(9,303)	(8,412)
Amortization of terminated hedges (Note 24)	3,268	3,268
Loss on extinguishment of embedded derivative (Note 22)	29,306	—
Unrealized fair value changes on embedded derivative (Note 22)	—	(29,306)
	92,284	11,640
Floorplan financing	33,644	11,910
Interest rate swap settlements (Note 24)	1,084	7,023
Other finance costs	4,466	4,616
	131,478	35,189
Finance income		
Interest on net investment in lease (Note 23)	64	16
Short-term bank deposits	4,080	794
	4,144	810

Cash interest paid during the year ended December 31, 2022 is $97,144 (2021 - $63,625), which includes $29,828 (2021 - $23,062) of cash interest paid related to interest on lease liabilities.

12 Taxation

Reconciliation of effective income tax rate for the year ended December 31, 2022 is as follows:

	2022 $	2021 $
Net income for the year before tax	123,884	221,220
Net income for the year before tax multiplied by the blended rate of Canadian corporate tax of 25.5% (2021 - 25.4%)	31,590	56,190
Effects of:		
Tax losses and deductible temporary differences not recognized	(1,810)	(3,985)
Adjustment in respect of prior years	(709)	2,335
Impact of non-deductible and other permanent items	3,327	1,782
Impact of recovery of non-financial assets	(500)	(3,310)
Impact of change in substantively enacted rates	(268)	143
Foreign and other statutory income tax rate differentials	1,223	722
Other, net	(29)	144
Income tax expense	32,824	54,021
Effective income tax rate	26.5 %	24.4 %

Segmented components of income tax:

	2022 $	2021 $
Canada	40,347	24,451
U.S.	3,198	319
Current income tax expense	43,545	24,770
Canada	(10,721)	29,251
U.S.	—	—
Deferred income tax expense	(10,721)	29,251
Total income tax expense	32,824	54,021

Components of deferred income tax:

	2022 $	2021 $
Deferred tax asset	40,984	40,881
Deferred tax liability	(50,910)	(53,814)
Net deferred tax liability	(9,926)	(12,933)

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 $	Non-capital losses $	Share-based payments $	Other $	Total $
January 1, 2021	(2,679)	1,779	(19,238)	9,974	4,486	10,770	—	4,989	10,081
(Expense) benefit charged to income taxes	(11,743)	(1,073)	(8,922)	913	(8,565)	6,040	(4,547)	(1,354)	(29,251)
Amounts charged to other comprehensive income	—	—	—	—	(2,392)	—	—	—	(2,392)
Amounts charged to contributed surplus	—	—	—	—	—	—	9,084	—	9,084
Acquisition of subsidiaries (Note 13)	—	(38)	(369)	—	—	—	—	—	(407)
Other	—	—	(48)	—	—	—	—	—	(48)
December 31, 2021	(14,422)	668	(28,577)	10,887	(6,471)	16,810	4,537	3,635	(12,933)
(Expense) benefit charged to income taxes	9,816	(753)	(6,098)	1,959	4,950	(1,604)	(359)	2,810	10,721
Amounts charged to other comprehensive income	—	—	—	—	(1,688)	—	—	—	(1,688)
Amounts charged to contributed surplus	—	—	—	—	—	—	(2,401)	—	(2,401)
Acquisition of subsidiaries (Note 13)	—	(673)	(3,743)	—	—	—	—	—	(4,416)
Other	—	—	866	—	—	—	—	(75)	791
December 31, 2022	(4,606)	(758)	(37,552)	12,846	(3,209)	15,206	1,777	6,370	(9,926)

Changes in the deferred income tax components are adjusted through deferred tax expense. Of the above components of the deferred income tax (liability) asset, ($4,606) (2021 - $(14,422)) is expected to be recovered within 12 months.

The recognized and unrecognized deductible temporary differences relating to the U.S. Operations are as follows:

	2022 $	2021 $
Total U.S. deductible temporary differences	129,385	140,159
Less:		
U.S. unrecognized deductible temporary differences, other than tax losses	(46,722)	(46,764)
U.S. unrecognized tax losses	(35,162)	(45,608)
Total unrecognized deductible temporary differences	(81,884)	(92,372)
Total recognized deductible temporary differences relating to the U.S Operations	47,501	47,787
Recognized deferred tax asset	13,544	12,678

As at December 31, 2022, the Company has recognized the benefit of $47,501 (2021 - $47,787) of the deductible temporary differences, relating to the U.S. Operations, as a deferred tax asset. The Company has concluded that it is probable that the recognized deferred tax assets will 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 to be probable of recovery.

The Company's U.S. Operations have federal and state net operating losses of $35,162 and $52,797, respectively (2021 - $45,608 and $41,610). The federal losses can be carried forward indefinitely, while the state losses expire, between 2038 and 2040.

The Company also has Canadian non-capital losses of $64,523 (2021 - $72,295) available to reduce future taxable income, until their expiry between 2032 and 2042.

13 Business acquisitions

During the year ended December 31, 2022, the Company completed the following business acquisitions that have been accounted for using the acquisition method.

Audi Windsor and Porsche Centre London

On May 2, 2022, the Company acquired substantially all of the assets to be used in the operations of the Audi Windsor and Porsche Centre London dealerships. The acquisitions supports management's strategic objectives of further establishing the Company's presence in the province of Ontario.

Burwell Auto Body

On June 30, 2022, the Company acquired 100% of the shares of Burwell Auto Body Limited ("Burwell Auto Body"), a luxury-brand focused collision centre in London, Ontario. The acquisition supports management's strategic objectives of expanding the Company's collision centre capacity, and also allows the Company to leverage existing dealerships in Ontario.

Kelleher Ford Dealership and Collision Centre

On August 2, 2022, the Company acquired 100% of the shares of Kelleher Ford Dealership and Collision Centre ("Kelleher Ford"), a new and used vehicle Ford dealership and collision centre in Brandon, Manitoba. The acquisition supports management's strategic objectives of expanding the Company's presence in the province of Manitoba and collision centre capacity.

Velocity Autobody

On August 12, 2022, the Company acquired 100% of the shares of Velocity Auto Body Inc. ("Velocity Autobody"), a luxury-brand focused collision centre in Markham, Ontario. The acquisition supports management's strategic objectives of expanding the Company's collision centre capacity, and also allows the Company to leverage existing dealerships in Ontario.

Auto Gallery of Winnipeg

On September 22, 2022, the Company acquired 100% of the shares of Auto Gallery of Winnipeg Inc. ("Auto Gallery of Winnipeg"), an independent used vehicle dealership in Winnipeg, Manitoba. The acquisition supports management's strategic objectives of expanding the Company's Used Digital Retail Division in the province of Manitoba and provides a central logistics hub.

North Toronto Auction

On September 28, 2022, the Company acquired 100% of the shares of Northern Auto Auctions of Canada Inc. ("North Toronto Auction"), an entity that operates the North Toronto Auction, a fee-based used vehicle auction business, serving dealers and consumers, located in Innisfil, Ontario. The acquisition forms part of management's strategic objective of expanding the Used Digital Retail Division in the Canadian pre-owned vehicle market.

Kavia Auto Body

On October 27, 2022, the Company acquired 100% of the shares in Kavia Auto Body Inc. ("Kavia Auto Body"), a collision repair facility in Saskatoon, Saskatchewan. The acquisition supports management's strategic objective of expanding the Company's collision centre capacity.

Excellence Auto Collision

On November 7, 2022, the Company acquired 100% of the shares in Excellence Auto Collision Limited, an entity that operates Excellence Auto Collision Silver Star and Excellence Auto Collision Midwest ("Excellence Auto Collision Centres"), both luxury-brand focused collision repair facilities in Scarborough, Ontario and Toronto, Ontario. The share purchase agreement contains a contingent consideration element that requires the Company to pay the former owners up to a maximum of $4,000 if certain performance targets are met for each of the three years ending December 31, 2025. The estimated fair value of the contingent consideration arrangement is $nil as at the acquisition date and as at the year end December 31, 2022. The acquisition supports management's strategic objective of expanding the Company's collision centre capacity.

Sterling Honda

On December 1, 2022, the Company acquired substantially all of the assets to be used in the operations of Sterling Honda ("Sterling Honda"), a new and used Honda dealership in Hamilton, Ontario. The acquisition supports management's strategic objectives of further establishing the Company's presence in the province of Ontario.

Summary of acquisitions

The estimated provisional purchase price allocations, which are subject to the finalization of the valuation of the acquired assets and assumed liabilities, of business acquisitions completed during the year ended December 31, 2022 described above are summarized as follows:

	Dealership Acquisitions $	**Used Digital Retail Division Acquisitions $**	**Collision Centre Acquisitions $**	**Total Acquisitions $**
Current assets				
Cash and cash equivalents	27	2,596	1,150	3,773
Trade and other receivables	5,147	1,741	8,295	15,183
Inventories	14,091	3,869	1,324	19,284
	19,265	8,206	10,769	38,240
Long-term assets				
Property and equipment	37,966	2,388	7,223	47,577
Right-of-use assets	6,455	10,732	16,018	33,205
Intangible assets[1]	83,085	—	13,217	96,302
Total assets	146,771	21,326	47,227	215,324
Current liabilities				
Trade and other payables	4,127	3,071	8,489	15,687
Revolving floorplan facilities	7,269	—	—	7,269
Lease liabilities	642	387	1,373	2,402
Other liabilities	137	—	1,144	1,281
	12,175	3,458	11,006	26,639
Long-term liabilities				
Lease liabilities	5,813	10,344	14,646	30,803
Deferred income tax (Note 12)	2,003	169	2,244	4,416
Total liabilities	19,991	13,971	27,896	61,858
Net identifiable assets acquired	126,780	7,355	19,331	153,466
Goodwill	8,100	3,834	13,255	25,189
Total net assets acquired	134,880	11,189	32,586	178,655
Total consideration	134,880	11,189	32,586	178,655

1 Intangible assets relate to indefinite-life franchise rights associated with the respective dealerships and certifications related to the respective collision centre.

