AutoCanada Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)
September 30, 2013
(expressed in Canadian dollar thousands except share and per share amounts)

AutoCanada Inc.

Condensed Interim Consolidated Statement of Comprehensive Income
(Unaudited)

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

	Three month period ended September 30, 2013	Three month period ended September 30, 2012	Nine month period ended September 30, 2013	Nine month period ended September 30, 2012
	$	$	$	$
Revenue (Note 6)	403,535	298,636	1,076,584	842,045
Cost of sales (Note 7)	(335,839)	(248,525)	(892,935)	(700,023)
Gross profit	67,696	50,111	183,649	142,022
Operating expenses (Note 8)	(51,080)	(38,361)	(140,073)	(111,401)
Operating profit before other income (expense)	16,616	11,750	43,576	30,621
Loss on disposal of assets	(27)	(1)	(34)	(61)
Income from investments in associates (Note 12)	555	130	1,405	213
Operating profit	17,144	11,879	44,947	30,773
Finance costs (Note 9)	(2,477)	(3,143)	(6,754)	(8,464)
Finance income (Note 9)	221	449	625	1,357
Net comprehensive income for the period before taxation	14,888	9,185	38,818	23,666
Income tax (Note 10)	3,920	2,379	10,205	6,036
Net comprehensive income for the period	10,968	6,806	28,613	17,630
Earnings per share				
Basic	0.507	0.343	1.389	0.888
Diluted	0.507	0.343	1.389	0.888
Weighted average shares				
Basic	21,638,882	19,804,014	20,606,391	19,853,694
Diluted	21,638,882	19,804,014	20,606,391	19,853,694

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

Approved on behalf of the Company:

(Signed) "Gordon R. Barefoot", Director

(Signed) "Michael Ross", Director

AutoCanada Inc.

Condensed Interim Consolidated Statement of Financial Position
(Unaudited)

(in thousands of Canadian dollars)

	September 30, 2013 (Unaudited) $	December 31, 2012 (Audited) $
ASSETS		
Current assets		
Cash and cash equivalents	37,940	34,471
Restricted cash	-	10,000
Trade and other receivables (Note 13)	62,105	47,944
Inventories (Note 14)	236,351	199,117
Other current assets	1,815	1,102
	338,211	292,634
Property and equipment (Note 15)	67,097	38,513
Investments in associates (Note 12)	12,771	4,730
Intangible assets (Note 16)	96,322	66,403
Goodwill (Note 16)	8,645	380
Other long-term assets	7,360	7,699
	530,406	410,359
Current liabilities		
Trade and other payables (Note 17)	52,139	35,587
Revolving floorplan facilities (Note 18)	228,526	203,525
Current tax payable	6,763	3,719
Current lease obligations	1,611	1,282
Current indebtedness (Note 18)	2,816	3,000
	291,855	247,113
Long-term indebtedness (Note 18)	33,647	23,937
Deferred tax	19,843	14,809
	345,345	285,859
EQUITY	185,061	124,500
	530,406	410,359

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

AutoCanada Inc.

Condensed Interim Consolidated Statement of Changes in Equity
For the Period Ended
(Unaudited)

(in thousands of Canadian dollars)

	Share capital	Treasury shares	Contributed surplus	Total capital	Accumulated deficit	Equity
	$	$	$	$	$	$
Balance, January 1, 2013	190,435	(935)	4,423	193,923	(69,423)	124,500
Net comprehensive income	-	-	-	-	28,613	28,613
Dividends declared on common shares (Note 20)	-	-	-	-	(11,647)	(11,647)
Common shares issued (Note 20)	43,811	-	-	43,811	-	43,811
Common shares repurchased (Note 20)	-	(557)	-	(557)	-	(557)
Restricted share units settled (Note 20)	-	202	-	202	-	202
Share-based compensation - vested	-	-	378	378	-	378
Share-based compensation - settled	-	-	(239)	(239)	-	(239)
Balance, September 30, 2013	234,246	(1,290)	4,562	237,518	(52,457)	185,061

	Share capital	Treasury shares	Contributed surplus	Total capital	Accumulated deficit	Equity
	$	$	$	$	$	$
Balance, January 1, 2012	190,435	-	3,918	194,353	(81,358)	112,995
Net comprehensive income	-	-	-	-	17,630	17,630
Dividends declared on common shares (Note 20)	-	-	-	-	(8,935)	(8,935)
Common shares repurchased (Note 20)	-	(910)	-	(910)	-	(910)
Share-based compensation	-	-	475	475	-	475
Balance, September 30, 2012	190,435	(910)	4,393	193,918	(72,663)	121,255

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

AutoCanada Inc.

