AutoCanada

Annual
Financial Results

autocan.ca

2023

Consolidated Financial Statements

For the year ended December 31, 2023

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, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of comprehensive income for the years ended December 31, 2023 and 2022;
- the consolidated statements of financial position as at December 31, 2023 and 2022;
- 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, comprising material accounting policy information 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.

PricewaterhouseCoopers LLP
Stantec Tower, 10220 103 Avenue NW, Suite 2200, Edmonton, Alberta, Canada T5J 0K4
T: +1 780 441 6700, F: +1 780 441 6776, ca_edmonton_main_fax@pwc.com

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, 2023. 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 and recoveries of intangible assets in the Canadian Operations segment *Refer to note 3 – Material accounting policy information, note 5 – Critical accounting estimates and note 19 – Intangible assets and goodwill to the consolidated financial statements.* The Company had intangible assets of $682,137 thousand as at December 31, 2023, 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 they may be impaired. For the purposes of assessing impairment, assets are grouped as cash generating units (CGUs), the lowest level for which there are separately identifiable cash flows. An impairment is recorded when the recoverable amounts of assets are less than their carrying amounts. The recoverable amount of each CGU is based on the higher of fair value less costs 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 consideration. 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 operating margins, growth rates and EBITDA multiples as significant assumptions.	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 operating margins, growth rates and discount 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
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, the net recoveries of impairment for the year ended December 31, 2023 were $3,538 thousand, comprised of $5,669 thousand of recoveries of impairment net of an impairment charge of $2,131 thousand, both allocated to indefinite-lived intangible assets in the Canadian Operations segment. We considered 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 CGUs, 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.

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 Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 6, 2024

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, 2023 $	December 31, 2022 $
Revenue (Note 6)	6,436,803	6,040,619
Cost of sales (Note 7)	(5,315,016)	(4,997,746)
Gross profit	1,121,787	1,042,873
Operating expenses (Note 8)	(915,263)	(811,018)
Operating profit before other income	206,524	231,855
Lease and other income (Note 10)	13,156	14,301
Gain (loss) on disposal of assets, net (Note 10)	422	(296)
Recoveries of non-financial assets (Note 19)	3,538	8,691
Operating profit	223,640	254,551
Finance costs (Note 11)	(145,939)	(131,478)
Finance income (Note 11)	3,346	4,144
Gain (loss) on redemption liabilities (Note 14)	3,639	(4,829)
Other (losses) gains, net	(321)	1,496
Income for the year before taxation	84,365	123,884
Income tax expense (Note 12)	30,584	32,824
Net income for the year	53,781	91,060
Other comprehensive income (loss)		
Items that may be reclassified to profit or loss		
Foreign operations currency translation	6,489	6,505
Change in fair value of cash flow hedge (Note 24)	1,800	6,650
Income tax relating to these items	(458)	(1,688)
Other comprehensive income for the year, net of tax	7,831	11,467
Comprehensive income for the year	61,612	102,527
Net income for the year attributable to:		
AutoCanada shareholders	50,490	85,436
Non-controlling interests	3,291	5,624
	53,781	91,060
Comprehensive income for the year attributable to:		
AutoCanada shareholders	58,321	96,903
Non-controlling interests	3,291	5,624
	61,612	102,527
Net income per share attributable to AutoCanada shareholders:		
Basic	2.14	3.28
Diluted	2.06	3.03
Weighted average shares		
Basic (Note 29)	23,561,236	26,050,206
Diluted (Note 29)	24,450,681	28,233,882

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

Approved on behalf of the Company

(signed) Paul W. Antony — **Paul W. Antony, Director**

(signed) Barry L. James — **Barry L. James, Director**

AutoCanada Inc.

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

	December 31, 2023 $	December 31, 2022 $
ASSETS		
Current assets		
Cash	103,146	108,301
Trade and other receivables (Note 15)	222,076	217,790
Inventories (Note 16)	1,154,311	979,540
Current tax recoverable	22,187	—
Other current assets (Note 20)	15,718	10,142
Assets held for sale (Note 17)	22,152	—
	1,539,590	1,315,773
Property and equipment (Note 18)	378,269	345,592
Right-of-use assets (Note 23)	405,105	396,369
Other long-term assets (Note 20)	16,708	17,298
Deferred income tax (Note 12)	35,444	40,984
Derivative financial instruments (Note 24)	3,920	4,970
Intangible assets (Note 19)	682,137	659,261
Goodwill (Note 19)	98,266	78,084
	3,159,439	2,858,331
LIABILITIES		
Current liabilities		
Trade and other payables (Note 21)	238,427	229,696
Revolving floorplan facilities (Note 22)	1,174,595	992,254
Current tax payable	—	13,952
Vehicle repurchase obligations (Note 25)	1,982	2,277
Indebtedness (Note 22)	744	777
Lease liabilities (Note 23)	28,411	27,766
Redemption liabilities (Note 14)	22,580	26,219
Other liabilities (Note 26)	12,325	4,338
	1,479,064	1,297,279
Long-term indebtedness (Note 22)	562,178	554,351
Long-term lease liabilities (Note 23)	469,013	457,111
Long-term redemption liabilities (Note 14)	25,000	1,050
Derivative financial instruments (Note 24)	2,219	1,939
Other long-term liabilities (Note 26)	1,368	8,894
Deferred income tax (Note 12)	55,768	50,910
	2,594,610	2,371,534
EQUITY		
Attributable to AutoCanada shareholders	534,847	457,899
Attributable to non-controlling interests	29,982	28,898
	564,829	486,797
	3,159,439	2,858,331

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 Year Ended
(in thousands of Canadian dollars)

	Attributable to AutoCanada shareholders									
	Share capital $	**Treasury shares $**	**Contributed surplus (deficit) $**	**Share repurchase (deficit) (Note 29) $**	**Cumulative translation adjustment $**	**OCI hedge reserve $**	**Retained earnings $**	**Total capital $**	**Non-controlling interests $**	**Total equity $**
Balance at December 31, 2022 as originally presented	**433,693**	**(672)**	**(64,743)**	**—**	**1,400**	**(1,187)**	**89,408**	**457,899**	**28,898**	**486,797**
Reclassification of share repurchase (deficit)	—	—	51,525	(51,525)	—	—	—	—	—	—
Balance, January 1, 2023	**433,693**	**(672)**	**(13,218)**	**(51,525)**	**1,400**	**(1,187)**	**89,408**	**457,899**	**28,898**	**486,797**
Net income	—	—	—	—	—	—	50,490	50,490	3,291	53,781
Other comprehensive income	—	—	—	—	6,489	1,342	—	7,831	—	7,831
Dividends paid by subsidiaries to non-controlling interests	—	—	—	—	—	—	—	—	(3,595)	(3,595)
Non-controlling interests arising on acquisition	—		—		—	—	—	—	1,388	1,388
Forward share purchase (Note 26)	—	—	(1,972)	—	—	—	—	(1,972)	—	(1,972)
Purchase of UD LP Minority Interest (Note 14)	—	—	13,831	—	—	—	—	13,831	—	13,831
Repayment of Executive Advance (Note 33)	—	—	1,624	—	—	—	—	1,624	—	1,624
Settlement of share-based awards (Note 29, 28)	939	—	(1,473)	—	—	—	—	(534)	—	(534)
Treasury shares acquired (Note 29)	—	(47)	—	—	—	—	—	(47)	—	(47)
Deferred tax on share-based payments	—	—	(760)	—	—	—	—	(760)	—	(760)
Shares settled from treasury (Note 29)	—	400	(400)	—	—	—	—	—	—	—
Share-based compensation (Note 28)	—	—	6,485	—	—	—	—	6,485	—	6,485
Balance, December 31, 2023	**434,632**	**(319)**	**4,117**	**(51,525)**	**7,889**	**155**	**139,898**	**534,847**	**29,982**	**564,829**

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

AutoCanada Inc.

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

	Attributable to AutoCanada shareholders								
	Share capital $	Treasury shares $	Contributed surplus (deficit) $	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 income	—	—	—	6,505	4,962	—	11,467	—	11,467
Dividends paid by subsidiaries to non-controlling interests	—		—	—	—	—	—	(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	—	—	(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 29, 28)	10,496	—	(5,101)	—	—	—	5,395	—	5,395
Deferred tax on share-based payments	—	—	(2,401)	—	—	—	(2,401)	—	(2,401)
Shares settled from treasury (Note 29)	—	1,768	(1,768)	—	—	—	—	—	—
Share-based compensation (Note 28)	—	—	5,410	—	—	—	5,410	—	5,410
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 Cash Flows
For the Years Ended
(in thousands of Canadian dollars)