The goodwill is attributable to the workforce, synergies from combining operations of the acquirees and profitability of the acquired businesses. Goodwill of $5,042 is deductible for tax purposes.

The results of operations of the acquired entities are included in the Company's Consolidated Statements of Financial Position and Consolidated Statements of Changes in Equity from the date of acquisition. Such results of operations and the related assets and liabilities at the statement of financial position date are included in the Consolidated Statements of Financial Position.

The results of operations of the acquired entities since the acquisition dates contributed $110,039 of revenue and $4,755 of net income to the Consolidated Statements of Comprehensive Income for the period ended December 31, 2022. Had the acquisitions occurred at January 1, 2022, consolidated pro-forma revenue and net income for the period ended December 31, 2022 would have been $6,188,829 and $91,643 respectively. These pro-forma results are not necessarily representative of future performance.

These amounts have been calculated using the subsidiary's results and adjusting them for:

- Income tax expense (recovery);
- Interest on long-term indebtedness; and
- Leasing arrangements as if they had been entered into on January 1, 2022.

Transaction costs of $773 have been expensed and recorded in operating expenses.

Prior year business acquisitions

During the year ended December 31, 2022, provisional amounts that were previously disclosed in the annual consolidated financial statements for the year ended December 31, 2021, were finalized without any changes for the following acquisitions:

- PG Klassic AutoBody acquired in April of 2021; and
- Crystal Lake Chrysler Dodge Jeep Ram (CDJR) Inc. ("Crystal Lake") acquired in November of 2021.

During the year ended December 31, 2022, new information was obtained about circumstances that existed at the acquisition date, which resulted in certain adjustments to the fair value of net identifiable assets acquired for the following acquisitions:

- Mark Wilson's Better Used Cars acquired in August of 2021;
- Autolux MB Collision acquired in September of 2021;
- Airdrie Autobody Ltd. ("Airdrie Autobody") acquired in October of 2021; and
- Autopoint Group. ("Autopoint Group") acquired in December of 2021.

These adjustments are immaterial and have been adjusted for prospectively in the December 31, 2022 financial statements. Provisional amounts upon acquisition were previously disclosed in the annual consolidated financial statements for the year ended December 31, 2021 for the above acquisitions.

Acquisitions in 2021 prior to adjustments of provisional amounts

During the year ended December 31, 2021, the Company completed the following business acquisitions that have been accounted for using the acquisition method.

PG Klassic AutoBody

On April 1, 2021, the Company acquired 100% of the shares in PG Klassic AutoBody ("PG Klassic"), a collision repair facility in Prince George, British Columbia.

Autolux MB Collision

On September 9, 2021, the Company acquired 100% of the shares in Autolux MB Collision ("Autolux"), a luxury-brand focused collision repair facility in Montreal, Quebec.

The acquisitions of PG Klassic and Autolux support management's strategic objective of expanding the Company's collision centre capacity.

Mark Wilson's Better Used Cars

On August 9, 2021, the Company acquired 100% of the shares in Mark Wilson's Better Used Cars ("Mark Wilson's"), an independent used vehicle dealership in Guelph, Ontario. The acquisition forms part of management's strategic objective of developing a Used Digital Retail Division in the Canadian pre-owned vehicle market. The Company entered into a lease arrangement for the dealership facility with the former owner of Mark Wilson's. The lease arrangement contains a contingent consideration arrangement that requires the former owner of Mark Wilson's to pay the Company $2,000 if a certain performance target is not met for the three year's ending July 31, 2024. The estimated fair value of the contingent consideration arrangement is $nil as at the acquisition date and as at the year end December 31, 2021.

Airdrie Autobody Ltd.

On October 1, 2021, the Company acquired 100% of the shares in Airdrie Autobody Ltd. ("Airdrie Autobody"), a collision repair facility in Airdrie, Alberta. The acquisition supports management's strategic objectives of expanding the Company's collision centre capacity, and also allows the Company to leverage existing dealerships in Alberta.

Crystal Lake Chrysler Dodge Jeep Ram (CDJR) Inc.

On November 4, 2021, the Company acquired certain franchise rights, inventories and assets to be used in the operations of Crystal Lake Chrysler Dodge Jeep Ram (CDJR) Inc. ("Crystal Lake"), a new and used motor vehicle dealership in Crystal Lake, Illinois. The acquisition supports management's strategic objectives of further establishing the Company's presence in the Greater Chicago area.

Autopoint Group

On December 1, 2021, the Company completed the acquisition of substantially all of the assets of the Autopoint Group. The completed acquisition provides geographic diversification by more than doubling AutoCanada's Ontario footprint. Moreover, the acquisition provides brand diversification by adding three new brands to AutoCanada's Canadian platform.

Summary of acquisitions

The estimated provisional purchase price allocations, which are subject to the finalization of the valuation of the acquired assets and assumed liabilities, of business acquisitions completed during the year ended December 31, 2021 described above are summarized as follows:

	Autopoint Group $	Other Acquisitions [1] $	Total Acquisitions $
Current assets			
Cash and cash equivalents	—	4,574	4,574
Trade and other receivables	130	4,749	4,879
Current tax receivable	—	1,403	1,403
Inventories	23,996	20,151	44,147
Other current assets	154	71	225
	24,280	30,948	55,228
Long-term assets			
Property and equipment	10,203	8,751	18,954
Right-of-use assets	56,354	25,185	81,539
Intangible assets [2]	88,215	20,150	108,365
Deferred income tax asset	—	83	83
Total assets	179,052	85,117	264,169
Current liabilities			
Indebtedness	—	—	—
Trade and other payables	729	2,347	3,076
Revolving floorplan facilities	—	15,528	15,528
Lease liabilities	1,057	590	1,647
Other liabilities	—	754	754
	1,786	19,219	21,005
Long-term liabilities			
Long-term indebtedness	—	264	264
Lease liabilities	55,297	24,595	79,892
Deferred income tax	—	490	490
Total liabilities	57,083	44,568	101,651
Net identifiable assets acquired	121,969	40,549	162,518
Goodwill	10,435	14,818	25,253
Total net assets acquired	132,404	55,367	187,771
Total purchase consideration	132,404	55,367	187,771

1 *Other acquisitions includes franchised and used dealerships, and collision centres*
2 *Intangible assets relate to indefinite-life franchise rights associated with the respective dealerships*

The goodwill is attributable to the workforce, synergies from combining operations of the acquirees and profitability of the acquired businesses. Goodwill of $11,026 is deductible for tax purposes.

The results of operations of the acquired entities are included in the Company's Consolidated Statements of Financial Position and Consolidated Statements of Changes in Equity from the date of acquisition. Such results of operations and the related assets and liabilities at the statement of financial position date are included in the Consolidated Statements of Financial Position.

The results of operations of the acquired entities since the acquisition dates contributed $85,328 of revenue and $2,443 of net income to the Consolidated Statements of Comprehensive Income for the year ended December 31, 2021. Had the acquisitions occurred at January 1, 2021, consolidated pro-forma revenue and net income for the year ended December 31, 2021 would have been $5,161,190 and $174,833, respectively. These pro-forma results are not necessarily representative of future performance.

All transaction costs have been expensed and recorded in operating expenses.

14 Interest in subsidiaries

Certain subsidiaries of the Company 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 2022 $	Dividends paid to non-controlling interests 2021 $
GI G Auto HoldCo Inc.	British Columbia	10 %	10 %	150	—
WBG Auto HoldCo Ltd.	Manitoba	10 %	10 %	325	—
NBFG Auto Holdco Inc..	Saskatchewan	5 %	5 %	—	—
2282239 Alberta Ltd.	Saskatchewan	10 %	10 %	375	7
2282237 Alberta Ltd.	Saskatchewan	10 %	10 %	500	16
LMB Automobile Inc.	Quebec	15 %	15 %	990	—
Canbec Automobile Inc.	Quebec	15 %	15 %	292	45
156023 Canada Inc.	Quebec	— %	— %	95	—
Auto Bugatti Inc.	Quebec	25 %	25 %	—	—
Ericksen M-B Ltd.	Alberta	10 %	10 %	520	11
WAM Motors LP	Manitoba	5 %	5 %	—	—
RS M Motors LP	Quebec	5 %	5 %	—	—
Total				3,247	79

The subsidiaries are companies that own automotive dealerships and related businesses. 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.

The Company provides long-term loans to specific NCI parties, and these are presented as other assets (Note 20).

Transactions with non-controlling interests

On November 30, 2022, the Company acquired a 100% ownership interest in 156023 Canada Inc. Consideration payable for the shares of $433 resulted in an extinguishment of the associated redemption liability. Upon the acquisition of the non-controlling interest above, the Company recognized a decrease in non-controlling interests of $252, with a corresponding increase in equity attributable to owners of the parent.

During the year ended December 31, 2022, the Company reorganized capital in certain subsidiaries to bring in new non-controlling parties. The change in ownership did not result in a change of control. Equity attributable to AutoCanada shareholders was increased by $740 (2021 - ($538)) as a result of the reorganization of non-controlling interests. The transactions resulted in new loans of $1,845 (2021 - ($1,674) being issued to some of these parties to purchase a non-controlling interest in the subsidiaries for $775 (2021 - $2,139). These loans are recorded in Other long-term assets on the Consolidated Statements of Financial Position.

Used Digital Retail Division

A wholly owned subsidiary of the Company is the general partner of AutoCanada UD LP, a limited partnership ("the Partnership") that holds the interest in the used car dealerships acquired as a part of the digital retail strategy (Note 13). The non-controlling unitholders hold put options where they can sell their units back to the Partnership. These put options are recognized as redemption liabilities, measured at fair value at each reporting date, with subsequent changes recognized on the Consolidated Statements of Comprehensive Income.