Condensed Interim Consolidated Statement of Cash Flows

(Unaudited)

(in thousands of Canadian dollars)

	Three month period ended September 30, 2013	Three month period ended September 30, 2012	Nine month period ended September 30, 2013	Nine month period ended September 30, 2012
Cash flows from operating activities:				
Net comprehensive income	10,968	6,807	28,613	17,630
Income taxes (Note 10)	3,920	2,379	10,205	6,036
Amortization of prepaid rent	113	113	339	339
Amortization of property and equipment (Note 8)	1,599	1,140	4,278	3,193
Loss on disposal of assets	27	1	34	61
Share-based compensation	751	205	1,744	565
Income from investments in associates (Note 12)	(555)	(130)	(1,405)	(213)
Income taxes paid	(1,589)	(485)	(8,748)	(3,584)
Net change in non-cash working capital (Note 22)	(7,447)	(795)	(6,748)	(4,710)
	7,787	9,235	28,312	19,317
Cash flows from investing activities:				
Business acquisitions (Note 11)	(38,756)	-	(65,368)	(4,154)
Investments in associates (Note 12)	-	-	(7,057)	-
Purchases of property and equipment (Note 15)	(677)	(9,161)	(7,437)	(13,150)
Prepayments of rent	-	-	-	(540)
Proceeds on sale of property and equipment	3,239	-	3,254	28
Reduction in restricted cash	10,000	-	10,000	-
Dividends received from investment in associate	421	-	421	-
	(25,773)	(9,161)	(66,187)	(17,816)
Cash flows from financing activities:				
Proceeds from long-term debt	25,094	6,250	41,593	9,250
Repayment of long-term indebtedness	(146)	(98)	(31,900)	(292)
Common shares repurchased	-	-	(513)	(910)
Dividends paid	(4,291)	(3,169)	(11,647)	(8,935)
Proceeds from issuance of treasury shares (Note 20)	211	-	43,811	-
	20,868	2,983	41,344	(887)
Increase in cash	2,882	3,057	3,469	614
Cash and cash equivalents at beginning of period	35,058	51,198	34,471	53,641
Cash and cash equivalents at end of period	37,940	54,255	37,940	54,255

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

1 General Information

AutoCanada Inc. ("AutoCanada" or "The Company") is a corporation from Alberta, Canada with common shares listed on the Toronto Stock Exchange ("TSX") under the symbol of "ACQ". The business of AutoCanada, held in its subsidiaries, is the operation of franchised automobile dealerships in British Columbia, Alberta, Manitoba, Ontario, Nova Scotia and New Brunswick. The Company offers a diversified range of automotive products and services, including new vehicles, used vehicles, vehicle parts, vehicle maintenance and collision repair services, extended service contracts, vehicle protection products and other after-market products. The Company also arranges financing and insurance for vehicle purchases by its customers through third-party finance and insurance sources. The address of its registered office is 200, 15505 Yellowhead Trail, Edmonton, Alberta, Canada, T5V 1E5.

2 Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*, and Canadian Generally Accepted Accounting Principles ("GAAP"), as issued by the Canadian Institute of Chartered Accountants. The condensed interim consolidated financial statements should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2012, which have been prepared in accordance with IFRS as issued by the IASB.

The condensed interim consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through the statement of comprehensive income.

These financial statements were approved by the Board of Directors on November 7, 2013.

3 Significant Accounting Policies

The significant accounting policies used in the preparation of these condensed consolidated interim financial statements are the same accounting policies and method of computation as disclosed in the consolidated annual financial statements for the year end December 31, 2012, except where described below:

Changes in accounting policies

The Company has adopted the following standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

- IAS 1 Amendment, *Presentation of Items of Other Comprehensive Income*, requires the Company to group other comprehensive income items by those that will be reclassified subsequently to profit or loss and those that will not be reclassified. The Company has reclassified comprehensive income items of the comparative period. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

3 Significant Accounting Policies continued

- IFRS 13, *Fair Value Measurement*, provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

4 Critical accounting estimates, judgments & measurement uncertainty

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

Critical judgments in applying accounting policies:

Investments in associates

When assessing control over an investee, an investor considers the nature of its relationship with other parties and whether those other parties are acting on the investor's behalf; that is, acting as a de facto agent. The determination of whether other parties are acting as de facto agents requires judgment, considering not only the nature of the relationship but also how those parties interact with each other and the investor.

AutoCanada has a non-voting equity interest in an entity, Green Isle G Auto Holdings Inc. ("Green Isle"), for which the voting interests are held 100% by the Company's CEO (as described in Note 12). When assessing whether the Company has control of Green Isle, management has considered the Company's relationship with its CEO and whether the Company has the ability to direct decision-making rights of the CEO pertaining to their investment in Green Isle. In making this assessment, the Company considered that the CEO has de facto control over AutoCanada at the date of the Company's investment; therefore, the CEO should not be perceived to be a de facto agent of AutoCanada. The following facts were considered to assess the relationship between AutoCanada and its CEO:

- Regardless of employment at AutoCanada, the CEO's interest in Green Isle would remain with full ability to control decisions as they pertain to Green Isle.

- The CEO has not relied on any financial support from the Company in making his investment, and therefore the risk of loss and reward to the CEO personally is significant.

- There are no contractual rights providing the Company with decision making power over the CEO.

- The CEO's level of expertise and knowledge in operating Green Isle.

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

Critical accounting estimates, judgments & measurement uncertainty continued

When combining these considerations with the fact that the CEO has the casting vote on decisions of the Board of Green Isle, and therefore governs relevant activities of the investee, management has concluded that the Company does not have power over Green Isle, and therefore does not consolidate this investment.

Should the nature of the relationship and/or the relevant agreements between the CEO and the Company change in the future, this assessment would need to be further evaluated.