	December 31, 2023 $	December 31, 2022 $
Cash provided by (used in):		
Operating activities		
Net income for the year	53,781	91,060
Adjustments for:		
Income tax expense (Note 12)	30,584	32,824
Finance costs (Note 11) [1]	145,939	131,478
Depreciation of right-of-use assets (Note 23)	33,443	30,781
Depreciation of property and equipment (Note 18)	25,030	20,852
Amortization of intangible assets (Note 19)	529	374
(Gain) loss on disposal of assets and lease terminations, net (Note 10)	(422)	296
Share-based compensation (Note 28)	6,485	5,410
Share-based compensation - Used Digital Division (Note 14, 28)	36,725	391
Unrealized fair value changes on foreign exchange forward contracts (Note 24)	(2,267)	(18)
Revaluation of redemption liabilities (Note 14)	(3,639)	4,829
Recoveries of non-financial assets (Note 19)	(3,538)	(8,691)
Net change in non-cash working capital (Note 34) [1]	(3,552)	(28,089)
	319,098	281,497
Income taxes paid	(58,371)	(33,114)
Interest paid [1]	(140,292)	(97,144)
Settlement of share-based awards, net	(901)	(3,641)
	119,534	147,598
Investing activities		
Business acquisitions, net of cash acquired (Note 13)	(47,027)	(174,882)
Purchases of property and equipment (Note 18)	(77,416)	(52,667)
Additions to intangible assets (Note 19)	(2,102)	—
Settlement of prior year business acquisitions	817	(598)
Proceeds on sale of property and equipment	299	123
	(125,429)	(228,024)
Financing activities		
Proceeds from indebtedness	674,560	1,010,006
Repayment of indebtedness	(669,334)	(770,064)
Repayment of executive advance (Note 33)	1,624	376
Repurchase of common shares under Normal Course Issuer Bid (Note 29)	—	(56,605)
Shares settled from treasury (Note 29)	353	1,768
Proceeds from exercise of stock options, net	279	8,573
Settlement of Substantial Issuer Bids (Note 29)	—	(82,542)
Dividends paid to non-controlling interests	(3,595)	(3,247)
Proceeds from sale of equity interest in 15154871 Canada Inc. (Note 14)	25,000	—
Settlement of redemption liabilities	(1,444)	—
Repayment of loan by non-controlling interests	3,083	2,162
Principal portion of lease payments (Note 23)	(28,828)	(27,214)
	1,698	83,213
Effect of exchange rate changes on cash	(958)	3,034
Net (decrease) increase in cash	(5,155)	5,821
Cash at beginning of year	108,301	102,480
Cash at end of year	103,146	108,301

[1] *Certain prior year figures have been reclassified to conform to the current year presentation (Note 36)*

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 annual consolidated financial statements ("Annual Financial Statements") have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

The preparation of Annual Financial Statements in accordance with IFRS Accounting Standards requires the use of certain critical accounting estimates. The areas where assumptions and estimates are significant to the Annual Financial Statements are described in Note 5.

These Annual Financial Statements were approved by the Board of Directors on March 6, 2024.

3 Material accounting policy information

The significant accounting policies used in the preparation of these Annual Financial Statements are as follows:

Basis of measurement

The Annual 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 Annual Financial Statements comprise the financial statements of AutoCanada and its subsidiaries. Subsidiaries are all entities over which the Company has control. The Company uses judgment in determining the entities that it controls and therefore consolidates. Judgment is also 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.

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.

Non-controlling interests issued in subsidiaries of the Company are recognized at their proportionate share at the date of issuance.

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.

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, outside of a business combination, that affect neither accounting nor taxable profit and do not give rise to equal taxable and deductible temporary differences.

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

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

The Company's financial assets, including cash, trade and other receivables, and other assets are measured at amortized cost.

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. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the Company considered both quantitative and qualitative factors in determining whether such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the Consolidated Statements of Comprehensive Income.

Cash

Cash includes cash on hand, highly liquid investment grade short-term investments with maturities of three months or less and other liquid deposits held with financial institutions.

Trade and other receivables

Trade and other receivables are amounts due from customers, financial institutions and suppliers that arise from providing services or sale of goods in the ordinary course of business. Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. The Company applies the simplified approach to measuring expected credit losses, which uses a lifetime expected credit loss allowance for all trade receivables. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized as an operating expense in the Consolidated Statements of Comprehensive Income.

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 seasonality, 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 40 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

(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 are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. 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) Software as a Service (SaaS)

Service fees associated with SaaS arrangements are recognized as an expense in the period that they are incurred, unless it can be determined that the terms of the service arrangement provide the Company with an identifiable asset. Costs that are incurred that are directly relatable to configuration or customization of such SaaS arrangements are also assessed for whether they meet the definition of an asset, those that do not meet the criteria are expensed as incurred or expensed over the term of the contract if they are not able to be separately identified from the SaaS arrangement.

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.

Leases

(a) The Company as a lessee

The Company leases various properties with agreements ranging from 1 to 25 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 right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line 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.

(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.

(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. Put options that are not exercisable for at least one year from the Consolidated Statements of Financial Position date are presented as long-term redemption liabilities.

Share-based payments

The Company operates a number of share-based compensation plans for the benefit of certain employees and 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 of U.S dollars into the reporting currency of Canadian dollars upon consolidation. Assets and liabilities have been translated to the reporting currency of Canadian dollars 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 exchange 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

The Company's Chief Operating Decision Maker ("CODM") is identified as the Executive Chair and is responsible for allocating resources and assessing the performance of each dealership. Supporting the CODM is the President, North American Operations, who reports 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 and related businesses, 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.

4 New and amended accounting standards issued

Accounting standards and amendments issued and adopted in 2023

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 ("IAS 12) 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 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.

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

In February 2021, International Accounting Standards Board ("IASB") amended IAS 1 Presentation of financial statements ("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.

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 ("IAS 8") 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.

IAS 12 on Global implementation of Pillar Two taxes (Amendment to IAS 12)

In December 2021, the Organization for Economic Co-operation and Development (OECD) released the Pillar Two model rules (the Global Anti-Base Erosion Proposal, or 'GloBE') to reform international corporate taxation. Large multinational enterprises within the scope of the rules are required to calculate their GloBE effective tax rate for each jurisdiction where they operate. They will be liable to pay a top-up tax for the difference between their GloBE effective tax rate per jurisdiction and the 15% minimum rate.

In May 2023, the IASB made narrow-scope amendments to IAS 12 which provide a temporary relief from the requirement to recognize and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules, including tax law that implements qualified domestic minimum top-up taxes described in those rules. The amendments also require affected companies to disclose:

- The fact that they have applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes,
- Their current tax expense (if any) related to the Pillar Two income taxes, and
- During the period between the legislation being enacted or substantially enacted and the legislation becoming effective, known or reasonably estimable information that would help users of financial statements to understand an entity's exposure to Pillar Two income taxes arising from that legislation. If this information is not known or reasonably estimable, entities are instead required to disclose a statement to that effect and information about their progress in assessing the exposure.

The amendments listed above did not have a material impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods. Based on the analysis of the Company operations, the Company does not expect a significant exposure to Pillar Two income taxes.

Accounting standards and amendments issued but not yet adopted in 2023

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, 2023, and have not been applied in the preparation of these Annual Financial Statements.

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

Non-current liabilities with covenants and classification of liabilities as current or non-current (Amendments to IAS 1)

In October 2022, IASB issued amendments to IAS 1 to further clarify the earlier amendments, stating that liabilities are classified as either current or non-current based on the rights that exist at the end of a reporting period. Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. Only those covenants that must be complied with as at or before the reporting date will affect classification, even if the covenant is tested for compliance after the reporting date. Additional disclosures are required in the instances that a company classifies a liability as non-current and that liability is subject to covenants that must be complied with within 12 months of the reporting date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, these amendments are to be applied retrospectively in accordance with IAS 8, with early adoption permitted. The Company is assessing the potential impact of this standard.

Lease liability in a sale and leaseback (Amendments to IFRS 16)

In September 2022, narrow-scope amendments to IFRS 16 Leases ("IFRS 16") were made, finalizing requirements on how a company accounts for sale and leaseback transactions, specifically addressing treatment after the date of transaction. These amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines the "lease payments" and ''revised lease payments" in a manner preventing the seller-lessee from recognizing any amount of the gain or loss related to the right of use retained. This may particularly affect transactions where lease payments encompass variable payments that do not use an index or a rate.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, these amendments are to be applied retrospectively in accordance with IAS 8, with early adoption permitted. The Company is assessing the potential impact of this standard.

Supplier finance arrangements (Amendments to IAS 7 and IFRS 7)

Amendments to IAS 7 and IFRS 7 were made in August 2023, requiring new disclosures related to supplier finance arrangements ("SFA's") with the objective to provide information about SFAs that enables investors to assess the effects on a company's liabilities, cash flows and exposure to liquidity risk. Further, these amendments specify the terms and conditions of SFAs that these new disclosures requirements are within scope for.

The IASB has provided transitional relief by not requiring disclosures on comparative information in the first year of adoption and also, not requiring disclosure of specified opening balances. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. The Company is assessing the potential impact of this standard.

5 Critical accounting estimates

The preparation of Annual 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 Statements 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 market data 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 seasonality, 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

	2023 $	2022 $
New vehicles	2,554,227	2,160,565
Used vehicles	2,726,476	2,870,145
Parts, service and collision repair	782,326	642,665
Finance, insurance and other	373,774	367,244
Revenue	6,436,803	6,040,619

7 Cost of sales

	2023 $	2022 $
New vehicles	2,331,387	1,941,253
Used vehicles	2,597,263	2,748,846
Parts, service and collision repair	365,300	289,153
Finance, insurance and other	21,066	18,494
Cost of sales	5,315,016	4,997,746

8 Operating expenses

	2023 $	2022 $
Employee costs (Note 9)	583,553	520,515
Government assistance	—	(264)
Administrative costs [1]	264,973	234,742
Expected credit losses on trade and other receivables	2,583	1,273
Facility lease costs	5,152	2,745
Depreciation of right-of-use assets (Note 23)	33,443	30,781
Depreciation of property and equipment (Note 18)	25,030	20,852
Amortization of intangible assets (Note 19) [1]	529	374
Operating expenses	915,263	811,018

1 Reclassification of comparative figure for presentation purposes. The Company previously included amortization of intangibles assets in administrative expenses. Prior year comparative has been revised by reclassifying $374 out of administrative costs and presented on a separate line.