The fair value of the put options and associated redemption liabilities has been determined as $1,050 (2021 - $659) as at December 31, 2022, as a result of the preferred interest rights in the Partnership and the limited time of operation.

Redemption liabilities

Canbec Automobile Inc., LMB Automobile Inc., WAM Motors LP, RS M Motors LP, and Auto Bugatti Inc. arrangements contain 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 Statements of Financial Position. The fair value is determined based on the equity value of the related subsidiary (Note 32). Those options eligible to be executed in the next fiscal year are presented as current liabilities.

The continuity of the redemption liabilities is summarized as follows:

	December 31, 2022 $	December 31, 2021 $
Beginning of period	**22,332**	**7,992**
Additions in the year (Note 28)	391	224
Derecognition on settlement	(283)	—
Adjustment to fair value	4,829	14,116
End of period	**27,269**	**22,332**
Current redemption liabilities	26,219	21,673
Long-term redemption liabilities	1,050	659

15 Cash and cash equivalents

	December 31, 2022 $	December 31, 2021 $
Cash at bank and on hand	108,301	102,467
Short-term deposits	—	13
Cash and cash equivalents	108,301	102,480

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 31 for further detail regarding cash balances held with the financial institution.

16 Trade and other receivables

	December 31, 2022 $	December 31, 2021 Revised (Note 36) $
Trade receivables	162,118	104,759
Sales tax receivable[1]	44,256	21,157
Other receivables[1]	13,122	9,475
	219,496	135,391
Less: Expected loss allowance (Note 31)	(1,706)	(2,478)
Trade and other receivables	217,790	132,913

1 Reclassification of comparative figures for presentation purposes (Note 36). The Company previously presented its sales tax receivable as part of other receivables. However, management considers it to be more relevant if all sales tax receivable are presented separately. Prior year comparative as at December 31, 2021 have been revised by reclassifying $21,157 from other receivables to sales tax receivable.

The Company is exposed to normal credit risk with respect to its accounts receivable and maintains provisions for expected credit losses (Note 31). 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.

17 Inventories

	December 31, 2022 $	December 31, 2021 $
New vehicles	327,866	222,272
Demonstrator vehicles	65,994	34,282
Used vehicles	533,024	441,730
Parts and accessories	52,656	39,015
Inventories	979,540	737,299

Amounts recognized in the Consolidated Statements of Comprehensive Income:

	December 31, 2022 $	December 31, 2021 $
Inventory expensed as cost of sales	4,896,720	3,742,309
Writedowns on vehicles included in cost of sales	29,051	9,851
Demonstrator expenses included in administrative costs	11,228	7,907

For the year ended December 31, 2022, the Company performed a comprehensive assessment on the net realizable value of inventory. Provisions recorded on inventory were based on specific criteria regarding model and year of production and reflect management's estimate of market pricing trends.

18 Property and equipment

	Company & lease vehicles $	Leasehold improvements $	Machinery & equipment $	Land & buildings[1, 2] $	Furniture, fixtures & other $	Computer equipment $	Total $
Cost:							
January 1, 2021	28,259	58,864	30,754	144,227	14,991	10,230	287,325
Capital expenditures	—	8,030	3,705	—	987	1,459	14,181
Business combinations (Note 13)	2,174	3,954	2,958	8,123	1,203	542	18,954
Acquisition of real estate	—	—	—	20,990	—	—	20,990
Disposals	—	(145)	(310)	(11,988)	(103)	(203)	(12,749)
Transfer from inventory, net	6,576	—	—	—	—	—	6,576
Foreign currency translation	(21)	(9)	(8)	111	(8)	(4)	61
December 31, 2021	36,988	70,694	37,099	161,463	17,070	12,024	335,338
Capital expenditures	—	6,426	5,990	29,343	3,972	1,676	47,407
Business combinations (Note 13)	104	3,425	2,688	40,014	860	486	47,577
Acquisition of real estate	—	—	—	15,790	—	—	15,790
Disposals	—	(90)	(291)	(36)	(175)	(716)	(1,308)
Transfers from inventory, net	3,596	—	—	—	—	—	3,596
Foreign currency translation	351	151	393	768	165	85	1,913
December 31, 2022	**41,039**	**80,606**	**45,879**	**247,342**	**21,892**	**13,555**	**450,313**
Accumulated depreciation:							
January 1, 2021	(5,918)	(17,969)	(16,867)	(29,003)	(8,191)	(5,852)	(83,800)
Depreciation	(3,925)	(2,945)	(3,163)	(3,934)	(1,459)	(1,846)	(17,272)
Disposals	—	888	220	9,592	94	189	10,983
Transfers to inventory, net	2,858	—	—	—	—	—	2,858
Foreign exchange	—	—	—	—	1	1	2
December 31, 2021	(6,985)	(20,026)	(19,810)	(23,345)	(9,555)	(7,508)	(87,229)
Depreciation	(4,781)	(3,315)	(4,668)	(4,620)	(1,687)	(1,781)	(20,852)
Disposals	—	33	176	—	156	147	512
Transfers to inventory, net	3,247	—	—	—	—	—	3,247
Foreign exchange	(30)	(31)	(188)	(5)	(89)	(56)	(399)
December 31, 2022	**(8,549)**	**(23,339)**	**(24,490)**	**(27,970)**	**(11,175)**	**(9,198)**	**(104,721)**
Carrying amount:							
December 31, 2021	**30,003**	**50,668**	**17,289**	**138,118**	**7,515**	**4,516**	**248,109**
December 31, 2022	**32,490**	**57,267**	**21,389**	**219,372**	**10,717**	**4,357**	**345,592**

1 As at December 31, 2022, the Company owns land of $88,250 (2021 - $66,266), which is not subject to depreciation.
2 Construction-in-progress additions of $29,343 (2021 - $6,865) are included in land and buildings 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 are included in the Consolidated Statements of Comprehensive Income.

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

The Company started the construction of a dealership in Maple Ridge, British Columbia facility on January 24, 2022. This project is expected to be completed in 2023. The construction is financed with our non-revolving term facilities (Note 22).

The amount of borrowing costs capitalized during the year-ended December 31, 2022 was $409 (2021 - $nil).

During the year-ended December 31, 2022, management did not identify any assets that were impaired and $nil (2021 - $nil) impairment losses were recorded.

19 Goodwill and intangible 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 recovery charges were allocated to the assets of the respective CGU's as follows:

	December 31, 2022 $	December 31, 2021 $
Intangible assets	(8,691)	(39,846)
	(8,691)	(39,846)

The changes in the book value of intangible assets and goodwill for the year ended December 31, 2022 were as follows:

	Intangible assets $	Goodwill $	Total $
Cost:			
January 1, 2021	483,944	129,476	613,420
Acquisitions (Note 13)	108,365	25,253	133,618
Additions [1]	403	17	420
Prior year business acquisitions (Note 13)	—	4	4
Effect of foreign currency translation	(14)	(387)	(401)
December 31, 2021	**592,698**	**154,363**	**747,061**
Acquisitions (Note 13)	96,302	25,189	121,491
Additions [1, 2]	3,192	—	3,192
Prior year business acquisitions (Note 13)	—	1,672	1,672
Effect of foreign currency translation	3,468	5,716	9,184
December 31, 2022	**695,660**	**186,940**	**882,600**
Accumulated amortization and impairment:			
January 1, 2021	84,311	103,742	188,053
Recoveries of impairment	(39,846)	—	(39,846)
Effect of foreign currency translation	(16)	(340)	(356)
December 31, 2021	**44,449**	**103,402**	**147,851**
Recoveries of impairment	(8,691)	—	(8,691)
Amortization of intangible assets	374	—	374
Effect of foreign currency translation	267	5,454	5,721
December 31, 2022	**36,399**	**108,856**	**145,255**
Carrying amount:			
December 31, 2021	548,249	50,961	599,210
December 31, 2022	659,261	78,084	737,345

1 Additions to intangible assets represent increases to franchise rights and OEM certifications.
2 Additions to intangible assets with a finite useful life.

The recoveries of impairment for the year ended December 31, 2022 relates to the Company's reportable segments as follows:

	Canadian Operations $	U.S. Operations $	Total $
Intangible assets	(8,691)	—	(8,691)
	(8,691)	—	(8,691)

Carrying value

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

	December 31, 2022 $			December 31, 2021 $		
Cash Generating Unit	**Intangible assets**	**Goodwill**	**Total**	**Intangible assets**	**Goodwill**	**Total**
AL	27,807	6,135	33,942	27,807	6,135	33,942
AF	29,495	1,026	30,521	—	—	—
CI	27,265	2,919	30,184	—	—	—
AZ	21,250	3,970	25,220	21,250	3,951	25,201
U	24,494	506	25,000	24,494	506	25,000
AD	22,300	2,629	24,929	22,300	2,587	24,887
AX	23,865	—	23,865	22,339	—	22,339
S	21,806	—	21,806	21,806	—	21,806
D	18,044	3,724	21,768	18,044	3,724	21,768
AO	21,687	—	21,687	21,687	—	21,687
AH	20,384	—	20,384	13,179	—	13,179
T	18,599	—	18,599	18,599	—	18,599
BS	15,335	3,058	18,393	—	—	—
Q	16,824	—	16,824	16,824	—	16,824
G	14,235	1,677	15,912	14,235	1,648	15,883
X	14,065	1,740	15,805	14,065	1,726	15,791
I	15,520	—	15,520	15,520	—	15,520
AK	15,306	—	15,306	15,306	—	15,306
P	15,078	—	15,078	15,078	—	15,078
BI	10,305	4,230	14,535	—	—	—
AE	14,496	—	14,496	14,496	—	14,496
AP	12,496	941	13,437	12,496	941	13,437
K	13,417	—	13,417	12,559	—	12,559
AI	11,470	1,927	13,397	11,470	1,927	13,397
CK	10,990	1,132	12,122	—	—	—
AJ	11,781	—	11,781	11,781	—	11,781
M	11,549	—	11,549	11,549	—	11,549
A	10,384	—	10,384	10,384	—	10,384
AS	9,650	643	10,293	9,033	602	9,635
AR	9,263	950	10,213	9,263	950	10,213
Other CGUs less than $10,000 [1]	150,101	40,877	190,978	142,685	26,264	168,949
Carrying amount	659,261	78,084	737,345	548,249	50,961	599,210

1 *CGUs under $10,000 have been aggregated together, determined to be appropriate given the size of the Company. Comparatives in the table have been updated to aggregate CGU's under $10,000.*

Recoveries of impairment

Canadian Operations

For the year ended December 31, 2022, two Canadian dealerships (2021 - fifteen) recorded impairment recoveries on indefinite-lived identifiable intangible assets amounting to $(8,691) (2021 - $(39,846)). For the year ended December 31, 2022, $nil (2021 - $nil) impairment charges on goodwill were recorded. The recoverable amount for one dealership was determined using the value in use ("VIU") method while the other dealership was determined using the fair value less costs to dispose ("FVLCD") method.