5 Economic dependence

The Company has significant commercial and economic dependence on Chrysler Canada. As a result, the Company is subject to significant risk in the event of the financial distress of Chrysler Canada, one of the Company's major vehicle manufacturers and parts suppliers.

The Company’s interim consolidated financial statements include the operations of franchised automobile dealerships, representing the product lines of nine global automobile manufacturers. The Company’s Chrysler, Jeep, Dodge, Ram (“CJDR”) dealerships, which generated 71% of the Company’s revenue in the nine month period-ended September 30, 2013 (2012 – 74%), purchase all new vehicles, a significant portion of parts and accessories and certain used vehicles from Chrysler Canada. In addition to these inventory purchases, the Company is eligible to receive monetary incentives from Chrysler Canada if certain sales volume targets are met and is also eligible to receive payment for warranty service work that is performed for eligible vehicles.

At September 30, 2013 and December 31, 2012 the Company had recorded the following assets that relate to transactions it has entered into with Chrysler Canada:

	September 30, 2013 $	December 31, 2012 $
Accounts receivable	6,024	6,655
New vehicle inventory	139,412	122,595
Demonstrator vehicle inventory	4,575	4,784
Parts and accessories inventory	7,079	6,043

Chrysler Canada is a subsidiary of Chrysler Group LLC (“Chrysler Group”) in the United States. The viability of Chrysler Canada is directly dependent on the viability of Chrysler Group.

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

6 Revenue

	Three month period ended September 30, 2013 $	Three month period ended September 30, 2012 $	Nine month period ended September 30, 2013 $	Nine month period ended September 30, 2012 $
New vehicles	257,543	190,139	686,357	524,171
Used vehicles	85,975	62,816	225,744	186,092
Finance, insurance and other	22,676	17,023	62,847	46,964
Parts, service and collision repair	37,341	28,658	101,636	84,818
	403,535	298,636	1,076,584	842,045

7 Cost of sales

	Three month period ended September 30, 2013 $	Three month period ended September 30, 2012 $	Nine month period ended September 30, 2013 $	Nine month period ended September 30, 2012 $
New vehicles	237,033	174,678	629,257	482,018
Used vehicles	79,733	58,822	209,918	173,448
Finance, insurance and other	1,845	1,510	5,054	4,239
Parts, service and collision repair	17,228	13,515	48,706	40,318
	335,839	248,525	892,935	700,023

8 Operating expenses

	Three month period ended September 30, 2013 $	Three month period ended September 30, 2012 $	Nine month period ended September 30, 2013 $	Nine month period ended September 30, 2012 $
Employee costs	33,358	24,168	91,326	70,020
Administrative costs (1)	12,856	10,063	35,223	29,285
Facility lease costs	3,267	2,990	9,246	8,903
Amortization	1,599	1,140	4,278	3,193
	51,080	38,361	140,073	111,401

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

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

9 Finance costs and finance income

	Three month period ended September 30, 2013 $	Three month period ended September 30, 2012 $	Nine month period ended September 30, 2013 $	Nine month period ended September 30, 2012 $
Long term debt	120	267	490	753
Floorplan financing	1,770	2,645	5,075	7,091
Other interest expense	587	231	1,189	620
	2,477	3,143	6,754	8,464
Short term bank deposits	(221)	(449)	(625)	(1,357)

Cash interest paid during the nine-month period ended September 30, 2013 was $6,719 (2012 - $8,235).

10 Taxation

Components of income tax expense were as follows:

	Three month period ended September 30, 2013 $	Three month period ended September 30, 2012 $	Nine month period ended September 30, 2013 $	Nine month period ended September 30, 2012 $
Current	(550)	(392)	11,594	6,195
Deferred tax	4,470	2,771	(1,389)	(159)
Income tax expense	3,920	2,379	10,205	6,036

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual rate used for the nine month period ended September 30, 2013 was 26%.

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

11 Business acquisitions

Grande Prairie Volkswagen

On January 4, 2013, the Company purchased substantially all of the net operating and fixed assets of People's Automotive Ltd. ("Grande Prairie Volkswagen") for total cash consideration of $1,981. The acquisition was funded by drawing on the Company's VCCI facilities (Note 18) in the amount of $1,413 and the remaining $568 was financed with cash from operations. The acquisition has been accounted for using the acquisition method. The purchase of this business complements the Company's other dealerships in Grande Prairie. In addition to the business, the Company also purchased land and a building used for business operations for $1,800.

The purchase price allocated to the assets acquired and the liabilities assumed, based on their fair values, is as follows:

	Carrying amount $	Fair value adjustments $	Fair value $
Current assets			
Trade and other receivables	16	-	16
Inventories	1,777	-	1,777
	1,793	-	1,793
Long term assets			
Property and equipment	1,897	-	1,897
Total assets	3,690	-	3,690
Current liabilities			
Trade and other payables	9	-	9
	9	-	9
Long term liabilities			
Total liabilities	9	-	9
Net assets acquired	3,681	-	3,681
Goodwill	-	100	100
Total net assets acquired	3,681	100	3,781

The revenue of Grande Prairie Volkswagen from the date of acquisition that was included in the consolidated statement of operations for the period ended September 30, 2013 was $8,593. The purchase price allocated, as presented above, is an estimate and subject to change due to the finalization of the associated allocations.