9 Employee costs

Operating expenses incurred in respect of employees were as follows:

	2023 $	2022 $
Wages, salaries and commissions	478,637	461,260
Withholding taxes and insurance	33,970	27,182
Employee benefits	27,340	23,593
Share-based compensation (Note 28)	43,210	5,801
Other benefits	396	2,679
Employee costs	583,553	520,515

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

	2023 $	2022 $
Lease and other income		
Lease and rental income	8,824	8,083
Other income	4,332	6,218
	13,156	14,301
Gain (loss) on disposal of assets, net		
Gain on lease terminations, net	328	—
Gain (loss) on disposals of property and equipment, net	94	(296)
	422	(296)

11 Finance costs and finance income

	2023 $	2022 $
Finance costs		
Interest on long-term indebtedness	40,911	29,325
Interest on lease liabilities (Note 23)	33,019	29,828
Loss on extinguishment of debt (Note 22)	1,382	9,860
Unrealized fair value changes on non-hedging instruments (Note 24)	928	(9,303)
Amortization of terminated hedges (Note 24)	3,067	3,268
Loss on extinguishment of embedded derivative	—	29,306
	79,307	92,284
Floorplan financing	68,596	33,644
Interest rate swap settlements (Note 24)	(6,624)	1,084
Other finance costs	4,660	4,466
	145,939	131,478
Finance income		
Interest on net investment in lease (Note 23)	61	64
Short-term bank deposits	3,285	4,080
	3,346	4,144

12 Taxation

Reconciliation of effective income tax rate for the year ended December 31, 2023 is as follows:

	2023 $	2022 $
Income for the year before tax	84,365	123,884
Income for the year before tax multiplied by the blended rate of Canadian corporate tax of 25.4% (2022 - 25.5%)	21,429	31,590
Effects of:		
Tax losses and deductible temporary differences not recognized	452	(1,810)
Adjustment in respect of prior years	123	(709)
Impact of non-deductible and other permanent items	8,341	3,327
Impact of recovery of non-financial assets	(225)	(500)
Impact of change in substantively enacted rates	18	(268)
Foreign and other statutory income tax rate differentials	198	1,223
Other, net	248	(29)
Income tax expense	30,584	32,824
Effective income tax rate	36.3 %	26.5 %

Segmented components of income tax:

	2023 $	2022 $
Canada	21,964	40,347
U.S.	(115)	3,198
Current income tax expense	21,849	43,545
Canada	8,735	(10,721)
U.S.	—	—
Deferred income tax expense	8,735	(10,721)
Total income tax expense	30,584	32,824

Components of deferred income tax:

	2023 $	2022 $
Deferred tax asset	35,444	40,984
Deferred tax liability	(55,768)	(50,910)
Net deferred tax liability	(20,324)	(9,926)

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

Deferred tax assets (liabilities)	Deferred income from partnerships $	Property and equipment $	Intangible assets and goodwill $	Right-of-use assets net of lease liabilities $	Derivative financial instruments $	Non-capital losses $	Share-based payments $	Other $	Total $
January 1, 2022	(14,422)	668	(28,577)	10,887	(6,471)	16,810	4,537	3,635	(12,933)
Benefit (expense) 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 (deficit)	—	—	—	—	—	—	(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)
(Expense) benefit charged to income taxes	(2,173)	(703)	(3,113)	1,886	(320)	(4,249)	1,015	(1,078)	(8,735)
Amounts charged to other comprehensive income	—	—	—	—	(458)	—	—	—	(458)
Amounts charged to contributed surplus (deficit)	—	—	—	—	—	—	(760)	—	(760)
Acquisition of subsidiaries (Note 13)	—	(151)		—	—	—	—	—	(151)
Other	—	25	(314)	—	—	—	—	(5)	(294)
December 31, 2023	(6,779)	(1,587)	(40,979)	14,732	(3,987)	10,957	2,032	5,287	(20,324)

Changes in the deferred income tax components are adjusted through deferred tax expense. Of the above components of the deferred income tax (liability) asset, ($6,779) (2022 - $(4,606)) is expected to be recovered within 12 months.

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

	2023 $	2022 $
Total U.S. deductible temporary differences	128,543	129,385
Less:		
U.S. unrecognized deductible temporary differences, other than tax losses	(25,637)	(46,722)
U.S. unrecognized tax losses	(56,521)	(35,162)
Total unrecognized deductible temporary differences	(82,158)	(81,884)
Total recognized deductible temporary differences relating to the U.S Operations	46,385	47,501
Recognized deferred tax asset	13,226	13,544

As at December 31, 2023, the Company has recognized the benefit of $46,385 (2022 - $47,501) 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 $56,521 and $71,989, respectively (2022 - $35,162 and $52,797). The federal losses can be carried forward indefinitely, while the state losses expire, between 2038 and 2043.

The Company also has Canadian non-capital losses of $45,619 (2022 - $64,523) available to reduce future taxable income, until their expiry between 2032 and 2043.

13 Business acquisitions

During the year ended December 31, 2023, the Company completed the following business acquisitions that have been accounted for using the acquisition method.

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.

Acquisition of Premier Chevrolet Cadillac Buick GMC Dealership and Collision Centre

On April 17, 2023, the Company acquired substantially all of the assets of Premier Chevrolet Cadillac Buick GMC Dealership and Collision Centre in Windsor, Ontario. The acquisition supports management's strategic objectives of further expanding the Company's automobile dealership presence and collision capacity in the province of Ontario.

Acquisition of London Auto Collision Limited

On May 1, 2023, the Company acquired 100% of the shares of London Auto Collision Limited, a collision centre located in London, Ontario. The acquisition supports management's strategic objectives of expanding the Company's collision centre capacity.

Summary of acquisitions

The estimated provisional purchase price allocations, which are subject to the finalization of the valuation of acquired assets and assumed liabilities, of the business acquisitions completed during the year ended December 31, 2023 are summarized as follows:

	Total $
Current assets	
Cash	1,124
Trade and other receivables	1,828
Inventories	5,388
	8,340
Long-term assets	
Property and equipment	6,751
Right-of-use assets	6,205
Intangible assets	18,940
Total assets	40,236
Current liabilities	
Trade and other payables	1,495
Revolving floorplan facilities	—
Lease liabilities	149
Other liabilities	517
	2,161
Long-term liabilities	
Lease liabilities	6,056
Deferred income tax	151
Total liabilities	8,368
Net identifiable assets acquired	31,868
Goodwill	16,283
Total net assets acquired	48,151
Total consideration	48,151

The goodwill is attributable to the workforce, synergies from combining operations of the acquirees and profitability of the acquired businesses. Goodwill of $101 is deductible for tax purposes.

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

The results of operations of the acquired entities are included in the Consolidated Statements of Comprehensive Income 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 $75,123 of revenue and $2,950 of net income to the Consolidated Statements of Comprehensive Income for the period ended December 31, 2023. Had the acquisitions occurred at January 1, 2023, consolidated pro-forma revenue and net income for the period ended December 31, 2023 would have been $6,464,694 and $53,625 respectively.

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, 2023.

Transaction costs of $357 have been expensed and recorded in operating expenses.

Prior year business acquisitions

For the year ended December 31, 2023, the provisional amounts previously disclosed were finalized as follows:

- Cash consideration increased by $146
- Trade and other receivables decreased by $3,494
- Inventory increased by $477
- Property, plant, and equipment decreased by $209
- Goodwill increased by $3,755
- Trade and other payables increased by $262
- Deferred tax liabilities increased by $119

The above changes were adjusted prospectively in the 2023 financial statements.

Acquisitions in 2022 prior to adjustments of provisional amounts

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 acquisition 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 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 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, 2023. 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 acquired assets and assumed liabilities, of the business acquisitions completed during the year ended December 31, 2022 are summarized as follows:

	Dealership Acquisitions $	Used Digital Division Acquisitions $	Collision Centre Acquisitions $	Total Acquisitions $
Current assets				
Cash	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	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

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.

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

The results of operations of the acquired entities are included in the Consolidated Statements of Comprehensive Income 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 year ended December 31, 2022. Had the acquisitions occurred at January 1, 2022, consolidated pro-forma revenue and net income for the year 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.

Transaction costs of $773 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
Ericksen M-B Ltd.	Alberta	10 %	10 %
GI G Auto HoldCo Inc.	British Columbia	10 %	10 %
WBG Auto HoldCo Ltd.	Manitoba	10 %	10 %
WAM Motors LP	Manitoba	5 %	5 %
Brantford Auto LP	Ontario	10 %	10 %
PCCBG Auto HoldCo Inc.	Ontario	5 %	5 %
15154871 Canada Inc.	Ontario	10 %	— %
AutoCanada C Holdings Inc.	Quebec	15 %	15 %
Canbec Automobile Inc.	Quebec	15 %	15 %
156023 Canada Inc.	Quebec	— %	— %
Auto Bugatti Inc.	Quebec	25 %	25 %
RS M Motors LP	Quebec	5 %	5 %
NBFG Auto Holdco Inc..	Saskatchewan	5 %	5 %
2282239 Alberta Ltd.	Saskatchewan	10 %	10 %
2282237 Alberta Ltd.	Saskatchewan	10 %	10 %

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).

Used Digital 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 used digital strategy. 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.

On December 27, 2023, the Company sold a 10% equity interest in 15154871 Canada Inc., a newly formed subsidiary of the Partnership, that will sell finance, insurance, and warranty products to buyers of private owner-sold vehicles on Kijiji's online marketplaces (the "Online C2C F&I Business") for $25,000 to a non-controlling shareholder. The arrangement contains put options whereby the non-controlling shareholder is able to sell its shares back to the Company. The 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. The arrangement also contains a call option whereby the Company is able to purchase the shares from the non-controlling shareholder at the higher of $75,000 and the fair value of such shares. The call option is recognized as a financial asset, measured at fair value on the Consolidated Statements of Financial Position. The fair value is determined based on the equity value of the related subsidiary. The fair value of the call option and associated financial asset has been determined as $nil as at December 31, 2023, as a result of the investment in the Online C2C F&I Business.