U.S. Operations

For the year ended December 31, 2022, no U.S. dealerships recorded impairment charges on indefinite-lived identifiable intangible assets and goodwill (2021 - none).

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.

Recoverable amounts

The following table shows the recoverable amounts of CGUs, with impairments or recoveries of impairments recorded in either the current year or prior year, that have not been fully impaired:

Canadian Operations

Cash Generating Unit	**FVLCD or VIU**	**December 31, 2022 $**	**December 31, 2021 $**
Q	VIU [2]	20,313	15,982
I	VIU	19,410	19,407
AJ	VIU [2]	13,044	11,781
AE	FVLCD [1]	13,938	23,078
AK	VIU [2]	22,117	13,869
A	VIU	12,781	11,565
P	FVLCD	62,063	53,165
T	VIU	44,729	36,165
AV	VIU	12,648	13,574
AH	VIU	28,400	16,827
Other CGUs less than $10,000 [3]	FVLCD	6,927	4,197

1 *The CGU was valued using the VIU technique in the prior year.*
2 *The CGU was valued using the FVLCD technique in the prior year.*
3 *CGUs under $10,000 have been aggregated together, determined to be appropriate given the size of the Company. Comparatives in the table have been updated to aggregate CGU's under $10,000.*

U.S. Operations

There were no CGUs in the U.S. Operations segment with impairments or recoveries of impairments recorded in either the current year or 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 is 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 is 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 model 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 model, fair value is calculated based on an applicable multiple applied to projected earnings before interest, taxes, depreciation, and amortization (EBITDA). 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 8.5 times forecasted EBITDA (2021 - 2.5 to 7.88 times).

Significant assumptions for VIU

Projected operating margins and growth rates

The assumptions used are based on the Company’s internal budget, which is approved by the Board of Directors. The Company projects operating margins and cash flows for a period of one year, and applies growth rates in the cash flow forecast period commensurate with industry forecasts. In arriving at its forecasts, the Company considers past experience, economic trends and inflation as well as industry and market trends.

Discount rates

The Company applies a discount rate in order to calculate the present value of its projected cash flows. The discount rate represents the Company’s internally computed weighted average cost of capital (“WACC”) for each CGU with appropriate adjustments for the risks associated with the CGUs in which intangible assets are allocated. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate. Determination of the discount rate requires separate analysis of the cost of equity and debt, and considers a risk premium based on an assessment of risks related to the projected cash flows of each CGU. Management applied a discount rate between 11.42% and 12.72% in its projections (2021 - 10.62% and 12.58%).

Significant assumptions for FVLCD

Projected EBITDA

The Company’s assumptions for projected EBITDA are based on the Company’s internal budget, which is approved by the Board of Directors. In arriving at the projected EBITDA, the Company considers projected operating margins and growth rates as significant assumptions, past experience, economic trends and inflation as well as industry and market trends.

EBITDA multiples

EBITDA multiples are based on recent comparable transactions, market comparatives, and management estimates.

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 $
December 31, 2022				
AK	0.02 %	0.10 %	22,117	—
Q	0.04 %	0.20 %	20,313	—
AJ	0.01 %	0.01 %	13,044	—
December 31, 2021				
K	0.21 %	0.97 %	14,575	—

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 $
December 31, 2022				
AE	0.1	13,938	13,938	—
December 31, 2021				
Q	0.1	15,982	15,982	—

20 Other assets

	December 31, 2022 $		December 31, 2021 $	
	Current	**Long-term**	**Current**	**Long-term**
Prepaid expenses	8,913	539	9,528	309
Derivative financial instruments (Note 24)	1,071	—	—	—
Other assets [1]	44	15,839	—	15,868
Net investment in lease (Note 23)	114	920	44	1,034
Other assets	10,142	17,298	9,572	17,211

1 $15,839 (2021 - $15,868) relates to long-term loans receivable from the respective non-controlling interests (Note 14).

21 Trade and other payables

	December 31, 2022 $	December 31, 2021 $
Trade payables	89,765	94,001
Accruals and provisions	60,717	40,012
Sales tax payable	31,948	14,360
Wages and withholding taxes payable	47,266	41,358
Trade and other payables	229,696	189,731

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

	Employee costs $[1]	Legal and other $[1]	Total $
January 1, 2021	**4,169**	**2,975**	**7,144**
Provisions made during the year	363	3,646	4,009
Amounts expired or disbursed	(2,295)	(302)	(2,597)
December 31, 2021	**2,237**	**6,319**	**8,556**
Provisions made during the year	1,388	273	1,661
Amounts expired or disbursed	(1,247)	(814)	(2,061)
December 31, 2022	**2,378**	**5,778**	**8,156**

1 Reclassification of comparative figures for presentation purposes (Note 36). The Company previously presented its provision for employee costs as part of legal and others. However, management considers it to be more relevant if all employee costs provisions are presented separately. Prior year comparative as at January 1, 2021 have been revised by reclassifying $4,169 from Legal and other to Employee costs.

Employee costs

The balance represents management's best estimate of the most likely outcome of the Company's liability associated with termination benefits and employment claims.

Legal and other

The balance represents the non-recurring legal and loss provision associated with certain wholesale transactions for the period ended December 31, 2018, management's best estimate of the most likely outcome of the Company's liability under ongoing legal claims.

22 Revolving floorplan facilities and 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 31.

	December 31, 2022 $	December 31, 2021 $
Revolving floorplan facilities		
Revolving floorplan facilities - Syndicate (ii) (Note 37)	636,775	465,204
Revolving floorplan facilities - VW Credit Canada, Inc. (iii)	72,477	44,069
Revolving floorplan facilities - BMW Financial (iv)	68,355	43,024
Revolving floorplan facilities - RBC (v)	33,964	36,023
Revolving floorplan facilities - GM Financial (vi)	31,351	18,617
Revolving floorplan facilities - Mercedes-Benz Financial (vii)	38,713	18,893
Revolving floorplan facilities - Ally Financial (viii)	110,619	82,731
Total revolving floorplan facilities	**992,254**	**708,561**
Indebtedness		
Senior unsecured notes		
Senior unsecured notes (i)	350,000	256,011
Embedded derivative	—	(29,306)
Unamortized deferred financing costs	(5,498)	(4,740)
	344,502	221,965
Revolving term facilities (ii) (Note 37)		
Revolving term facility	180,000	65,000
Unamortized deferred financing costs	(1,412)	(1,158)
	178,588	63,842
Non-revolving term facilities		
Non-recourse mortgages *(ix)*	31,979	—
Unamortized deferred financing costs	(77)	—
	31,902	—
Other debt		
Other long-term debt	136	101
Total indebtedness	**555,128**	**285,908**
Current indebtedness	777	—
Long-term indebtedness	554,351	285,908

The following table shows the movement of indebtedness during the years ended December 31, 2022 and December 31, 2021:

	2022 $	2021 $
Balance, January 1	**285,908**	**197,231**
Amortization of deferred financing costs	1,377	1,896
Amortization of note premium	(322)	(1,253)
Extinguishment and revaluation of embedded derivative	29,306	(29,306)
Draws and additions	1,010,006	353,957
Repayments and redemption	(770,064)	(231,180)
Other	(1,083)	(5,437)
Balance, December 31	**555,128**	**285,908**

Terms and conditions of outstanding loans are as follows:

i. On February 7, 2022, the Company issued Senior Unsecured Notes (the "New Issuance Notes") of $350 million aggregate principal amount at par for a stated interest rate of 5.75% to fund a redemption of the then outstanding $250 million Senior Unsecured Notes ("the Notes"). The Company redeemed the full $250 million outstanding balance on February 10, 2022. A charge of $9.9 million was recognized in profit or loss in relation to the extinguishment of the Notes (Note 11). The New Issuance Notes have a term of seven years and mature on February 7, 2029. Interest is payable semi-annually on February 7 and August 7 of each year the New Issuance Notes are outstanding. Concurrent with the redemption of the Notes, the associated embedded derivative was extinguished, and a loss on extinguishment of $29.3 million was recorded in Finance costs (Note 11).

   The New Issuance Notes agreement contains certain redemption options whereby the Company can redeem all or part of the New Issuance Notes at prices set forth in the agreement, following certain dates specified in the agreement. In addition, at any time prior to February 7, 2025, the Company may at its option redeem up to 40% of the aggregate principal amount of the New Issuance Notes with net cash proceeds from equity offerings at a specified redemption price in the agreement. The New Issuance Note holders also have the right to require the Company to redeem the New Issuance Notes or a portion thereof, at the redemption prices set forth in the agreement in the event of a change in control. These redemption features constitute embedded derivatives that are required to be separated from the New Issuance Notes and measured at fair value.