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

St. James Audi and Volkswagen

On April 1, 2013, the Company purchased the shares of The St. James Group of Companies ("St. James"), which own and operate an Audi and a Volkswagen franchise in Winnipeg, Manitoba, for total cash consideration of $22,831, which includes $9,307 paid for real estate assets. The acquisition was financed with cash from operations and the revolving term facility. The acquisition has been accounted for using the acquisition method. The purchase of this business complements the Company’s other Volkswagen dealerships and is the Company's first Audi franchise.

The purchase price allocated to the assets acquired and the liabilities assumed, based on their fair values, is as follows:

	Carrying amount $	Fair value adjustments $	Fair value $
Current assets			
Cash and cash equivalents	316	-	316
Trade and other receivables	1,779	-	1,779
Inventories	9,323	-	9,323
Prepaids	138	-	138
	11,556	-	11,556
Long term assets			
Property and equipment	6,484	4,184	10,668
Intangible assets	-	8,600	8,600
Total assets	18,040	12,784	30,824
Current liabilities			
Floorplan payable	8,147	-	8,147
Trade and other payables	1,214	-	1,214
	9,361	-	9,361
Long term liabilities			
Deferred tax liabilities	328	3,126	3,454
Total liabilities	9,689	3,126	12,815
Net assets acquired	8,351	9,658	18,009
Goodwill	-	4,822	4,822
Total net assets acquired	8,351	14,480	22,831

The revenue of St. James from the date of acquisition that was included in the consolidated statement of operations for the period ended September 30, 2013 was $30,141. The purchase price allocated, as presented above, is an estimate and subject to change due to the finalization of the associated allocations.

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

Courtesy Chrysler

On July 1, 2013, the Company purchased substantially all of the net operating and fixed assets, except real estate, of Courtesy Chrysler Dodge (1987) ("Courtesy Chrysler") for total cash consideration of $17,167. The acquisition was financed with cash from operations and the revolving term facility. The acquisition has been accounted for using the acquisition method. The purchase of this business complements the Company's other Chrysler dealerships and is the Company's first dealership in Calgary, Alberta's largest city.

The purchase price allocated to the assets acquired and the liabilities assumed, based on their fair values, is as follows:

	Carrying amount $	Fair value adjustments $	Fair value $
Current assets			
Cash and cash equivalents	2	-	2
Trade and other receivables	581	-	581
Inventories	21,065	-	21,065
Other current assets	4	-	4
	21,652	-	21,652
Long term assets			
Property and equipment	731	-	731
Intangible assets	-	15,520	15,520
Total assets	22,383	15,520	37,903
Current liabilities			
Trade and other payables	351	-	351
Revolving floorplan facility	20,558	-	20,558
Long term liabilities			
Deferred tax liabilities	-	995	995
Total liabilities	20,909	995	21,904
Net assets acquired	1,474	14,525	15,999
Goodwill	-	1,168	1,168
Total net assets acquired	1,474	15,693	17,167

The revenue of Courtesy Chrysler from the date of acquisition that was included in the consolidated statement of operations for the period ended September 30, 2013 was $22,610. The purchase price allocated, as presented above, is an estimate and subject to change due to the finalization of the associated allocations.

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

Eastern Chrysler

On September 9, 2013, the Company purchased substantially all of the net operating and fixed assets and real estate of Eastern Chrysler Plymouth Inc. ("Eastern Chrysler") for total cash consideration of $15,349. The acquisition was financed with cash from operations and the revolving term facility. The acquisition has been accounted for using the acquisition method. The purchase of this business complements the Company's other Chrysler dealerships and further expands its presence in Winnipeg, Manitoba. In addition to the business, the Company also purchased land and a building used for business operations for $6,560.

The purchase price allocated to the assets acquired and the liabilities assumed, based on their fair values, is as follows:

	Carrying amount $	Fair value adjustments $	Fair value $
Current assets			
Cash and cash equivalents	2	-	2
Trade and other receivables	475	-	475
Inventories	8,098	-	8,098
Other current assets	2	-	2
	8,577	-	8,577
Long term assets			
Property and equipment	13,527	-	13,527
Intangible assets	-	5,799	5,799
Total assets	22,104	5,799	27,903
Current liabilities			
Trade and other payables	225	-	225
Revolving floorplan facility	5,970	-	5,970
Long term liabilities			
Deferred tax liabilities	-	372	372
Total liabilities	6,195	372	6,567
Net assets acquired	15,909	5,427	21,336
Goodwill	-	573	573
Total net assets acquired	15,909	6,000	21,909

The revenue of Eastern Chrysler from the date of acquisition that was included in the consolidated statement of operations for the period ended September 30, 2013 was $3,202. The purchase price allocated, as presented above, is an estimate and subject to change due to the finalization of the associated allocations.

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

12 Investments in associates

Green Isle G Auto Holdings Inc.