On December 27, 2023, the Company completed the purchase of the minority 19.1% interest (the "UD LP Minority Interest") in the Partnership from the company controlled by the Executive Chair and dealership management. The aggregate purchase consideration of $37,775 consisted of $23,944 in cash, funded from the proceeds of the Online C2C F&I Business investment, $7,500 in stock units, and $6,331 in performance share units (Note 28). The fair value of the transaction was determined to be $37,775.

The share-based payment arrangement contained in the equity interests held by the company controlled by the Executive Chair and dealership management were modified concurrent with the purchase of the UD LP Minority Interest (the "Digital Plan Modifications"). The $36,725 change in fair value of the put options and associated redemption liabilities held by the UD LP Minority Interest was recognized in share-based compensation expense (Note 28).

The fair value of the put options and associated redemption liabilities has been determined as $25,000 (2022 - $1,050) as at December 31, 2023, as a result of the investment in the Online C2C F&I Business.

Other Redemption liabilities

Certain NCI entities 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 aggregate redemption liabilities is summarized as follows:

	December 31, 2023 $	**December 31, 2022 $**
Beginning of period	**27,269**	**22,332**
Additions in the year	25,000	—
Adjustment to fair value - Used Digital Division (Note 28)	36,725	391
Derecognition on settlement	(37,775)	(283)
Adjustment to fair value - other	(3,639)	4,829
End of period	**47,580**	**27,269**
Current redemption liabilities	22,580	26,219
Long-term redemption liabilities	25,000	1,050

15 Trade and other receivables

	December 31, 2023 $	**December 31, 2022 $**
Trade receivables	185,919	162,118
Sales tax receivable	25,341	44,256
Other receivables	14,064	13,122
	225,324	219,496
Less: Expected loss allowance (Note 31)	(3,248)	(1,706)
Trade and other receivables	222,076	217,790

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.

16 Inventories

	December 31, 2023 $	December 31, 2022 $
New vehicles	542,978	327,866
Demonstrator vehicles	78,092	65,994
Used vehicles	475,126	533,024
Parts and accessories	58,115	52,656
Inventories	1,154,311	979,540

Amounts recognized in the Consolidated Statements of Comprehensive Income:

	December 31, 2023 $	December 31, 2022 $
Inventory expensed as cost of sales	5,243,142	4,896,720
Writedowns on vehicles included in cost of sales	13,008	29,051
Demonstrator expenses included in administrative costs	13,406	11,228

For the year ended December 31, 2023, 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 and seasonality.

17 Assets held for sale

Land and buildings

As a result of a settlement agreement announced on September 8, 2023, the Company has committed to sell specific land and buildings in British Columbia and Alberta, which are included in the Canadian Operations segment. The net assets have been reclassified as held for sale in these Consolidated Statements of Financial Position

As at December 31, 2023, assets held for sale in the Canadian Operations segment include land and buildings of $22,152 (2022 - $nil).

18 Property and equipment

	Company & lease vehicles $	Leasehold improvements $	Machinery & equipment $	Land & buildings[1, 2] $	Furniture, fixtures & other $	Computer equipment $	Total $
Cost:							
January 1, 2022	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)
Transfer 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
Capital expenditures	—	24,421	6,530	25,807	2,948	3,349	63,055
Business combinations (Note 13)	2,994	393	3,304	—	55	5	6,751
Acquisition of real estate	—	—	—	7,659	—	—	7,659
Disposals	—	(721)	(549)	(581)	(67)	(2,192)	(4,110)
Prior year business acquisitions (Note 13)	207	(11)	(791)	—	—	—	(595)
Transfers to assets held for sale	—	—	—	(29,891)	—	—	(29,891)
Transfers from inventory, net	13	—	—	—	—	—	13
Foreign currency translation	(156)	(129)	(181)	(436)	(71)	(32)	(1,005)
December 31, 2023	**44,097**	**104,559**	**54,192**	**249,900**	**24,757**	**14,685**	**492,190**
Accumulated depreciation:							
January 1, 2022	(6,985)	(20,026)	(19,810)	(23,345)	(9,555)	(7,508)	(87,229)
Depreciation (Note 8)	(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)
Depreciation (Note 8)	(5,774)	(4,447)	(5,091)	(5,307)	(2,707)	(1,704)	(25,030)
Disposals	—	544	441	591	93	2,133	3,802
Prior year business acquisitions (Note 13)	—	—	386	—	—	—	386
Transfers to assets held for sale	—	—	—	7,739	—	—	7,739
Transfers to inventory, net	3,694	—	—	—	—	—	3,694
Foreign exchange	17	19	97	6	44	26	209
December 31, 2023	**(10,612)**	**(27,223)**	**(28,657)**	**(24,941)**	**(13,745)**	**(8,743)**	**(113,921)**
Carrying amount:							
December 31, 2022	**32,490**	**57,267**	**21,389**	**219,372**	**10,717**	**4,357**	**345,592**
December 31, 2023	**33,485**	**77,336**	**25,535**	**224,959**	**11,012**	**5,942**	**378,269**

1 *As at December 31, 2023, the Company owns land of $78,724 (2022 - $88,250), which is not subject to depreciation.*
2 *As at December 31, 2023 $53,412 (2022 - $35,683) of construction-in-progress amounts 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 will be completed in 2024. The construction is financed with the Company's non-revolving term facilities (Note 22).

The amount of borrowing costs capitalized during the year ended December 31, 2023 was $1,077 (2022 - $409).

During the year ended December 31, 2023, management did not identify any assets that were impaired and no (2022 - $nil) impairment losses were recorded.

19 Intangible assets and goodwill

Intangible assets consist of rights under franchise agreements with automobile manufacturers and internally generated software costs. 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 net (recoveries) of impairment were allocated to the assets of the respective CGU's as follows:

	December 31, 2023 $	December 31, 2022 $
Intangible assets	(3,538)	(8,691)

The changes in the book value of intangible assets and goodwill for the year ended December 31, 2023 were as follows:

	Intangible assets $	Goodwill $	Total $
Cost:			
January 1, 2022	592,698	154,363	747,061
Acquisitions (Note 13)	96,302	25,189	121,491
Additions	3,192	—	3,192
Prior year business acquisitions	—	1,672	1,672
Effect of foreign currency translation	3,468	5,716	9,184
December 31, 2022	**695,660**	**186,940**	**882,600**
Acquisitions (Note 13)	18,940	16,283	35,223
Additions	2,102	—	2,102
Prior year business acquisitions (Note 13)	—	3,755	3,755
Effect of foreign currency translation	(1,273)	(2,099)	(3,372)
December 31, 2023	**715,429**	**204,879**	**920,308**
Accumulated amortization and impairment:			
January 1, 2022	44,449	103,402	147,851
Recoveries of impairment	(8,691)	—	(8,691)
Amortization of intangible assets (Note 8)	374	—	374
Effect of foreign currency translation	267	5,454	5,721
December 31, 2022	**36,399**	**108,856**	**145,255**
Impairment	2,131	—	2,131
Recoveries of impairment	(5,669)	—	(5,669)
Amortization of intangible assets (Note 8)	529	—	529
Effect of foreign currency translation	(98)	(2,243)	(2,341)
December 31, 2023	**33,292**	**106,613**	**139,905**
Carrying amount:			
December 31, 2022	659,261	78,084	737,345
December 31, 2023	682,137	98,266	780,403

Additions to intangible assets for internally generated software costs have a finite useful life.

The net (recoveries) of impairment for the year ended December 31, 2023 relates to the Company's reportable segments as follows:

	Canadian Operations $	U.S. Operations $	Total $
Intangible assets	(3,538)	—	(3,538)

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, 2023 $			December 31, 2022 $		
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	922	30,417	29,495	1,026	30,521
CI	27,265	2,919	30,184	27,265	2,919	30,184
AZ	21,250	3,970	25,220	21,250	3,970	25,220
U	24,494	506	25,000	24,494	506	25,000
AD	22,300	2,629	24,929	22,300	2,629	24,929
AX	23,306	—	23,306	—	—	—
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	20,384	—	20,384
CR	18,940	382	19,322	—	—	—
T	18,599	—	18,599	18,599	—	18,599
BS	15,335	3,029	18,364	15,335	3,058	18,393
BI	10,305	6,887	17,192	10,305	4,230	14,535
AK	15,306	—	15,306	15,306	—	15,306
Q	18,196	—	18,196	16,824	—	16,824
G	14,235	1,677	15,912	14,235	1,677	15,912
X	14,065	1,740	15,805	14,065	1,740	15,805
I	15,520	—	15,520	15,520	—	15,520
P	15,078	—	15,078	15,078	—	15,078
AE	14,496	—	14,496	14,496	—	14,496
CG	0	14,233	14,233	1,570	—	1,570
AP	12,496	941	13,437	12,496	941	13,437
AI	11,470	1,903	13,373	11,470	1,927	13,397
CF	13,102	—	13,102	1,248	—	1,248
CK	10,990	1,132	12,122	10,990	1,132	12,122
M	11,549	—	11,549	11,549	—	11,549
A	14,681	—	14,681	10,384	—	10,384
AR	9,263	950	10,213	9,263	950	10,213
CY	9,424	628	10,052	—	—	—
Other CGUs less than $10,000 [1]	161,249	43,959	205,208	205,996	41,520	247,516
Carrying amount	682,137	98,266	780,403	659,261	78,084	737,345

1 *CGUs under $10,000 have been aggregated together, determined to be appropriate given the size of the Company.*

Impairment charges (recoveries)

Canadian Operations

For the year ended December 31, 2023, two Canadian dealerships (2022 - two) recorded recoveries of impairment on indefinite-lived identifiable intangible assets amounting to $(5,669) (2022 - $(8,691)). For the year ended December 31, 2023, one dealership recorded an impairment charge on indefinite-lived identifiable intangible assets amounting to $2,131 (2022 - $nil). For the year ended December 31, 2023, $nil (2022 - $nil) impairment charges on goodwill were recorded. The impairment charges and recoveries for all three dealerships were determined using the value in use ("VIU") method.