   The embedded derivative components of these compound financial instruments are measured at fair value at each reporting date with gains or losses in fair value recognized through profit or loss (Note 11). For the year ended December 31, 2022, the Company recognized an embedded derivative of $nil related to these redemption options.

ii. On February 7, 2022, the Company amended the $1,300 million syndicated credit agreement ("Credit Facility") with the Bank of Nova Scotia (“Scotiabank”), the Canadian Imperial Bank of Commerce (“CIBC”), the Royal Bank of Canada (“RBC”), HSBC Bank Canada ("HSBC"), ATB Financial (“ATB”), the Bank of Montreal (“BMO”), and The Toronto-Dominion Bank ("TD"), while maintaining its existing specified-use tranches and facility limits. The amendment included changes to the interest rate structure, covenants, and other administrative and structural changes to add flexibility to meet the Company's operational needs on an ongoing basis. Concurrently, the amendment was also executed to support both the issuance of the $350 million senior unsecured notes issued on February 7, 2022 and the repayment of the previous $250 million senior unsecured notes. The Credit Facility term was also extended to April 14, 2025.

   On December 12, 2022, the Company amended the Credit Facility with Scotiabank, CIBC, RBC, HSBC, ATB, BMO, and TD. The amendment included administrative and other structural changes made to support planned future growth. There were no material changes to the Credit Facility's specified-use tranches, interest rates or covenants for disclosure purposes. The Credit Facility term remains until April 14, 2025.

   In addition, on December 12, 2022, the Company executed the accordion feature to increase the revolving credit limit by $50 million, from $225 million.

   In the case of advances under the revolving facility, the margins above the prime rate, banker’s acceptance rate, US base rate or LIBOR rate are subject to a pricing grid based on the then applicable ratio of senior net funded debt to EBITDA. As at December 31, 2022, the Company would have been in the first of five tiers of the pricing grid which provides for advances at the prime rate or US base rate plus 0.75% (2021 - 1.25%) for total of 7.20% (2021 - 3.70%) at December 31, 2022 or at the banker’s acceptance rate or LIBOR rate plus 1.75% (2021 - 2.25%) for total of 6.22% (2021 - 2.69%) at December 31, 2022. The wholesale leasing facilities bear interest rates of Canadian Dollar Offered Rate (“CDOR”) plus 1.75% (2021 - 2.25%) for a total of 6.22% (2021 - 2.69%) as at December 31, 2022. The wholesale floorplan facilities bear interest rates of CDOR plus 1.00% (2021 - 1.05%) for a total of 5.47% (2021 - 1.49%) as at December 31, 2022 except for facility for floorplan of used export vehicles which bears interest rates of CDOR plus 1.25% (2021 - 1.30%) for total of 5.72% (2021 - 1.74%) as at December 31, 2022.

   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 revolving credit facility is 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.

iii. VW Credit Canada, Inc. ("VCCI") provides floorplan financing for new and used vehicles for all of the Company's Volkswagen, Audi, and Porsche dealerships (the "VCCI facilities"). During the second quarter of 2022, amendments were made to include two additional dealerships to the floorplan financing (Audi Windsor and Porsche Center London). This resulted in an amendment to the maximum amount of financing provided by the VCCI facilities to $122,995. As at December 31, 2022, the maximum amount of financing was $122,995 (2021 - $98,545). The VCCI facilities bear interest of RBC prime rate plus 0.00%–0.25% (2021 - 0.00%-0.25%). The RBC prime rate was 6.45% at December 31, 2022 (2021 - 2.45%). The combined total interest rates were 6.45%-6.70% (2021 - 2.45%-2.70%). 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 Services Canada ("BMW Financial"), a division of BMW Canada Inc., provides floorplan financing for new, used and demonstrator vehicles for all of the Company's BMW dealerships (the "BMW Facilities"). During the second quarter of 2022, amendments were made to the maximum advance limit to $118,050. As at December 31, 2022, the maximum advance limit was $118,050 (2021 - $109,550). The BMW Facilities bears interest rate of prime minus 0.40% (2021 - 0.40%) per 360 day annum for a total of 6.05% at December 31, 2022 (2021 - 2.05%). 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 first, second, and third quarters of 2022, amendments were made to the maximum advance limit to $56,000, $50,000, and $55,000 respectively. As at December 31, 2022, the maximum advance limit was $55,000 (2021 - $50,000). The RBC Facilities bear interest rates of RBC's Cost of Funds Rate plus 0.15%-0.40% (2021 - 0.25%-0.50%). The RBC's Cost of Funds Rate was 5.69% as at December 31, 2022 (2021 - 1.21%). The combined total interest rates were 5.84%-6.09% as at December 31, 2022 (2021 - 1.46%-1.71%). 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. General Motors Financial of Canada (the "GM Financial Facilities") provides floorplan financing for new, used, service loaner, and demonstrator vehicles for two of the Company's dealerships. GM Financial Facilities bear interest of prime rate. As at December 31, 2022, the prime rate was 6.45% (2021 - 2.45%) and the maximum amount of financing was $51,300 (2021 - $51,300). The GM Financial Facilities have certain reporting requirements and are collateralized by the new, used, and demonstrator inventory financed by GM Financial and a general security agreement from the Company's two dealerships financed by GM Financial.

vii. Mercedes-Benz Financial provides floorplan financing for new, used and demonstrator vehicles for two of the Company's dealerships (the "Mercedes-Benz Facilities"). During the first quarter of 2022, amendments were made to the maximum advance limit to $65,500. As at December 31, 2022, the maximum amount of financing was $65,500 (2021 - $59,500). The facilities bear interest at CDOR plus 1.75%-2.05% per annum (2021 - 1.75%-2.05%) for total of 6.02%-6.32% (2021 - 2.19%-2.49%). 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 dealerships financed by Mercedes-Benz Financial.

viii. Ally Financial provides U.S. floorplan financing for new, used, and demonstrator vehicles in the Company's U.S dealerships (the "Ally facility"). As at December 31, 2022, the facility limit was $127,500 USD (2021 – $127,500 USD). The Ally facility bears interest at the Ally Bank prime rate. As at December 31, 2022, the Ally prime rate was 7.50% (2021 - 3.25%). 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.

ix. On June 22, 2022, the Company executed a non-recourse mortgage financing with Scotiabank for a previously purchased property in Maple Ridge, BC. The non-recourse mortgage arrangement funds land value as well as construction costs associated with the development of two dealerships. The mortgage is comprised of three facilities with an aggregate $39.0 million limit, at a variable interest rate of prime + 1.50% (combined total rate of 7.95% as at December 31, 2022). The mortgage has a three-year term, twenty-year amortization, and will require monthly interest-only payments until construction is complete. As at December 31, 2022, the Company has drawn $13.6 million on the facilities to fund land value only.

On June 30, 2022, the Company executed two non-recourse mortgage financings with Scotiabank for previously purchased properties in Windsor, ON and London, ON. The $7.1 million and $11.5 million non-recourse mortgage arrangements, respectively, funds land and building value only. The mortgages have a five-year term with a fixed interest rate of 7.07%. The mortgages require quarterly installments of principal and interest based on a twenty-five-year amortization, with the outstanding mortgage balance due at the end of the term.

The underlying real estate is pledged as collateral on the non-recourse mortgages in the amount of the loan, as at December 31, 2022 the NBV of the pledged real estate is $46.9 million.

As at December 31, 2022, $0.7 million (2021 - $nil) of non-recourse mortgage loans is classified as current.

23 Leases

The below table summarizes the right-of-use asset and lease liability movement for the Company's properties:

	December 31, 2022 $	December 31, 2021 $
Right-of-use asset balance, beginning of period	**370,998**	**308,897**
Additions	23,095	17,217
Sublease adjustment	—	(2,016)
Acquisitions (Note 13)	33,205	81,539
Depreciation (Note 8)	(30,781)	(26,420)
Disposals	(3,024)	(7,937)
Effect of foreign currency translation	2,876	(282)
Right-of-use asset balance, end of period	**396,369**	**370,998**

	December 31, 2022 $	December 31, 2021 $
Lease liability balance, beginning of period	**452,817**	**387,929**
Additions	23,095	17,047
Acquisitions (Note 13)	33,205	81,539
Repayments	(56,812)	(48,827)
Interest expense (Note 11)	29,828	23,062
Disposals	(2,930)	(8,429)
Effect of foreign currency translation	5,674	496
Lease liability balance, end of period	**484,877**	**452,817**
Current lease liabilities	27,766	25,602
Long-term lease liabilities	457,111	427,215

For the year ended December 31, 2022, the Company had total cash outflows for leases of $27,214 (2021 - $25,922).

Rent concessions

The Company negotiated certain rent concessions on property leases primarily related to the deferral of rent payments for a three-month period, predominantly during the second quarter of 2020 in exchange for future repayment of the concessions or extensions to the respective lease terms. For the year ended December 31, 2022, the Company did not receive any additional rent concessions and $nil (2021 - $109) remains of the overall negotiated cash deferral of $4,169, which was repaid over various terms ending in 2022.

The optional exemption for all eligible rent concessions has been applied for leases with similar characteristics and the financial impact was nominal to the Consolidated Statements of Comprehensive Income. Certain leases did not meet the criteria for the optional exemption due to substantive lease term extensions.

Other disclosures

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

	2022 $	2021 $
Expenses related to short-term leases (included in Operating expenses)	37	525
Expenses related to leases of low-value assets that are not shown above as short-term leases (included in Operating expenses)	152	76
Income from sub-leasing right-of-use assets (included in Lease and other income, net)	190	215

As at December 31, 2022, potential cash outflows of $635,856 (2021 - $596,394), (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 111,146 (2021 - $98,225).