On March 1, 2013, the Company invested a total of $7,057 to acquire an 80.0% participating, non-voting common share interest in Green Isle G Auto Holdings Inc. ("Green Isle"). Green Isle is an entity formed between a subsidiary of AutoCanada and Mr. Patrick Priestner ("Priestner"), the Company's Chief Executive Officer. Green Isle was formed to acquire future General Motors of Canada ("GM Canada") franchised dealerships, whereby Priestner is required to maintain voting control of the dealerships, in accordance with the agreement with GM Canada. All shareholders participate equally in the equity and economic risks and rewards of Green Isle and its interests, based on the percentage of ownership acquired. Green Isle's principal place of business is Alberta, Canada.

Although the Company holds no voting rights in Green Isle, the Company exercises significant influence by virtue of its involvement in the board of directors of Green Isle and the ability to participate in financial and operating policy decisions of Green Isle. However, the Company does not have the power to make key decisions or block key decisions due to a casting vote held by Priestner. As a result, the Company has accounted for its investment in Green Isle under the equity method. There are no guarantees to Green Isle or significant relationships.

On March 1, 2013, a subsidiary of Green Isle acquired 100% of the operating assets of Peter Baljet Chevrolet Buick GMC ("Peter Baljet") in Duncan, British Columbia.

The dealership is subject to financial covenants as part of its borrowing arrangements that may restrict its ability to transfer funds to Green Isle if the payment of such funds resulted in a breach of covenants. Peter Baljet is also subject to minimum working capital requirements imposed by GM Canada, which may restrict the dealership's ability to transfer funds to Green Isle if minimum working capital requirements are not met.

As a result of Green Isle's investment, the Company has indirectly acquired an 80.0% interest in Peter Baljet. Summarized information in respect of the investment in Green Isle is as follows:

	Carrying amount	**Fair value adjustments**	**Fair value**	**Interest in Green Isle G Auto Holdings Ltd.**
	$	**$**	**$**	**$**
Current assets	1,527	-	1,527	1,222
Non-current assets	294	7,000	7,294	5,835
Net assets	1,821	7,000	8,821	7,057

From the date of acquisition to September 30, 2013, on a consolidated basis, Green Isle generated revenue of $22,906 and total net comprehensive income of $780. For the period ended September 30, 2013, no dividends have been received from Green Isle.

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

12 Investments in associates continued

Carrying value of Investments in Associates

The following table summarizes the Company's consolidated carrying value of its investments in associates as at September 30, 2013:

	Dealer Holdings Ltd.	Green Isle G Auto Holdings Inc.	Total
	$	$	$
Balance, January 1, 2013	4,730	-	4,730
Investment in Green Isle	-	7,057	7,057
Income from investment in associate	820	585	1,405
Dividends paid	(421)	-	(421)
Balance, September 30, 2013	5,129	7,642	12,771

The following table summarizes the Company's consolidated carrying value of its investments in associates as at September 30, 2012:

	Dealer Holdings Ltd.	Total
	$	$
Balance, January 1, 2012	-	-
Investment in DHL	4,154	4,154
Income from investment in associate	213	213
Balance, September 30, 2012	4,367	4,367

13 Trade and other receivables

	September 30, 2013	December 31, 2012
	$	$
Trade receivables	60,059	45,998
Less: Allowance for doubtful accounts	(499)	(447)
Net trade receivables	59,560	45,551
Other receivables	2,545	2,393
Trade and other receivables	62,105	47,944

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

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

14 Inventories

	September 30, 2013 $	December 31, 2012 $
New vehicles	183,395	158,142
Demonstrator vehicles	8,585	7,333
Used vehicles	34,098	25,622
Parts and accessories	10,273	8,020
	236,351	199,117

During the three month period ended September 30, 2013, $333,994 of inventory (2012 - $247,015) was expensed as cost of goods sold which included a net recovery of write-down on used vehicle inventory allowances of $29 (2012 - $220 net write-down). During the three month period ended September 30, 2013, $333 of demonstrator expense (2012 - $267) was included in selling, general, and administration expense. During the three month period ended September 30, 2013, demonstrator reserves decreased by $90 (2012 - $100 increase).

During the nine month period ended September 30, 2013, $887,881 of inventory (2012 - $695,784) was expensed as cost of goods sold which included a net write-down on used vehicle inventory allowances of $306 (2012 - $600). During the nine month period ended September 30, 2013, $996 of demonstrator expense (2012 - $827) was included in selling, general, and administration expense. During the nine month period ended September 30, 2013, demonstrator reserves increased by $394 (2012 - $223). As at September 30, 2013 and December 31, 2012, the Company had recorded reserves for inventory write downs of $2,037 (2012 - $1,792).

15 Property and equipment

During the nine months ended September 30, 2013, the Company purchased $7,437 of fixed assets, which included land at a cost of $5,181. The land is being held for the relocation of one of the Company's existing dealerships. In conjunction with its four dealership acquisitions during the nine month period ended September 30, 2013, the Company purchased $26,959 of fixed assets, which includes land for Grande Prairie Volkswagen operations for $1,800, land and building for St. James Volkswagen and Audi operations for $9,307, land and building for Eastern Chrysler operations for $6,560, and rental and lease vehicles for Eastern Chrysler for $5,712. On July 26, 2013, the Company sold land for proceeds of $3,233.