U.S. Operations

For the year ended December 31, 2023, no U.S. dealerships recorded impairment charges on indefinite-lived identifiable intangible assets and goodwill (2022 - 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, 2023 $	December 31, 2022 $
Q	VIU	24,654	20,313
AJ	VIU	11,273	13,044
A	VIU	17,900	12,781
AH	VIU	55,044	28,400
Other CGUs less than $10,000	FVLCTS	6,503	6,297

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

VIU is predicated upon the value of the future cash flows that a business will generate going forward. The 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 10.0 times forecasted EBITDA (2022 - 2.5 to 8.5 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 experiences, economic trends, and inflation as well as industry and market trends.

Discount rates

The Company applies a discount rate 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 11.80% and 12.88% in its projections (2022 - 11.42% and 12.72%).

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 experiences, 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, 2023				
AE	0.80 %	3.46 %	20,464	—
AK	0.09 %	0.40 %	18,135	—
December 31, 2022				
AK	0.02 %	0.10 %	22,117	—
Q	0.04 %	0.20 %	20,313	—
AJ	0.01 %	0.01 %	13,044	—

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, 2023				
CR	1.4	19,322	19,322	—
December 31, 2022				
AE	0.1	13,938	13,938	—

For the year ending December 31, 2023, the impairment charge and recoveries for all three dealerships were determined using the value in use ("VIU") method.

20 Other assets

	December 31, 2023 $		December 31, 2022 $	
	Current	**Long-term**	**Current**	**Long-term**
Prepaid expenses	13,283	1,346	8,913	539
Derivative financial instruments (Note 24)	2,318	—	1,071	—
Other assets	—	14,498	44	15,839
Net investment in lease (Note 23)	117	864	114	920
Other assets	15,718	16,708	10,142	17,298

Other assets of $14,498 (2022 - $15,839) relates to long-term loans receivable from the respective non-controlling interests (Note 14).

21 Trade and other payables

	December 31, 2023 $	December 31, 2022 $
Trade payables	75,079	89,765
Accruals and provisions	87,445	60,717
Sales tax payable	32,757	31,948
Wages and withholding taxes payable	43,146	47,266
Trade and other payables	238,427	229,696

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

	Employee costs $	Legal and other $	Total $
January 1, 2022	**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**
Provisions made during the year	1,244	—	1,244
Amounts expired or disbursed	(2,046)	(2,797)	(4,843)
December 31, 2023	**1,576**	**2,981**	**4,557**

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 that occurred in 2018, and 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, 2023 $	December 31, 2022 $
Revolving floorplan facilities		
Revolving floorplan facilities - Syndicate (ii)	728,935	636,775
Revolving floorplan facilities - Ally Financial (viii)	114,639	110,619
Revolving floorplan facilities - VW Credit Canada, Inc. (iii)	103,246	72,477
Revolving floorplan facilities - RBC (v)	69,544	33,964
Revolving floorplan facilities - BMW Financial (iv)	65,810	68,355
Revolving floorplan facilities - Mercedes-Benz Financial (vii)	50,973	38,713
Revolving floorplan facilities - GM Financial (vi)	41,448	31,351
Total revolving floorplan facilities	**1,174,595**	**992,254**
Indebtedness		
Revolving term facilities (ii)		
Revolving term facility	187,000	180,000
Unamortized deferred financing costs	(778)	(1,412)
	186,222	178,588
Non-revolving term facilities		
Non-recourse mortgages *(ix)*	31,235	31,979
Unamortized deferred financing costs	(47)	(77)
	31,188	31,902
Senior unsecured notes		
Senior unsecured notes (i)	350,000	350,000
Unamortized deferred financing costs	(4,599)	(5,498)
	345,401	344,502
Other debt		
Other long-term debt	111	136
Total indebtedness	**562,922**	**555,128**
Current indebtedness	744	777
Long-term indebtedness	562,178	554,351

The following table shows the movement of indebtedness during the years ended December 31, 2023 and December 31, 2022:

	2023 $	2022 $
Balance, January 1	**555,128**	**285,908**
Amortization of deferred financing costs	1,220	1,377
Amortization of note premium	—	(322)
Extinguishment and revaluation of embedded derivative	—	29,306
Draws and additions	674,560	1,010,006
Repayments and redemption	(669,334)	(770,064)
Other	1,348	(1,083)
Balance, December 31	**562,922**	**555,128**

Terms and conditions of outstanding loans are as follows:

i. The Company has Senior Unsecured Notes ("the New Issuance Notes"), with a $350,000 aggregate principal amount (2022 - $350,000), issued at par for a stated interest rate of 5.75% (2022 - 5.75%). 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.

   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. For the year ended December 31, 2023, the Company recognized an embedded derivative of $nil (2022 - $nil) related to these redemption options.

ii. On February 3, 2023, the Company amended the $1,300 million syndicated credit agreement with a syndicate of banks. The amended facility increased the revolving facility to $375 million, increased the wholesale floorplan financing facility to $1,220 million and maintained a $15 million wholesale leasing facility, for total aggregate bank facilities of $1,610 million. The amendment included the creation of a goodwill tranche concept for the revolving facility, applicable changes to the interest rate structure, and the loan term was extended to April 14, 2026.

   Transaction costs of $1,382 (2022 - $9,860) related to the extinguishment of the credit facility were recognized in finance costs (Note 11).

   In the case of advances under the revolving facility, the margins above the prime rate, banker's acceptance rate or US base rate are subject to a pricing grid based on the then applicable ratio of senior net funded debt to EBITDA as noted below. As at December 31, 2023, advances at the prime rate or US base rate plus 0.75% (2022 - 0.75%) for total of 7.95% (2022 - 7.20%), or at the banker's acceptance rate plus 1.75% (2022 - 1.75%) for total of 6.22% (2022 - 6.22%) at December 31, 2023. The wholesale leasing facilities bear interest rates of Canadian Dollar Offered Rate ("CDOR") plus 1.75% (2022 - 1.75%) for a total of 7.15% (2022 - 6.22%). The wholesale floorplan facilities bear interest rates of CDOR plus 1.00% (2022 - 1.00%) for a total of 6.40% (2022 - 5.47%), except for facility for floorplan of used export vehicles, which bears interest rates of CDOR plus 1.25% (2022 - 1.25%) for total of 6.65% (2022 - 5.72%).

   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"). As at December 31, 2023, the maximum amount of financing was $122,995 (2022 - $122,995). The VCCI facilities bear interest of RBC prime rate plus 0.00%–0.25% (2022 - 0.00%-0.25%). The RBC prime rate was 7.20% at December 31, 2023 (2022 - 6.45%). The combined total interest rates were 7.20%-7.45% (2022 - 6.45%-6.70%). 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"). As at December 31, 2023, the maximum advance limit was $118,050 (2022 - $118,050). The BMW Facilities bears interest rate of prime minus 0.40% (2022 - 0.40%) per 360 day annum for a total of 6.80% at December 31, 2023 (2022 - 6.05%). The BMW Facilities have certain reporting requirements and financial covenants and are collateralized by the dealerships' movable and immovable property.

v. Royal Bank of Canada ("RBC") provides floorplan financing for new, used and demonstrator vehicles for four of the Company's dealerships (the "RBC Facilities"). During the first and second quarters of 2023, amendments were made to the maximum advance limit to $62,500 and $94,500 respectively. As at December 31, 2023, the maximum advance limit was 99,500 (2022 - $55,000). The RBC Facilities bear interest rates of RBC's Cost of Funds Rate plus 0.00%-0.15% (2022 - 0.15%-0.40%). As at December 31, 2023 the RBC's Cost of Funds Rate was 6.34% (2022 - 5.69%). The combined total interest rates were 6.34%-6.49% (2022 - 5.84%-6.09%). 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 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, 2023, the prime rate was 6.95% (2022 - 6.45%) and the maximum amount of financing was $51,300 (2022 - $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 (the "Mercedes-Benz Facilities") provides floorplan financing for new, used and demonstrator vehicles for two of the Company's dealerships. As at December 31, 2023, the maximum amount of financing was $65,500 (2022 - $65,500). The facilities bear interest at CDOR plus 1.50%-1.80% per annum (2022 - 1.75%-2.05%) for total of 6.90%-7.20% (2022 - 6.02%-6.32%). 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 (the "Ally facility") provides U.S. floorplan financing for new, used, and demonstrator vehicles in the Company's U.S dealerships. As at December 31, 2023, the facility limit was $127,500 USD (2022 – $127,500 USD). The Ally facility bears interest at the Ally Bank prime rate. As at December 31, 2023, the Ally prime rate was 8.50% (2022 - 7.50%). 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. The Company executed a non-recourse mortgage financing 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 (2022 - $39.0 million), at a variable interest rate of prime + 1.50% (2022 - 1.50%) with a combined total rate of 8.70% as at December 31, 2023 (2022 - 7.95%). 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, 2023, the Company has drawn $13.6 million (2022 - $13.6 million) on the facilities to fund land value only.