Leases as lessor

Finance lease

For the year ended December 31, 2022, the Company has sub-leased one property that has been presented as a net investment in lease in Other assets (Note 20) and recognized interest income on lease receivables of $64 (2021 - $16) (Note 11).

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after December 31, 2022:

	Total $
2023	114
2024	117
2025	123
2026	127
2027	133
Thereafter	812
Total undiscounted lease receivable	**1,426**
Unearned finance income	392
Net investment in the lease	**1,034**

24 Derivative financial instruments

Derivative financial instruments are held for the purpose of managing exposure to fluctuations in foreign exchange rates and interest rates.

Foreign exchange risk

The Company uses foreign exchange forward contracts to economically hedge foreign currency risk. These contracts are not designated as hedges for accounting purposes and changes in fair value are immediately recognized in net income.

Interest rate risk

The Company enters into interest rate swaps to hedge the variable rates of a portion of the syndicated floorplan facility and the revolving term facility, transforming the variable rate exposure to fixed rate obligations. Certain interest rate swaps are designated as cash flow hedges and periodically assessed for effectiveness. Where the hedging relationship is assessed as being effective, changes in fair value are recognized in other comprehensive income.

Changes in fair value on derivative instruments not designated as hedging instruments are immediately recognized in net income. These instruments have settlement periods through to June 2025. Changes in the fair value of these instruments will be recorded in Finance costs as the Company has not elected to apply hedge accounting to these contracts.

During the years ended December 31, 2022 and December 31, 2021, there were no changes to the designation of cash flow hedges.

The fair values and notional amounts of derivative financial instruments are as follows:

	Foreign Exchange Forward Contracts	**Interest Rate Swaps**		
	Non-hedges	**Cash flow hedges**	**Non-hedges**	**Total**
December 31, 2022				
Other current assets	—	1,071	—	1,071
Other liabilities - current (Note 26)	155	—	—	155
Derivative financial instruments - assets	—	913	4,057	4,970
Derivative financial instruments - liabilities	—	511	1,428	1,939
Notional values	45,100 USD	97,200 CAD	177,800 CAD	
Maturity	2023	2023 - 2024	2025	
December 31, 2021				
Other liabilities - current (Note 26)	173	284	—	457
Derivative financial instruments - liabilities	—	1,625	6,674	8,299
Notional values	48,200 USD	197,200 CAD	177,800 CAD	
Maturity	2022	2022 - 2024	2025	

The weighted average hedge rate of cash flow hedges was 2.84% (2021 - 2.44%).

Unrealized and realized pre-tax gains and (losses) on derivative instruments recognized in net income and other comprehensive income on the Consolidated Statements of Comprehensive Income are:

	Net income $	Other comprehensive income $	Total $
For the year ended December 31, 2022			
Change in fair value of hedging instruments	—	3,382	3,382
Unrealized change in fair value of non-hedging instruments (Note 11)	9,303	—	9,303
Amortization of terminated hedges (Note 11)	(3,268)	3,268	—
Interest rate swap settlements (Note 11)	(1,084)	—	(1,084)
Change in fair value of foreign exchange forward contracts	18	—	18
Realized loss on foreign exchange forward contracts	(4,429)	—	(4,429)
	540	6,650	7,190
For the year ended December 31, 2021			
Change in fair value of hedging instruments	—	5,612	5,612
Unrealized change in fair value of non-hedging instruments (Note 11)	8,412	—	8,412
Amortization of terminated hedges (Note 11)	(3,268)	3,268	—
Interest rate swap settlements (Note 11)	(7,023)	—	(7,023)
Change in fair value of foreign exchange forward contracts	(539)	—	(539)
Realized gain on foreign exchange forward contracts	216	—	216
	(2,202)	8,880	6,678

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 Company 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 (referred to as "IBOR reform"). 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, while CORRA has been officially announced, it has not been approved and 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. All of the Company's hedging instruments are currently based on CDOR.

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 $1,939 as at December 31, 2022 (2021 - $8,299). There was no ineffectiveness for the year ended December 31, 2022 and 2021.

The Company has evaluated the extent to which its cash flow hedging relationships are subject to uncertainty driven by IBOR reform as at December 31, 2022. As the CDOR rate associated with the derivative financial instrument was still in effect, there was no impact from the IBOR reform.

25 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 12 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.

26 Other liabilities

	December 31, 2022 $		December 31, 2021 $	
	Current	**Long-term**	**Current**	**Long-term**
Equity forward	2,890	6,201	—	6,201
Restructuring charges	1,293	2,693	710	3,731
Derivative financial instruments (Note 24)	155	—	457	—
Other liabilities	4,338	8,894	1,167	9,932

Other long- term liabilities

Equity forward liability

The Company has entered into an 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 Restricted Share Units ("RSUs"), Deferred Share Units ("DSUs"), and Share Appreciation Rights ("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.

During the year ended December 31, 2022, the Company entered into equity forward agreements for a total of 100,000 (2021 - 150,000) outstanding common shares. The equity forward agreements settle on December 27, 2024 and August 28, 2025 for 150,000 and 100,000 common shares, respectively. The Company and the counterparty have the option to settle 100,000 common shares under the equity forward agreement in advance of the contractual settlement date.

The following table shows the change in the equity forward liability for the years ended:

	December 31, 2022		December 31, 2021	
	Number of shares	$	Number of shares	$
Outstanding, beginning of the period	150,000	6,201	329,000	3,466
Acquired	100,000	2,890	150,000	6,201
Exercised	—	—	(329,000)	(3,466)
Outstanding, end of the period	250,000	9,091	150,000	6,201

Restructuring charges

Restructuring charges are related to the voluntary termination of two franchises in year ended December 31, 2019 and the operating costs of the related leased facility, with $1,242 (2021 - $1,736) being utilized and recognized in Operating expenses (Note 8) during the year ended December 31, 2022.

27 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 21 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 Consolidated Statements of Financial Position 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 $4,771 as at December 31, 2022 (2021 - $4,402) 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

As at December 31, 2022, the Company is committed to capital expenditure obligations in the amount of $12,134 (2021 - $2,971) related to dealership relocations, dealership re-imagings, and dealership Open Points with expected completion of these commitments in 2023.

28 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 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 number of RSUs granted is determined based on the grant value divided by the weighted average share price of the Company's simple average share price for the seven days prior to the vesting date. For the year ended December 31, 2022, 23,767 (2021 - 33,549) RSUs were granted at a fair value of $30.34 (2021 - $30.88). The fair value of the RSUs granted is recognized as an expense over the period in which the RSUs are expected to vest.

The RSU Plan settles by way of common shares, based on the Company's volume weighted average share price for the seven days prior to the vesting date. For the year ended December 31, 2022, 178,598 (2021 - 37,626) RSUs were settled, the weighted average share price at the date of exercise was $28.51 (2021 - $33.96).

For the year ended December 31, 2022, 1,391 (2021 - 3,692) RSUs were forfeited, the fair value of the RSUs forfeited in the year was $20.70 (2021 - $10.48).

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

	December 31, 2022	December 31, 2021
	Number of RSUs	Number of RSUs
Outstanding, beginning of the year	308,687	316,456
Settled - equity	(178,598)	(37,626)
Granted	23,767	33,549
Forfeited units	(1,391)	(3,692)
Outstanding, end of the year	152,465	308,687

During the year ended December 31, 2022, 121,267 RSUs 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. For the year ended December 31, 2022, 38,200 (2021 - 15,629) DSUs were granted at a fair value of $28.33 (2021 - $40.83). The fair value is recognized as an expense over the period in which the DSUs are granted.

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.

For the year ended December 31, 2022, 55,422 (2021 - nil) DSUs were settled, the weighted average share price at the date of exercise was $30.44 (2021 - $nil). The weighted average share price value is based on the volume weighted average price of the Company's share price for the five business days prior to the date of settlement.

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

	December 31, 2022 Number of DSUs	December 31, 2021 Number of DSUs
Outstanding, beginning of the year	158,270	142,641
Settled - equity	(55,422)	—
Granted	38,200	15,629
Outstanding, end of the year	141,048	158,270

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, 2022		December 31, 2021	
	Average exercise price per share option $	Share options #	Average exercise price per share option $	Share options #
Outstanding, beginning of the year	13.47	2,745,968	10.06	2,500,000
Granted	22.63	100,000	35.72	345,968
Exercised	10.72	(800,000)	5.20	(33,333)
Forfeited	35.72	(49,424)	5.20	(66,667)
Outstanding, end of the year	14.48	1,996,544	13.47	2,745,968
Vested and exercisable, end of the year	10.03	1,600,000	10.04	2,366,666

No share options expired for the year ended December 31, 2022.

The following table shows the expiry date and exercise price for the share options outstanding as at December 31, 2022:

Grant date	Expiry date	Exercise price $	Share options #
August 14, 2018	August 14, 2028	10.05	1,500,000
August 14, 2019	August 14, 2024	9.72	100,000
December 7, 2021	December 7, 2026	35.72	296,544
December 22, 2022	December 22, 2028	22.63	100,000
Total			1,996,544
Weighted average remaining contractual life of options outstanding, end of the period			5.19 years

The weighted average remaining contractual life for the share options outstanding as at December 31, 2021 was 6.27 years.

For the year ended December 31, 2022, the assessed weighted average fair value at grant date of options granted was $12.66 per option. The fair value at grant date is determined using the Black-Scholes Model that takes into account the exercise price, the expected life of the option, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield of the underlying share and the risk-free interest rate for the term of the option.

The weighted average model inputs for options granted during the year ended December 31, 2022 include:

December 22, 2022 grant

- Options are granted for no consideration and vest based on varying service and market price conditions over a four year period. Vested options are exercisable until December 22, 2028.
- Exercise price: $22.63
- Grant date: December 22, 2022
- Life of option: 6 years
- Share price at grant date: $22.59
- Expected price volatility of the Company's shares: 57.10%
- Expected dividend yield: 0.00%
- Risk-free interest rate: 3.15%

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

During the year ended December 31, 2022, there were expenses of $1,800 (2021 - $479) and $276 recoveries (2021 - $nil).