16 Intangible assets and goodwill

During the nine month period ended September 30, 2013, in conjunction with the acquisitions of Grande Prairie Volkswagen, St. James, Courtesy Chrysler, and Eastern Chrysler, the Company recorded goodwill of $100, $4,822, $1,168, and $573, respectively. The Company also recorded intangible assets of $8,600, $15,520, and $5,799, related to the acquisitions of St. James, Courtesy Chrysler, and Eastern Chrysler, respectively. The intangible assets consist of rights under franchise agreements with the dealerships' respective manufacturers - Volkswagen and Audi and Chrysler. Included in the goodwill of St. James is $3,126 that is not deductible for tax purposes arising from deferred tax liabilities for taxable temporary differences.

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

17 Trade and other payables

	September 30, 2013 $	December 31, 2012 $
Trade payables	22,052	19,276
Accruals and provisions	8,293	4,965
Sales tax payable	4,018	276
Wages and withholding taxes payable	17,776	11,070
	52,139	35,587

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

	Finance and insurance (a) $	Other $	Total $
December 31, 2012	1,053	551	1,604
Provisions arising during the year	390	308	698
September 30, 2013	1,443	859	2,302

(a) Represents an estimated chargeback reserve provided by the Company's insurance provider.

18 Indebtedness

	September 30, 2013 $	December 31, 2012 $
Current portion of indebtedness (iv, v, vi)	2,816	3,000
Revolving floorplan facility - Scotiabank (i)	212,793	194,791
Revolving floorplan facilities - VCCI (ii)	15,733	8,734
	231,342	206,525
Non-current indebtedness		
HSBC revolving term loan (iii)	25,000	15,000
HSBC non-revolving fixed term loan (iv)	2,808	2,940
Servus mortgage (vi)	5,839	5,997
	33,647	23,937
Total indebtedness	264,989	230,462

18 Indebtedness continued

Terms and conditions of outstanding loans were as follows:

i On September 30, 2013, the Company completed a $350,000 syndicated floorplan credit facility (the "Facility") with The Bank of Nova Scotia ("Scotiabank") and the Canadian Imperial Bank of Commerce ("CIBC") with Scotiabank serving as administrative agent to the Facility. The Facility can be expanded to $450,000 in total availability upon credit approval of the syndicate of lenders. The Facility bears a rate of Bankers' Acceptance plus 1.15% (2.37% as at September 30, 2013) per annum. The Facility is collateralized by each individual dealership's inventories that are directly financed by Scotiabank, a general security agreement with each dealership financed, and a guarantee from AutoCanada Holdings Inc., a subsidiary of the Company. The financial covenants and repayment terms of the Facility remain consistent with the Company's previous floorplan facility with Scotiabank. As a result of the new agreement, the Company no longer has a restricted cash requirement of $10,000.

ii The revolving floorplan facilities (“VCCI facilities”) are available to the Company from VW Credit Canada, Inc. ("VCCI") to finance new and used vehicles for all of the Company's Volkswagen and Audi dealerships. The VCCI facilities bear interest at the greater of Royal Bank of Canada ("RBC") prime rate for new vehicles and RBC prime rate plus 0.25-1.00% for used vehicles (RBC prime rate = 3.00% at September 30, 2013). The maximum amount of financing provided by the VCCI facilities is $29,770. The VCCI facilities are collateralized by all of the dealerships’ assets financed by VCCI and all cash and other collateral in the possession of VCCI and a general security agreement from the Company's Volkswagen and Audi dealerships. The individual notes payable of the VCCI facilities are due when the related vehicle is sold, as outlined in the agreement with VW Credit Canada, Inc.

iii HSBC Bank Canada ("HSBC") provides the Company with various credit facilities (the "HSBC Credit Facilities") with total credit availability of $70,000. The Company has been provided a committed, extendible revolving term loan (the “HSBC Revolver”) of $45,000 that may be increased to $50,000 subject to credit approval by HSBC. The HSBC Revolver bears interest at HSBC’s Prime Rate plus 0.75% (3.75% at September 30, 2013) or Bankers' Acceptance Rate plus 2.25% (3.45% at September 30, 2013). The Company has also been provided an acquisition facility (the "Acquisition Facility") in the amount of $20,000 that provides assistance for future dealership acquisitions. The Acquisition Facility bears interest at HSBC Prime Rate plus 2.00% (5.00% at September 30, 2013) or Bankers' Acceptance Rate plus 3.25% (4.45% at September 30, 2013). The Company is also provided with an evergreen lease line (the "Capital Lease Line") in the amount of $5,000 which may be used to finance capital asset purchases for its dealerships. The Capital Lease Line bears interest at rates determined by HSBC when amounts are drawn. The HSBC Credit Facilities' maturity date is June 30, 2015 and may be extended annually for an additional 365 days at the request of the Company and upon approval by HSBC. The HSBC Revolver is collateralized by all of the present and future assets of the subsidiaries of AutoCanada Inc. As part of a priority agreement signed by HSBC, Scotiabank, VCCI, and the Company, the collateral for the HSBC Credit Facilities excludes all new, used and demonstrator inventory financed with the Scotiabank and VCCI revolving floorplan facilities.