The Company has executed two non-recourse mortgage financings for previously purchased properties in Windsor, ON and London, ON. The $7.1 million and $11.5 million non-recourse mortgage arrangements (2022 - $7.1 million and $11.5 million), respectively, funds land and building value only. The mortgages have a five-year term with a fixed interest rate of 7.07% (2022 - 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, 2023 the carrying value of the pledged real estate is $83.3 million (2022 - $46.9 million).

As at December 31, 2023, $0.7 million (2022 - $0.7 million) of non-recourse mortgage loans is classified as current.

The Company was in compliance with its debt covenants as at December 31, 2023.

23 Leases

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

	December 31, 2023 $	December 31, 2022 $
Right-of-use assets, beginning of period	**396,369**	**370,998**
Additions	40,279	23,095
Acquisitions (Note 13)	6,205	33,205
Depreciation (Note 8)	(33,443)	(30,781)
Disposals	(3,350)	(3,024)
Effect of foreign currency translation	(955)	2,876
Right-of-use assets, end of period	**405,105**	**396,369**

	December 31, 2023 $	December 31, 2022 $
Lease liabilities, beginning of period	**484,877**	**452,817**
Additions	40,279	23,095
Acquisitions (Note 13)	6,205	33,205
Repayments	(61,969)	(56,812)
Interest expense (Note 11)	33,019	29,828
Disposals	(3,678)	(2,930)
Effect of foreign currency translation	(1,309)	5,674
Lease liabilities, end of period	**497,424**	**484,877**
Current lease liabilities	28,411	27,766
Long-term lease liabilities	469,013	457,111

For the year ended December 31, 2023, the Company had total cash outflows relating to the principal portion for leases of $28,828 (2022 - $27,214).

Other disclosures

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

	2023 $	2022 $
Expenses related to short-term leases (included in operating expenses)	798	37
Expenses related to leases of low-value assets that are not shown above as short-term leases (included in operating expenses)	131	152
Income from sub-leasing right-of-use assets (included in lease and other income)	114	190

As at December 31, 2023, potential cash outflows of $669,496 (2022 - $635,856), (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 $107,120 (2022 - $111,146).

Leases as lessor

Finance lease

For the year ended December 31, 2023, 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 $61 (2022 - $64) (Note 11).

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after December 31, 2023:

	Total $
2024	117
2025	123
2026	127
2027	133
Thereafter	812
Total undiscounted lease receivable	**1,312**
Unearned finance income	331
Net investment in the lease	**981**

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 swap agreements to hedge the variable rates of the syndicated floorplan 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.

On September 19, 2023, the Company entered into a new interest rate swap agreement that fixed CDOR at 4.53% with a notional amount of $25,000 to economically hedge the variable rate of debt. This instrument has a deferred start date of December 1, 2023, and a settlement period of December 2026, with an extended termination date of December 2028, if the counterparty elects. Changes in the fair value of these instruments will be recorded in finance costs as the Company has not applied hedge accounting to these contracts.

On November 16, 2023, the Company entered into a new interest rate swap agreement that fixed CDOR at 4.10% with a notional amount of $25,000 to economically hedge the variable rate of debt. This instrument has a deferred start date of December 1, 2023, and a settlement period of December 2026, with an extended termination date of December 2028, if the counterparty elects. Changes in the fair value of these instruments will be recorded in finance costs as the Company has not applied hedge accounting to these contracts.

Swaps currently in place cover approximately 38.11% (2022 - 43.19%) of the variable principle outstanding on the syndicate revolving floorplan facilities. The swaps fix CDOR rates in the range between 2.19% - 4.53% (2022 - 2.19% - 3.71%) and the variable rates of the wholesale floorplan facilities bears an interest rate of CDOR plus 1.00% (2022 - 1.00%), which, at the end of the reporting period, was 6.40% (2022 - 5.47%).

The swap contracts require settlement of net interest receivable or payable every 28 to 32 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

During the years ended December 31, 2023 and December 31, 2022, 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, 2023				
Other current assets (Note 20)	2,112	206	—	2,318
Derivative financial instruments - assets	—	—	3,920	3,920
Derivative financial instruments - liabilities	—	—	2,219	2,219
Notional values	61,000 USD	50,000 CAD	227,800 CAD	
Maturity	2024	2024	2025 - 2026	
Change in fair value of outstanding hedging instruments since January 1	—	(196)	—	(196)
Change in value of hedged item used to determine hedge effectiveness	—	196	—	196
December 31, 2022				
Other current assets (Note 20)	—	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	
Change in fair value of outstanding hedging instruments since January 1	—	3,098	—	3,098
Change in value of hedged item used to determine hedge effectiveness	—	(3,098)	—	(3,098)

The weighted average hedge rate of cash flow hedges was 3.04% (2022 - 2.84%).

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, 2023			
Change in fair value of hedging instruments	—	(1,267)	(1,267)
Unrealized fair value changes on non-hedging instruments (Note 11)	(928)	—	(928)
Amortization of terminated hedges (Note 11)	(3,067)	3,067	—
Interest rate swap settlements (Note 11)	6,624	—	6,624
Unrealized fair value changes on foreign exchange forward contracts	2,267	—	2,267
Realized loss on foreign exchange forward contracts	(928)	—	(928)
	3,968	1,800	5,768
For the year ended December 31, 2022			
Change in fair value of hedging instruments	—	3,382	3,382
Unrealized fair value changes on 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)
Unrealized fair value changes on foreign exchange forward contracts	18	—	18
Realized loss on foreign exchange forward contracts	(4,429)	—	(4,429)
	540	6,650	7,190

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 swap agreements 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 $206 as at December 31, 2023 (2022 - $1,473). There was no ineffectiveness for the years ended December 31, 2023 and 2022.

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, 2023. 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, 2023 $		December 31, 2022 $	
	Current	**Long-term**	**Current**	**Long-term**
Equity forward	11,063	—	2,890	6,201
Restructuring charges	1,262	1,368	1,293	2,693
Derivative financial instruments (Note 24)	—	—	155	—
Other liabilities	12,325	1,368	4,338	8,894

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.

On January 25, 2023, the Company amended its existing equity forward agreement for 150,000 common shares giving the Company and the counterparty the option to settle all of the common shares under the equity forward agreement in advance of the contractual settlement date.

On June 24, 2023, the Company entered into a new equity forward agreement for a total of 100,000 outstanding common shares with an outstanding liability amounting to $1,972. The equity forward agreement settles on June 24, 2026, for 100,000 common shares. The Company and the counterparty have the option to settle the equity forward agreement in advance of the contractual settlement date.

As at December 31, 2023, the Company has equity forward agreements on 350,000 (2022 - 250,000) outstanding common shares with an outstanding liability amounting to $11,063 (2022 - $9,091). The outstanding liability is classified as a current liability.

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

	December 31, 2023		December 31, 2022	
	Number of shares	$	Number of shares	$
Outstanding, beginning of the period	250,000	9,091	150,000	6,201
Acquired	100,000	1,972	100,000	2,890
Outstanding, end of the period	350,000	11,063	250,000	9,091

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 $1,288 (2022 - $1,242) being utilized and recognized in operating expenses (Note 8) during the year ended December 31, 2023.

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, state and local environmental laws and regulations in Canada and the U.S. 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 $4,870 as at December 31, 2023 (2022 - $4,771) 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, 2023, the Company is committed to capital expenditure obligations in the amount of $5,404 (2022 - $12,134) related to dealership relocations, re-imagings, and dealership Open Points with expected completion of these commitments in 2024.

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 share unit 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 grant date. For the year ended December 31, 2023, 45,055 (2022 - 23,767) RSUs were granted at a fair value of $16.01 (2022 - $30.34). The fair value of the RSUs granted is recognized as an expense over the period in which the RSUs are expected to vest.

The share unit 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, 2023, 55,124 (2022 - 178,598) RSUs were settled, the weighted average share price at the date of exercise was $28.70 (2022 - $28.51).

For the year ended December 31, 2023, (6,789) (2022 - 1,391) RSUs were forfeited, the fair value of the RSUs forfeited in the year was $22.18 (2022 - $20.70).

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

	December 31, 2023	December 31, 2022
	Number of RSUs	Number of RSUs
Outstanding, beginning of the year	152,465	308,687
Settled - equity	(55,124)	(178,598)
Granted	45,055	23,767
Forfeited units	(6,789)	(1,391)
Outstanding, end of the year	135,607	152,465

During the year ended December 31, 2023, 380 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, 2023, 52,332 (2022 - 38,200) DSUs were granted at a fair value of $21.50 (2022 - $28.33). The fair value is recognized as an expense over the period in which the DSUs are granted.

DSU's vest upon granting. The DSU's are scheduled to settle 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.

No DSUs were settled during the year ended December 31, 2023. For the year ended December 31, 2022, 55,422 DSUs were settled, with a weighted average share price of $30.44 at the date of exercise. 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, 2023	December 31, 2022
	Number of DSUs	Number of DSUs
Outstanding, beginning of the year	141,048	158,270
Settled - equity	—	(55,422)
Granted	52,332	38,200
Outstanding, end of the year	193,380	141,048

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 right 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, 2023		December 31, 2022	
	Average exercise price per share option $	Share options #	Average exercise price per share option $	Share options #
Outstanding, beginning of the year	14.48	1,996,544	13.47	2,745,968
Granted	—	—	22.63	100,000
Exercised	9.72	(100,000)	10.72	(800,000)
Forfeited	35.72	(98,848)	35.72	(49,424)
Outstanding, end of the year	13.57	1,797,696	14.48	1,996,544
Vested and exercisable, end of the year	10.05	1,500,000	10.03	1,600,000

No share options expired during the year ended December 31, 2023.