Share Appreciation Rights (SARs)

The share appreciation rights are designed to enable those granted rights under the plan to participate in the growth and profitability of the Company. Rights granted vest upon certain service and market conditions over a maximum period of four years. Vested rights are exercisable for a maximum period of six years after grant date.

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 SARs for the year ended:

	December 31, 2022		December 31, 2021	
	Weighted average exercise price per share appreciation right $	Share appreciation rights #	Weighted average exercise price per share appreciation right $	Share appreciation rights #
Outstanding, beginning of the year	18.11	389,000	10.27	1,126,950
Granted	31.00	952,000	31.45	143,000
Exercised	10.25	(120,000)	10.62	(839,675)
Forfeited	10.25	(20,000)	6.21	(41,275)
Outstanding, end of the year	29.25	1,201,000	18.11	389,000
Vested and exercisable, end of the year	18.66	94,333	12.17	66,000

No share appreciation rights expired for year ended December 31, 2022.

The weighted average contractual life remaining for these share appreciation rights as at December 31, 2022 is 4.79 years (2021 - 2.81 years).

The assessed weighted average fair value at grant date of the share appreciation rights granted during the year ended December 31, 2022 was $14.75 per option. The fair value at grant date has been determined using the Black-Scholes Model. For certain SARs with market vesting conditions, the fair value at grant date has been determined using an adjusted form of the Black-Scholes Model that takes into account probabilities using the Monte Carlo simulation.

The weighted average model inputs for the share appreciation rights granted during the year ended December 31, 2022 include:

- Rights are granted for no consideration and vest based on varying service and market price conditions over a four year period. Vested rights are exercisable until August 22, 2028.
- Exercise price: $31.00
- Expected life of option: 4.66 years
- Share price at grant date: $28.00
- Expected price volatility of the Company's shares: 56.21%
- Expected dividend yield: 0.00%
- Risk-free interest rate: 3.18%

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.

Used Digital Retail Division

Common interests of the Partnership are granted to dealership management and the Executive Chairman (Note 33) under an equity issuance plan (the "Digital Plan"). This is designed to provide long-term incentives to dealership and related party management to develop and deliver long-term returns on the digital retail initiative (Note 14).

Equity interests are issued under the Digital Plan for the fair value of the interests at grant date and carry no dividend or voting rights. The interests vest in accordance with the terms stated in the initial grant agreements. When exercisable, the consideration paid to the equity interest holders is based on the value of the Partnership on the date of exercise and will be settled in common shares.

The Executive Chair holds a 15% interest, that contains a share-based payment arrangement that vested immediately upon grant, in the Partnership. Share-based compensation expense of $391 (2021 - $224) was recognized in the Consolidated Statements of Comprehensive Income.

Share-Based Compensation Expense

Total expenses net of recoveries arising from share-based payment transactions recognized during the year included in employee costs are as follows:

	2022 **$**	**2021** **$**
Stock options	1,524	479
Restricted share units	937	1,048
Deferred share units	1,082	638
Share appreciation rights	1,867	1,180
Share-based compensation	5,410	3,345
Used digital retail equity issuance (Note 14)	391	224
Share-based compensation expense	5,801	3,569

29 Share capital

Common shares

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

The following table shows the change in common shares held during the years ended:

	December 31, 2022		December 31, 2021	
	Number of common shares	$	Number of common shares	$
Issued, beginning of the period	27,493,016	510,819	27,459,683	510,606
Exercised stock options (Note 28)	800,000	10,496	33,333	213
Shares repurchased and cancelled under SIB	(3,011,558)	(55,533)	—	—
Shares repurchased and cancelled under NCIB	(1,730,321)	(32,089)	—	—
Issued, end of the period	23,551,137	433,693	27,493,016	510,819

Normal Course Issuer Bid

During the year ended December 31, 2022, the Company repurchased and cancelled 1,730,321 common shares (2021 - nil) at an average price of $33.55 per share, with prices ranging from $25.63 to $40.00 under its Normal Course Issuer Bid ("NCIB") for $56,588 net of transaction costs of $17, which have been recorded within share capital. The NCIB was approved by the Board of Directors on December 16, 2021.

On December 22, 2022, the Company received approval from the TSX to renew its NCIB, this renewal follows the conclusion of the previous NCIB. The renewal of the NCIB commenced on December 28, 2022, and will terminate on the earlier of December 27, 2023 and the date on which the maximum number of common shares that can be acquired pursuant to the NCIB have been purchased. Under the renewal NCIB, the Company is authorized to purchase, for cancellation, up to 1,350,048 common shares, representing approximately 10.00% of the 23,551,137 issued and outstanding common shares of the Company as at December 20, 2022. The Company is limited under the NCIB to purchasing no more than 21,695 common shares on any given day, subject to the block purchase exemption under the TSX rules. The renewal of the NCIB was approved by the Board of Directors on December 20, 2022.

Substantial Issuer Bids

On August 15, 2022, the Company completed a Substantial Issuer Bid, by way of a modified Dutch auction, to purchase, for cancellation, the common shares of the Company (the "Offer"). The Company purchased and cancelled 1,159,707 common shares (2021 - nil) at a purchase price of $28.00 per share under the Offer, representing an aggregate purchase price of $32,472 which represents 4.37% of the total issued and outstanding common shares of the Company before giving effect to the Offer. For the year ended December 31, 2022, the Company incurred transaction costs related to the Offer of $24 which have been recorded within share capital. The Offer was approved by the Board of Directors on June 30, 2022.

On December 16, 2022, the Company completed a Substantial Issuer Bid, by way of a modified Dutch auction, to purchase, for cancellation, the common shares of the Company (the "Second Offer"). The Company purchased and cancelled 1,851,851 common shares (2021 - nil) at a purchase price of $27.00 per share under the Second Offer, representing an aggregate purchase price of $50,000 which represents 7.29% of the total issued and outstanding common shares of the Company before giving effect to the Second Offer. For the year ended December 31, 2022, the Company incurred transaction costs related to the Second Offer of $46 which have been recorded within share capital. The Offer was approved by the Board of Directors on November 11, 2022.

Treasury shares

Shares are held in trust to mitigate the risk of future share price increases from the time the equity-settled awards (Note 28) are granted to when they are fully vested and can be exercised. Under the Trust Agreement, the third party trustee will administer the distribution of shares to the beneficiaries upon vesting, as directed by the Company. Dividends earned on the shares held in trust are reinvested to purchase additional shares. No dividends were earned during the year ended December 31, 2022 (2021 - $nil). The shares held in trust are accounted for as treasury shares and are recognized on a first-in-first-out basis upon issuance and presented separately in the Consolidated Statements of Changes in Equity.

The following table shows the change in treasury shares held for the years ended:

	December 31, 2022		December 31, 2021	
	Number of treasury shares	**$**	**Number of treasury shares**	**$**
Outstanding, beginning of the period	(243,306)	(2,440)	(232,980)	(2,494)
Forward share purchase (Note 26)	—	—	(329,000)	(3,631)
Treasury shares settled	194,639	1,768	318,674	3,685
Outstanding, end of the period	(48,667)	(672)	(243,306)	(2,440)

Earnings per share

Basic earnings per share was calculated by dividing earnings attributable to AutoCanada shareholders by the sum of the weighted-average number of common shares outstanding during the period. Basic earnings per share are adjusted by the dilutive impact of all share-based payment plans to calculate the diluted earnings per share.

	2022 $	2021 $
Net income for the year attributable to AutoCanada shareholders	85,436	164,207

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

	2022 $\#$	2021 $\#$
Basic	26,050,206	27,474,106
Effect of dilution from equity forward	67,005	—
Effect of dilution from RSUs	100,393	184,738
Effect of dilution from stock options	1,693,080	1,541,696
Effect of dilution from SARs	323,198	104,752
Diluted	28,233,882	29,305,292

30 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. 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, 2022 $	December 31, 2021 $
Long-term indebtedness (Note 22)	554,351	285,908
Equity	486,797	519,409
	1,041,148	805,317

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 as at December 31, 2022.

Net indebtedness

Net indebtedness is a measure used by management to evaluate the liquidity of the Company. Net indebtedness is calculated as total indebtedness (as shown in the Consolidated Statements of Financial Position), adjusted to remove any associated embedded derivative impacts, less cash and cash equivalents, as follows:

	December 31, 2022 $	December 31, 2021 $
Total indebtedness	555,128	285,908
Embedded derivative asset	—	29,306
Total indebtedness (Note 22)	**555,128**	**315,214**
Cash and cash equivalents	108,301	102,480
Net Indebtedness	**446,827**	**212,734**

31 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 significant 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 and non-hedged interest swaps, 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 $306,250.

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 herein, the indebtedness note (Note 22), and the derivative financial instruments note (Note 24). 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**	
	2022 $	**2021 $**	**2022 $**	**2021 $**
Finance costs	18,217	7,971	9,108	3,986
Finance income	82	16	41	8

Embedded derivative

The early redemption embedded derivative asset on the New Issuance Notes (Note 22) is subject to interest rate risk in the form of impacting the fair market valuation of the embedded derivative recorded. There is no change in fair value based on +/-200 basis or +/-100 basis point change.

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, 2022 and December 31, 2021 and the corresponding historical credit losses experienced within these periods.