18 Indebtedness continued

iv HSBC provides the Company with a committed, extendible, non-revolving term loan (the "HSBC Term Loan"). The HSBC Term Loan has a maturity date of June 30, 2014; however the facility may be extended at the request of the Company and upon approval by HSBC. If the HSBC Term Loan is not extended by HSBC, repayment of the outstanding amount is not due until June 30, 2015. The HSBC Term Loan bears interest at HSBC's Prime Rate plus 1.75% (4.75% at September 30, 2013). Repayments are based on a 20 year amortization of the original loan amount; consisting of fixed monthly principal repayments of $15 plus applicable interest. The HSBC Term Loan requires maintenance of certain financial covenants and is collateralized by a first fixed charge in the amount of $3,510 registered over the Newmarket Infiniti Nissan property. At September 30, 2013, the carrying amount of the Newmarket Infiniti Nissan property was $5,171.

v Bank of Montreal ("BMO") provides the Company a non-revolving Demand Loan (the "BMO Demand Loan"). The BMO Demand Loan bears interest at BMO's Prime Rate plus 0.50% (3.50% at September 30, 2013). Repayments consist of fixed monthly payments totaling $15 plus interest per month. The BMO Demand Loan requires maintenance of certain financial covenants and is collateralized by a general security agreement consisting of a first fixed charge in the amount of $3,450 registered over the Cambridge Hyundai property. At September 30, 2013, the carrying amount of the Cambridge Hyundai property was $3,119.

vi Servus Credit Union provides the Company with a mortgage (the "Servus Mortgage"). The Servus Mortgage bears a fixed annual rate of 3.90% and is repayable with monthly blended instalments of $38, originally amortized over a 20 year period with term expiring September 27, 2017. The Servus Mortgage requires certain reporting requirements and financial covenants and is collateralized by a general security agreement consisting of a first fixed charge over the property. At September 30, 2013, the carrying amount of the property was $8,327.

19 Share-based payments

The Company operates a combination of cash and equity settled compensation plan under which it receives services from employees as consideration for cash payments. The plan is described below:

Restricted Share Units (RSUs)

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

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

19 Share-based payments continued

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

	September 30, 2013 Number of RSUs	September 30, 2012 Number of RSUs
Outstanding, beginning of the period	92,710	12,245
Settled	(35,475)	-
Granted	47,608	76,916
Dividends reinvested	2,314	2,502
Outstanding, end of the period	107,157	91,663

Deferred Share Units (DSUs)

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

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

	September 30, 2013 Number of DSUs	September 30, 2012 Number of DSUs
Outstanding, beginning of the period	3,435	-
Granted	7,194	-
Dividends reinvested	193	-
Outstanding, end of the period	10,822	-

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

20 Share capital

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

The Company issued 1,840,000 shares on June 3, 2013 (8.5% of the total share capital issued). The common shares issued have the same rights as the other common shares in issue. The fair value of the shares issued amounted to $46,000 ($25 per share). The related transaction costs amounting to $2,189 have been recognized against the gross proceeds.

Restricted Share Unit Trust

In June 2012, the Company established a trust ("Trust") to hedge the risk of future share price increases from the time the Restricted Share Units ("RSU" - see Note 19) are granted to when they are fully vested and can be exercised. The beneficiaries of the Trust are members of the Executive Management Team who participate in the long-term incentive compensation plan called the Restricted Share Unit Plan (the "Plan"). Under the Trust Agreement, the third party trustee will administer the distribution of cash and shares to the beneficiaries upon vesting, as directed by the Company. During the nine month period ended September 30, 2013, the Company contributed cash to the trustee to purchase 17,925 additional shares of the Company at a total cost of $518 on the open market to fund the future payment of awards to eligible individuals under the Plan and directed the trustee to transfer a total of 16,131 shares to members of the Executive Management Team for fully vested RSUs. Dividends earned to date on the shares held in trust of $68 are reinvested to purchase additional shares. The shares held in the Trust are accounted for as treasury shares and have been deducted from the Company's consolidated equity as at September 30, 2013. As the Company controls the Trust, it has included the trust in its condensed interim consolidated financial statements for the period ended September 30, 2013.

The following table shows the change in shareholders' capital from January 1, 2013 to September 30, 2013:

	September 30, 2013 Number	September 30, 2013 Amount $
Outstanding, beginning of the period	19,802,149	189,500
Common shares issued	1,840,000	43,811
Common shares repurchased	(17,925)	(518)
Dividends reinvested	(1,870)	(39)
Treasury shares settled	16,131	202
Outstanding, end of the period	21,638,485	232,956

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

20 Share capital continued

Dividends

Dividends are discretionary and are determined based on a number of factors. Dividends are subject to approval of the Board of Directors. During the nine month period ended September 30, 2013, eligible dividends totaling $0.57 per common share were declared and paid, resulting in a total payment of $11,700 (2012 - $8,935). On November 7, 2013, the Board of Directors of the Company declared a quarterly eligible dividend of $0.21 per common share on the Company's outstanding Class A common shares, payable on December 16, 2013 to shareholders of record at the close of business on November 29, 2013.