The following table shows the expiry date and exercise price for the share options outstanding as at December 31, 2023:

Grant date	Expiry date	Exercise price $	Share options #
August 14, 2018	August 14, 2028	10.05	1,500,000
December 7, 2021	December 7, 2026	35.72	197,696
December 22, 2022	December 22, 2028	22.63	100,000
Total			1,797,696
Weighted average remaining contractual life of options outstanding, end of the period			4.46 years

The weighted average remaining contractual life for the share options outstanding as at December 31, 2022 was 5.19 years.

During the year ended December 31, 2023, there were expenses of $1,655 (2022 - $1,800) and $807 recoveries (2022 - $276).

Share appreciation rights ("SARs")

The SARs 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 the grant date.

Each SAR 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 SAR; 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, 2023		**December 31, 2022**	
	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	29.25	1,201,000	18.11	389,000
Granted	17.84	60,000	31.00	952,000
Exercised	7.38	(25,000)	10.25	(120,000)
Forfeited	31.86	(25,000)	10.25	(20,000)
Outstanding, end of the year	29.08	1,211,000	29.25	1,201,000
Vested and exercisable, end of the year	20.95	152,000	18.66	94,333

No SARs expired during the year ended December 31, 2023.

The weighted average contractual life remaining for these SARs as at December 31, 2023 is 4.02 years (2022 - 4.79 years).

The assessed weighted average fair value at grant date of the SARs granted during the year ended December 31, 2023 was $8.85 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 the Black-Scholes Model.

The weighted average model inputs for the SARs granted during the year ended December 31, 2023 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 September 6, 2028.
- Exercise price: $18.19
- Expected life of option: 4.00 years
- Share price at grant date: $17.93
- Expected price volatility of the Company's shares: 61.64%
- Expected dividend yield: 0.00%
- Risk-free interest rate: 3.36%

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 Division

Common interests of the Partnership were granted to dealership management and a company controlled by the Executive Chair (Note 33) under an equity issuance plan (the “Digital Plan”). This was designed to provide long-term incentives to dealership and related party management to develop and deliver long-term returns on the used digital strategy (Note 14).

Equity interests were 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 would have been settled in common shares.

The company controlled by the Executive Chair held a 15% interest, containing a share-based payment arrangement that vested immediately upon grant, in the Partnership. As a result of the Digital Plan Modification (Note 14), share-based compensation expense of $28,950 (2022 - $391) was recognized in the Consolidated Statements of Comprehensive Income.

Dealership management held a 4.1% interest, containing a share-based payment arrangement that vested over 7 years, in the Partnership. As a result of the Digital Plan Modification (Note 14), share-based compensation expense of $7,775 (2022 - $nil) was recognized in the Consolidated Statements of Comprehensive Income.

Stock units

The Company awarded $7,500 of stock units, that vested immediately to the company controlled by the Executive Chair as purchase consideration for the UD LP Minority Interest (Note 14). The stock units are settled by way of the Company's common shares purchased in the market. The stock units are also entitled to earn additional units based on dividend payments made by the Company and the share price on the date of payment. The number of stock units granted is determined based on the grant value divided by the average of the closing prices of the Company's shares for the seven days after the closing date of the purchase of the UD LP Minority Interest.

The stock units settle on the earlier of the third anniversary of the grant date and the achievement of specific market price conditions.

For the year ended December 31, 2023, no stock units were granted. As a result of the Digital Plan Modification, the stock units were fully recognized in the Consolidated Statements of Comprehensive Income as part of the $28,950 share-based compensation expense.

Performance share units (PSUs)

The Company awarded $6,331 of PSUs under the existing share unit plan to dealership management as purchase consideration for the UD LP Minority Interest (Note 14). The PSUs are settled by way of the Company's common shares purchased in the market. The PSUs are also entitled to earn additional units based on dividend payments made by the Company and the share price on the date of payment. The PSUs granted are scheduled to vest based on the achievement of specific non-market performance goals over seven years and conditional on continued employment with the Company. The number of PSUs granted is determined based on the grant value divided by the average of the closing prices of the Company's shares for the seven days after the closing date of the purchase of the UD LP Minority Interest. The fair value of the PSUs granted is recognized as an expense over the period in which the PSUs are expected to vest. The share unit plan settles by way of common shares.

For the year ended December 31, 2023, no PSUs were granted. As a result of the Digital Plan Modification, the PSUs were fully recognized in the Consolidated Statements of Comprehensive Income as part of the $28,950 share-based compensation expense.

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:

	2023 $	2022 $
Stock options	847	1,524
Restricted share units	544	937
Deferred share units	1,185	1,082
Share appreciation rights	3,909	1,867
Share-based compensation	6,485	5,410
Used Digital Division equity issuance (Note 14)	36,725	391
Share-based compensation expense	43,210	5,801

29 Share capital and equity

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, 2023		December 31, 2022	
	Number of common shares	$	Number of common shares	$
Issued, beginning of the period	23,551,137	433,693	27,493,016	510,819
Exercised stock options (Note 28)	60,038	939	800,000	10,496
Shares repurchased and cancelled under the Substantial Issuer Bids	—	—	(3,011,558)	(55,533)
Shares repurchased and cancelled under the Normal Course Issuer Bid	—	—	(1,730,321)	(32,089)
Issued, end of the period	23,611,175	434,632	23,551,137	433,693

Normal Course Issuer Bid

During the year ended December 31, 2023, no common shares were repurchased and cancelled under the Company's Normal Course Issuer Bid ("NCIB").

During the year ended December 31, 2022, the Company repurchased and cancelled 1,730,321 common shares at an average price of $33.55 per share, with prices ranging from $25.63 to $40.00 under its NCIB for $56,588 net of transaction costs of $17, which have been recorded within share capital.

On December 22, 2022, the Company received approval from the TSX to renew its NCIB, following the conclusion of the previous NCIB. The renewal of the NCIB commenced on December 28, 2022, and terminated on December 27, 2023. Under the NCIB, the Company was 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 was 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.

Substantial Issuer Bids

During the year ended December 31, 2023, no common shares were repurchased and cancelled under a Substantial Issuer Bid.

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.

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.

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, 2023 (2022 - $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, 2023		December 31, 2022	
	Number of treasury shares	$	Number of treasury shares	$
Outstanding, beginning of the period	(48,667)	(672)	(243,306)	(2,440)
Treasury shares acquired	(1,808)	(47)	—	—
Treasury shares settled	38,010	400	194,639	1,768
Outstanding, end of the period	(12,465)	(319)	(48,667)	(672)

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.

	2023 $	2022 $
Net income for the year attributable to AutoCanada shareholders	50,490	85,436

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

	2023 #	2022 #
Basic	23,561,236	26,050,206
Effect of dilution from equity forward	160,807	67,005
Effect of dilution from RSUs	66,543	100,393
Effect of dilution from stock options	662,095	1,693,080
Effect of dilution from SARs	—	323,198
Diluted	24,450,681	28,233,882

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, 2023 $	December 31, 2022 $
Long-term indebtedness (Note 22)	562,178	554,351
Equity	564,829	486,797
	1,127,007	1,041,148

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 or repurchase shares, or adjust the amount of dividends paid to its shareholders.

Gross lease adjusted indebtedness

Gross lease adjusted indebtedness is one measure used by management to evaluate the leverage of the Company. Gross lease adjusted indebtedness is calculated as total indebtedness, adjusted for embedded derivative, plus lease liabilities, as follows:

	December 31, 2023 $	December 31, 2022 $
Total indebtedness (Note 22)	562,922	555,128
Embedded derivative asset (Note 22)	—	—
Lease liabilities (Note 23)	497,424	484,877
Gross lease adjusted indebtedness	**1,060,346**	**1,040,005**

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 swap agreements, 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 $315,875.

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).

	+/- 200 Basis Point		+/- 100 Basis Point	
	2023 $	2022 $	2023 $	2022 $
Finance costs	21,947	18,217	10,974	9,108
Finance income	87	82	43	41

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. The 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, 2023 and December 31, 2022 and the corresponding historical credit losses experienced within these periods.

The loss allowance for trade and other receivables as at December 31, 2023 and December 31, 2022 was determined as follows:

	December 31, 2023			December 31, 2022		
	Expected loss rate %	Gross carrying amount - Trade receivables $	Expected loss allowance (Note 15) $	Expected loss rate %	Gross carrying amount - Trade receivables $	Expected loss allowance (Note 15) $
Current	0.01	165,539	12	0.02	153,091	31
31 - 60 days	1.24	23,295	290	1.06	17,017	180
61 - 90 days	5.53	13,029	721	2.65	13,315	353
91 - 120 days	7.22	5,288	382	2.82	7,755	219
> 120 days	10.14	18,173	1,843	3.26	28,318	923
Total		**225,324**	**3,248**		**219,496**	**1,706**

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

	2023 $	2022 $
Balance, January 1	**1,706**	**2,478**
Loan loss allowance recognized in profit or loss during the year	3,614	1,273
Receivables written off during the year	(2,072)	(2,045)
Balance, December 31	**3,248**	**1,706**

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 15. 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 exists due to the significant amount of cash held with a Canadian 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 6.397% at December 31, 2023 (2022 - 5.470%). 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 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, 2023, the Company has $188,000 (2022 - $95,000) 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. For contractual interest payable, the cash flows have been estimated using the interest rates applicable as at December 31, 2023.