The loss allowance for trade receivables as at December 31, 2022 and December 31, 2021 was determined as follows:

	December 31, 2022			**December 31, 2021**		
	Expected loss rate %	**Gross carrying amount - Trade receivables $**	**Expected loss allowance (Note 16) $**	**Expected loss rate %**	**Gross carrying amount - Trade receivables $**	**Expected loss allowance (Note 16) $**
Current	0.02	153,091	31	0.05	97,407	52
31 - 60 days	1.06	17,017	180	2.13	12,471	266
61 - 90 days	2.65	13,315	353	4.82	8,215	395
91 - 120 days	2.82	7,755	219	9.91	2,062	204
> 120 days	3.26	28,318	923	10.25	15,236	1,561
Total		**219,496**	**1,706**		**135,391**	**2,478**

The closing loss allowance for trade receivables reconciles to the opening loss allowance as follows:

	2022 $	2021 $
Balance, January 1	**2,478**	**1,990**
Loan loss allowance recognized in profit or loss during the year	1,273	2,984
Receivables written off during the year	(2,045)	(2,496)
Balance, December 31	**1,706**	**2,478**

The amounts disclosed on the Consolidated Statements of Financial Position for accounts receivable are net of the expected loss allowance, details of which are disclosed in Note 16. 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 Income.

Concentration of cash and cash equivalents exist due to the significant amount of cash held with a Canadian financial institution (refer to Note 15 for further discussion of the Company's concentration of cash held on deposit with the financial institution). The syndicated revolving floorplan facility (Note 22) allows the Company's dealerships to hold excess cash (used to satisfy working capital requirements of the Company's various Original Equipment Manufacturer ("OEM") partners) in an account with the financial institution which bears interest at 5.470% at December 31, 2022 (2021 - 1.488%). 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, 2022, the Company has $95,000 (2021 - $160,000) 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.

	2023 $	2024 $	2025 $	2026 $	Thereafter $	Total $
December 31, 2022						
Trade and other payables	229,696	—	—	—	—	229,696
Revolving floorplan facilities	992,254	—	—	—	—	992,254
Vehicle repurchase obligations	2,277	—	—	—	—	2,277
Indebtedness	880	744	180,744	744	379,003	562,115
Contractual interest payable	33,624	33,518	25,449	22,108	60,167	174,866
Lease liabilities	58,734	56,991	53,974	50,257	547,870	767,826
Derivative financial instruments	2,399	1,143	406	—	—	3,948
	1,319,864	92,396	260,573	73,109	987,040	2,732,982

	2022 $	2023 $	2024 $	2025 $	Thereafter $	Total $
December 31, 2021						
Trade and other payables	189,731	—	—	—	—	189,731
Revolving floorplan facilities	708,561	—	—	—	—	708,561
Vehicle repurchase obligations	3,584	—	—	—	—	3,584
Indebtedness	—	101	65,000	250,000	—	315,101
Contractual interest payable	23,622	23,622	22,380	2,539	—	72,163
Lease liabilities	54,561	53,420	51,656	48,740	534,428	742,805
Derivative financial instruments	3,357	2,860	2,111	428	—	8,756
	983,416	80,003	141,147	301,707	534,428	2,040,701

32 Fair value of financial instruments

The Company's financial instruments as at December 31, 2022 are represented by cash and cash equivalents, trade and other receivables, trade and other payables, other liabilities, revolving and non-revolving floorplan facilities, vehicle repurchase obligations, indebtedness, an embedded derivative, redemption liabilities, and derivative financial instruments.

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

The 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 indebtedness has a carrying value that is not materially different from its fair value.

The embedded derivative (Level 2) included within indebtedness (Note 22) is carried at fair value using the Hull White pricing model.

Derivative financial instruments are made up of interest rate swaps and foreign exchange forward contracts (Level 2). The fair value of both instruments are calculated as the present value of the future cash flows. Both contractually agreed payments and forward 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 (Note 14).

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 on 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.

33 Related party transactions

Transactions with companies controlled by Directors

During the year, there were transactions with companies 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 Chairman who provide consulting services;
- A vehicle wholesale and export business, controlled by the Executive Chairman, that supplies and purchases used vehicle inventory to and from the Company;
- A firm, whose controlling partner is the Executive Chairman, that provides administrative, limited transportation, and other support services; and
- A company that is controlled by a family member of the former President, which provides the sourcing of customer leads.

All significant transactions between AutoCanada and companies related to Directors were reviewed by the Company's Board of Directors and are based on normal commercial terms and conditions. A summary of the transactions are as follows:

	2022 $	**2021 $**
Consulting services, administrative and other support and sourcing fees	2,208	2,175
Used vehicle inventory (sales to) purchases from related parties	199	5,997
	2,407	8,172

Executive Advance

During the year ended December 31, 2021, the Company issued a $2,000 Executive Advance to the former President, collateralized by the former President's outstanding stock options under the Company's existing Stock Option Plan (the "Plan"). The Executive Advance is being repaid on a monthly basis. Interest is payable annually at a rate of 1.00% (2021 - 1.00%). The Executive Advance was considered to represent an advance against share-based compensation secured against the Company's own shares and is treated as an equity instrument rather than an asset of the Company (Note 28).

As at December 31, 2022, $1,624 (2021 - $2,000) of the Executive Advance issued to the former President remains outstanding.

Used Digital Retail Division

The firm controlled by the Executive Chairman hold a 15% common interest in AutoCanada UD LP, a partnership formed as part of the used digital retail strategy (Note 14), which vested at the time of grant (Note 28). Changes in the value of the 15% interest are recorded in Operating expenses. The interest of $1,050 (2021 - $659) is presented in Long-term redemption liabilities on the Consolidated Statements of Financial Position.

Key management personnel compensation

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

	2022 $	**2021 $**
Employee costs (including Directors)	4,808	5,290
Short-term employee benefits	102	67
Partnership interest	391	224
Share-based compensation	1,830	806
	7,131	6,387

34 Net change in non-cash working capital

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

	December 31, 2022 $	December 31, 2021 $
Trade and other receivables	(68,460)	(7,810)
Inventories	(223,908)	(5,055)
Other current assets	824	(1,078)
Trade and other payables	(7,367)	40,594
Revolving floorplan facilities	270,794	(68,469)
Other liabilities	176	(1,589)
Net change in non-cash working capital	(27,941)	(43,407)

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.

35 Segmented reporting

During the year ended December 31, 2022, the Executive Chairman served as the function of the Chief Operating Decision Maker (CODM). The Executive Chairman 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 and related businesses.

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. The segmented information is set out in the following tables:

	Year ended December 31, 2022			Year ended December 31, 2021		
	Canada [1] $	U.S. $	Total $	Canada [1] $	U.S. $	Total $
Revenues						
External revenues	5,129,658	910,961	6,040,619	3,970,517	682,898	4,653,415
Inter-segment revenue	—	—	—	—	—	—
Total revenues	5,129,658	910,961	6,040,619	3,970,517	682,898	4,653,415

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

	Year ended December 31, 2022			Year ended December 31, 2021		
	Canada [1] $	U.S. $	Total $	Canada [1] $	U.S. $	Total $
Operating profit before other income (expense)	203,559	28,296	231,855	192,838	28,736	221,574
Lease and other income, net (Note 10)	10,094	4,207	14,301	8,078	957	9,035
Loss on disposal of assets, net (Note 10)	(296)	—	(296)	(387)	—	(387)
Recoveries of non-financial assets (Note 19)	8,691	—	8,691	39,846	—	39,846
Operating profit	222,048	32,503	254,551	240,375	29,693	270,068
Finance costs (Note 11)			(131,478)			(35,189)
Finance income (Note 11)			4,144			810
Loss on redemption liabilities (Note 14)			(4,829)			(14,116)
Other gains (losses), net			1,496			(353)
Net income for the period before taxation			123,884			221,220

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

	As at December 31, 2022			As at December 31, 2021		
	Canada [1] $	U.S. $	Total $	Canada [1] $	U.S. $	Total $
Segment assets	2,521,158	337,173	2,858,331	1,969,692	288,981	2,258,673
Capital expenditures and acquisition of real estate (Note 18)	51,395	11,802	63,197	28,763	6,408	35,171
Segment liabilities	1,876,726	494,808	2,371,534	1,276,430	462,834	1,739,264

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:

	As at December 31, 2022			As at December 31, 2021		
	Canada [1] $	U.S. $	Total $	Canada [1] $	U.S. $	Total $
New vehicles	1,864,803	295,762	2,160,565	1,639,894	323,987	1,963,881
Used vehicles	2,403,400	466,745	2,870,145	1,675,342	262,199	1,937,541
Parts, service and collision repair	559,277	83,388	642,665	426,927	57,712	484,639
Finance, insurance and other	302,178	65,066	367,244	228,354	39,000	267,354
Total revenue	5,129,658	910,961	6,040,619	3,970,517	682,898	4,653,415

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

36 Reclassification of comparative figures

Certain comparative figures have been reclassified to conform to the current year presentation (Note 8, Note 16, and Note 21).

37 Subsequent events

Amended and Restated Credit Facilities

On February 7, 2023, the Company amended the $1,300 million syndicated credit agreement with Scotiabank, CIBC, RBC, HSBC, ATB, BMO, and TD. The amended facility increases the revolving facility from $275 million to $375 million, increases the wholesale floorplan financing facility from $1,060 million to $1,220 million and maintains a $15 million wholesale leasing facility, for total aggregate bank facilities of $1,600 million. The amendment included the creation of a goodwill tranche concept for the revolving facility and applicable changes to the interest rate structure. The Credit Facility term was also extended to April 15, 2026.

Acquisition of DCCHail

On February 23, 2023, the Company acquired 100% of the shares of 5121175 Manitoba Ltd. ("DCCHail"), a paintless dent repair service provider operating throughout western Canada. The acquisition supports management's strategic objectives of expanding the Company's collision centre capacity. At the time the financial statements were authorized for issue, the Company had not yet completed the accounting for the acquisition of DCCHail.

AutoCanada Inc.
200 - 15511 123 Avenue NW
Edmonton, AB • T5V 0C3 www.autocan.ca