Earnings per share

Basic earnings per share was calculated by dividing earnings attributable to common shares by the sum of the weighted-average number of shares outstanding during the period. The Company does not have any dilutive stock options or other potentially dilutive securities. Earnings used in determining earnings per share from continuing operations are presented below:

	Three month period ended September 30, 2013	**Three month period ended September 30, 2012**	**Nine month period ended September 30, 2013**	**Nine month period ended September 30, 2012**
	$	**$**	**$**	**$**
Earnings attributable to common shares	10,968	6,806	28,613	17,630

The weighted-average number of shares outstanding is presented below:

	Three month period ended September 30, 2013	**Three month period ended September 30, 2012**	**Nine month period ended September 30, 2013**	**Nine month period ended September 30 2012**
Weighted-average number of shares outstanding	21,638,882	19,804,014	20,606,391	19,853,694

21 Related party transactions

Transactions with Companies Controlled by the CEO of AutoCanada

During the period ended September 30, 2013, the Company had financial transactions with entities controlled by the Company's CEO. Mr. Priestner is the controlling shareholder of Canada One Auto Group ("COAG") and its subsidiaries, which beneficially own approximately 22.9% of the Company's shares. In addition to COAG, Mr. Priestner is the controlling shareholder of other companies in which AutoCanada earns administrative fees. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. All transactions between AutoCanada and companies controlled by Mr. Priestner are approved by the Company's independent members of the board of directors.

a Rent paid to companies with common directors

During the nine month period ended September 30, 2013, total rent paid to companies controlled by Mr. Priestner amounted to \$7,065 (2012 - \$5,926). The Company currently leases thirteen of its leased facilities from affiliates of COAG. The Company's independent board of directors has received advice from a national real estate appraisal company that the market rents at each of the COAG properties were at fair market value rates when the leases were entered into.

b Administrative support fees

During the nine month period ended September 30, 2013, total administrative support fees received from companies controlled by Mr. Priestner amount to \$575 (2012 - \$238).

c Purchase of Real Estate

On November 5, 2013, the Company announced that it has entered into an Asset Purchase Agreement to purchase eleven dealership properties that it currently leases from COAG. The transaction is expected to close within five business days of the announcement with an effective purchase date of October 31, 2013. The Company's Real Estate Committee, comprised of independent members of the Board of Directors, obtained independent appraisals for each of the properties to determine their fair market values. The total purchase price of \$57,800, plus transaction costs and taxes, will be fully debt financed.

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

22 Net change in non-cash working capital

Changes in non-cash working capital consist of fluctuations in the balances of trade and other receivables, inventories, other current assets, trade and other payables and revolving floorplan facilities. Factors that can affect these items include seasonal sales trends, strategic decisions regarding inventory levels, the addition of new dealerships, and the day of the week on which period end cutoffs occur.

The following table summarizes the net increase in cash due to changes in non-cash working capital for the three and nine month periods ended September 30, 2013 and September 30, 2012:

	Three month period ended September 30, 2013 $	Three month period ended September 30, 2012 $	Nine month period ended September 30, 2013 $	Nine month period ended September 30, 2012 $
Trade and other receivables	8,607	(2,106)	(11,310)	(11,700)
Inventories	24,774	6,212	1,294	(58,254)
Prepaid expenses	632	969	(569)	(674)
Trade and other payables	2,927	1,816	13,160	3,234
Lease vehicle repurchase obligations	(60)	648	351	660
Revolving floorplan facilities	(44,327)	(8,334)	(9,674)	62,024
	(7,447)	(795)	(6,748)	(4,710)

23 Subsequent Events

Syndicated Credit Facility

On November 5, 2013, in conjunction with the signing of the real estate asset purchase agreement with COAG, the Company announced that it has entered into a Credit Agreement with HSBC Bank Canada ("HSBC") and Alberta Treasury Branches ("ATB"), with HSBC acting as administrative agent to the Credit Agreement. The Credit Agreement provides the Company with the following facilities:

- a $50,000 revolving operating facility that may be used for ongoing working capital and general corporate purposes, including acquisitions;
- a $20,000 revolving acquisition facility that may be used for the acquisition of auto dealerships and associated real estate; and
- a $60,000 non-revolving term facility that may be used to purchase owner occupied real estate, refinance existing real estate and to fund construction costs of new dealerships.

24 Seasonal nature of the business

The Company’s results from operations for the period ended September 30, 2013 are not necessarily indicative of the results that may be expected for the full year due to seasonal variations in sales levels. The results from operations of the Company have historically been lower in the first and fourth quarters of each year, largely due to consumer purchasing patterns during the holiday season, inclement weather and the number of business days during the period. As a result, the Company's financial performance is generally not as strong during the first and fourth quarters than during the other quarters of each fiscal year. The timing of acquisitions may also cause substantial fluctuations in operating results from quarter to quarter.

25 Fair value of financial instruments

The Company’s financial instruments at September 30, 2013 are represented by cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities, revolving floorplan facilities, lease obligations and long-term debt. The fair values of cash equivalents, trade and other receivables, accounts payable and accrued liabilities, and revolving floorplan facilities approximate their carrying values due to their short-term nature. Although most of the long-term indebtedness has a carrying value that approximates the fair value due to the floating rate nature of the debt, there is a portion that has a fixed rate. The long-term indebtedness has a carrying value that is not materially different from its fair value.

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