	2024 $	2025 $	2026 $	2027 $	Thereafter $	Total $
December 31, 2023						
Trade and other payables	238,427	—	—	—	—	238,427
Revolving floorplan facilities	1,174,595	—	—	—	—	1,174,595
Vehicle repurchase obligations	1,982	—	—	—	—	1,982
Indebtedness	744	744	187,744	744	378,259	568,235
Contractual interest payable	35,787	35,675	26,059	22,087	38,865	158,473
Lease liabilities	62,532	59,613	55,793	54,780	582,611	815,329
Derivative financial instruments	739	740	740	—	—	2,219
	1,514,806	96,772	270,336	77,611	999,735	2,959,260

	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

32 Fair value of financial instruments

The Company's financial instruments as at December 31, 2023 are represented by cash, trade and other receivables, other assets, trade and other payables, other liabilities, revolving floorplan facilities, vehicle repurchase obligations, indebtedness, an embedded derivative, redemption liabilities, and derivative financial instruments.

The fair values of cash, 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 call option included in other assets (Level 3) is remeasured at fair value each reporting period with the gain or loss being recognized through profit or loss (Note 14). The fair value of the call option is calculated based on the equity value of the related subsidiary using the DCF method.

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 swap agreements 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). Fair value of these redemption liabilities are calculated based on an applicable multiple applied to projected earnings before interest, taxes, depreciation, and amortization.

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 related parties

During the year, there were transactions with companies controlled by the Executive Chair. These counterparties are:

- A vehicle wholesale and export business that supplies and purchases used vehicles with the Company; and
- A firm, that provides administrative, limited transportation, and other support services.

All significant transactions between AutoCanada and related parties 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:

	2023 $	2022 $
Administrative and other support and sourcing fees	1,566	2,208
Used vehicle (sales to) purchases from related parties	(1,755)	199
	(189)	2,407

Executive Advance

During the year ended December 31, 2021, the Company issued a $2,000 loan to the former President, collateralized by his outstanding stock options under the Company's existing Stock Option Plan. The loan was interest bearing at a rate of 1.00% (2022 - 1.00%) per annum and was being repaid on a monthly basis. As the loan was considered to represent an advance against share-based compensation secured against the Company's shares, it was treated as an equity instrument (Note 28). The loan was fully repaid during the period ended December 31, 2023 (December 31, 2022 - $1,624).

Used Digital Division

A company controlled by the Executive Chair held a 15% common interest in the Partnership (Note 14), which vested at the time of grant (Note 28). Changes in the value of the 15% interest are recorded in operating expenses.

As a result of the purchase of the UD LP Minority Interest (Note 14), the 15% interest in the Partnership was purchased from the company controlled by the Executive Chair for aggregate purchase consideration of $30,000 consisting of $22,500 in cash, funded from the proceeds of the Online C2C F&I Business investment (Note 14), and $7,500 in stock units (Note 28). The agreement requires $15,000 of the cash purchase consideration to be used by the company controlled by the Executive Chair to purchase the Company's common shares within a two-year period from the closing date. The shares purchased by the company controlled by the Executive Chair may not be disposed of until the earlier of a two-year period or certain market price conditions being satisfied.

As of December 31, 2023, the Company has recorded the cash purchase consideration of $22,500 in accruals and provisions within trade and other payables (Note 21).

Key management personnel compensation

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

	2023 $	2022 $
Employee costs (including Directors)	6,597	4,808
Short-term employee benefits	198	102
Used Digital Division equity issuance	28,950	391
Share-based compensation	4,503	1,830
	40,248	7,131

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, 2023 $	December 31, 2022 $
Trade and other receivables	(6,640)	(68,460)
Inventories	(175,899)	(223,908)
Other current assets	(5,206)	824
Trade and other payables [1]	(270)	(7,515)
Revolving floorplan facilities	184,981	270,794
Other liabilities	(518)	176
Net change in non-cash working capital	(3,552)	(28,089)

1 Reclassification of comparative figure for presentation purposes. The Company previously included a portion of interest paid in trade and other payables. Prior year comparative has been revised by reclassifying $148 relating to interest paid out of trade and other payables and presented on a separate line on the statements of cash flows.

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-off occurs.

35 Segmented reporting

During the year ended December 31, 2023, the Executive Chair served as the function of the Chief Operating Decision Maker ("CODM"). The Executive Chair is responsible for allocating resources and assessing the performance of the following segments: Canadian Operations and U.S. Operations.

Each reportable operating segment is comprised of retail automobile dealerships and related businesses.

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

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

The 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, 2023			Year ended December 31, 2022		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
Revenue						
Total revenue	5,607,194	829,609	6,436,803	5,129,658	910,961	6,040,619

	Year ended December 31, 2023			Year ended December 31, 2022		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
Operating profit before other income	198,273	8,251	206,524	203,559	28,296	231,855
Lease and other income, net (Note 10)	12,775	381	13,156	10,094	4,207	14,301
Gain (loss) on disposal of assets, net (Note 10)	442	(20)	422	(296)	—	(296)
Recoveries of non-financial assets (Note 19)	3,538	—	3,538	8,691	—	8,691
Operating profit	215,028	8,612	223,640	222,048	32,503	254,551
Finance costs (Note 11)	—	—	(145,939)	—	—	(131,478)
Finance income (Note 11)	—	—	3,346	—	—	4,144
Gain (loss) on redemption liabilities (Note 14)	—	—	3,639	—	—	(4,829)
Other (losses) gains, net	—	—	(321)	—	—	1,496
Income for the period before taxation	—	—	84,365	—	—	123,884

	As at December 31, 2023			As at December 31, 2022		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
Assets held for sale (Note 17)	22,152	—	22,152	—	—	—
Segment assets	2,834,012	325,427	3,159,439	2,521,158	337,173	2,858,331
Capital expenditures and acquisition of real estate (Note 18)	61,556	9,158	70,714	51,395	11,802	63,197
Segment liabilities	2,098,703	495,907	2,594,610	1,876,726	494,808	2,371,534

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, 2023			As at December 31, 2022		
	Canada $	U.S. $	Total $	Canada $	U.S. $	Total $
New vehicles	2,242,329	311,898	2,554,227	1,864,803	295,762	2,160,565
Used vehicles	2,360,703	365,773	2,726,476	2,403,400	466,745	2,870,145
Parts, service and collision repair	681,694	100,632	782,326	559,277	83,388	642,665
Finance, insurance and other	322,468	51,306	373,774	302,178	65,066	367,244
Total revenue	5,607,194	829,609	6,436,803	5,129,658	910,961	6,040,619

36 Reclassification of comparatives

Management has reclassified certain items within the comparative consolidated statement of cash flows to enhance the clarity and comparability of the financial information presented. This reclassification had no effect on the reported results of operations other than as described directly below.

	December 31, 2022 As originally presented $	Reclassification of comparative figures $	December 31, 2022 Revised $
Cash provided by (used in):			
Operating activities			
Finance costs (Note 11)	—	(131,478)	131,478
Loss on extinguishment of debt	9,860	9,860	—
Amortization of deferred financing costs	1,377	1,377	—
Amortization of note premium	(322)	(322)	—
Amortization of terminated hedges	3,268	3,268	—
Unrealized fair value changes on non-hedging instruments	(9,303)	(9,303)	—
Loss on extinguishment of embedded derivative	29,306	29,306	—
Repayment (issuance) of executive advance	376	376	—
Net change in non-cash working capital (Note 34)	(27,941)	148	(28,089)
Interest paid	—	97,144	(97,144)
	6,621	376	6,245
Net operating activities	**147,974**	**376**	**147,598**
Financing activities			
Repayment of executive advance (Note 33)	—	(376)	376
Net financing activities	**82,837**	**(376)**	**83,213**

37 Subsequent events

Land and Buildings Divestiture

On February 1, 2024, the Company completed the sale of specific land and buildings in British Columbia and Alberta for cash consideration of $41,370. The land and buildings were presented as held for sale at December 31, 2023 (Note 17). The agreement is subject to customary closing adjustments. A gain of $19,218 was recognized on the sale.

Interest Rate Swap

On February 1, 2024, the Company entered into a new fixed interest rate swap that fixed CDOR at 3.77% with a notional amount of $75,000 to economically hedge the variable rate of debt. This instrument has a settlement period of February 2027, with an extended termination date of February 2029, if the counterparty elects.

Opening of Maple Ridge GM

On March 1, 2024, the newly built open point dealership, Maple Ridge GM, located in Maple Ridge, B.C., commenced operations. The dealership consists of a 33,372 sq. ft. facility with 14 service bays and is the Company's first GM dealership in the Metro Vancouver area.

Normal Course Issuer Bid

On March 6, 2024, the Company received approval from the TSX to renew its NCIB, this renewal follows the conclusion of the previous NCIB. Pursuant to the NCIB, AutoCanada may purchase up to 1,329,106 common shares during the twelve-month period commencing March 11, 2024 and ending March 10, 2025 or such earlier date as the Company may complete its purchases under the NCIB.

The number of common shares authorized for purchase under the NCIB represents 10% of AutoCanada's public float as of March 4, 2024 (calculated in accordance with TSX rules). Purchases will be made through the facilities of the TSX and/or alternative Canadian trading systems at prevailing market prices in accordance with the rules and policies of the TSX and applicable securities laws. Daily repurchases will be limited to a maximum number of common shares, representing 25% of the average daily trading volume for the six months ended February 29, 2024, except where purchases are made in accordance with the “block purchase exception” of the TSX rules. All common shares purchased under the NCIB will be cancelled.

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