AutoCanada Inc.

Condensed Interim Consolidated Financial Statements
(Unaudited)
March 31, 2013
(expressed in Canadian dollar thousands except share and per share amounts)

AutoCanada Inc.

Condensed Interim Consolidated Statements of Comprehensive Income

(Unaudited)

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

	Three month period ended March 31, 2013 $	Three month period ended March 31, 2012 $
Revenue (Note 6)	284,262	248,477
Cost of sales (Note 7)	(233,137)	(205,617)
Gross profit	51,125	42,860
Operating expenses (Note 8)	(40,353)	(35,381)
Operating profit before other income	10,772	7,479
Loss on disposal of assets	(6)	(20)
Income from investments in associates (Note 12)	201	-
Operating profit	10,967	7,459
Finance costs (Note 9)	(2,043)	(2,330)
Finance income (Note 9)	207	425
Net income for the period before taxation	9,131	5,554
Income tax (Note 10)	2,309	1,441
Net comprehensive income for the period	6,822	4,113
Earnings per share (Note 19)		
Basic	0.345	0.207
Diluted	0.345	0.207
Weighted average shares (Note 19)		
Basic	19,802,048	19,880,930
Diluted	19,802,048	19,880,930

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) "Robin Salmon", Director

AutoCanada Inc.

Condensed Interim Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	March 31, 2013 (Unaudited)	December 31, 2012
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	41,991	34,472
Restricted cash	10,000	10,000
Trade and other receivables (Note 13)	57,663	47,965
Inventories (Note 14)	217,268	199,226
Other current assets	1,371	1,102
	328,293	292,765
Property and equipment	40,139	38,513
Intangible assets	66,403	66,403
Goodwill	480	380
Other long-term assets	7,586	7,699
Investments in associates (Note 12)	11,988	4,730
	454,889	410,490
LIABILITIES		
Current liabilities		
Trade and other payables (Note 16)	41,523	35,718
Revolving floorplan facilities (Note 17)	225,387	203,525
Current tax payable	11,260	3,719
Current lease obligations	1,014	1,282
Current indebtedness (Note 17)	3,012	3,000
	282,196	247,244
Long-term indebtedness (Note 17)	40,340	23,937
Deferred tax	4,477	14,809
	327,013	285,990
EQUITY	127,876	124,500
	454,889	410,490

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

AutoCanada Inc.

Condensed Interim Consolidated Statements of Changes in Equity
For the Periods 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	-	-	-	-	6,822	6,822
Dividends declared on common shares (Note 19)	-	-	-	-	(3,564)	(3,564)
Common shares repurchased	-	(15)	-	(15)	-	(15)
Share based compensation	-	-	133	133	-	133
Balance, March 31, 2013	190,435	(950)	4,556	194,041	(66,165)	127,876

	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	-	-	-	-	4,113	4,113
Dividends declared on common shares (Note 19)	-	-	-	-	(2,784)	(2,784)
Share based compensation	-	-	268	268	-	268
Balance, March 31, 2012	190,435	-	4,186	194,621	(80,029)	114,592

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

AutoCanada Inc.

Condensed Interim Consolidated Statements of Cash Flows
For the Periods Ended
(Unaudited)

(in thousands of Canadian dollars)

	Three month period ended March 31, 2013	Three month period ended March 31, 2012
Cash provided by (used in):		
Operating activities		
Net comprehensive income before tax	6,822	4,113
Income taxes (Note 10)	2,309	1,441
Amortization of prepaid rent	113	113
Depreciation of property and equipment (Note 8)	1,186	1,025
Share-based compensation	405	163
Loss on disposal of assets	6	27
Income taxes paid	(5,076)	(2,372)
Income from investments in associates (Note 12)	(201)	-
Net change in non-cash working capital (Note 21)	561	(1,002)
	6,125	3,508
Investing activities		
Business acquisitions (Note 11)	(3,781)	-
Investment in associate (Note 12)	(7,057)	-
Purchases of property and equipment (Note 15)	(590)	(361)
Prepayments of rent	-	(540)
Proceeds on sale of property and equipment	7	33
	(11,421)	(868)
Financing activities		
Proceeds from long-term indebtedness	16,500	-
Repayment of long-term indebtedness	(107)	(94)
Dividends paid	(3,578)	(2,784)
	12,815	(2,878)
Increase (decrease) in cash	7,519	(238)
Cash and cash equivalents at beginning of period	34,472	53,641
Cash and cash equivalents at end of period	41,991	53,403

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 consolidated interim 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 consolidated interim financial statements should be read in conjunction with the 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 consolidated interim 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 income statement.

These financial statements were approved by the Board of Directors on May 6, 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 Janaury 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. These changes did not result in any adjustments to other comprehensive income or comprehensive income.

- IFRS 13, *Fair Value Measurement*, provides a single framework for measuring fair value. The

3 Significant Accounting Policies continued

Changes in accounting policies continued

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 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:

Investment in associate

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; 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)

4 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 the Company does not have power over Green Isle, and therefore does not consolidate this investment.

Should the nature of the relationship 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 eight global automobile manufacturers. The Company's Chrysler, Jeep, Dodge, Ram ("CJDR") dealerships, which generated 72% of the Company's revenue in the period-ended March 31, 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 March 31, 2013 and December 31, 2012 the Company had recorded the following assets that relate to transactions it has entered into with Chrysler Canada:

	March 31, 2013 $	**December 31, 2012 $**
Accounts receivable	4,914	6,655
New vehicle inventory	127,774	122,595
Demonstrator vehicle inventory	4,797	4,784
Parts and accessories inventory	4,655	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 March 31, 2013 $	Three month period ended March 31, 2012 $
New vehicles	174,410	147,383
Used vehicles	62,656	60,453
Finance, insurance and other	17,529	13,556
Parts, service and collision repair	29,667	27,085
	284,262	248,477

7 Cost of sales

	Three month period ended March 31, 2013 $	Three month period ended March 31, 2012 $
New vehicles	158,463	135,337
Used vehicles	58,867	56,041
Finance, insurance and other	1,372	1,212
Parts, service and collision repair	14,435	13,027
	233,137	205,617

8 Operating expenses

	Three month period ended March 31, 2013 $	Three month period ended March 31, 2012 $
Employee costs	26,130	22,108
Administrative costs (1)	10,057	9,313
Facility lease costs	2,980	2,935
Depreciation	1,186	1,025
	40,353	35,381

(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 March 31, 2013 $	Three month period ended March 31, 2012 $
Long term debt	194	230
Floorplan financing	1,560	1,935
Other interest expense	289	165
	2,043	2,330
Short term bank deposits	(207)	(425)

10 Taxation

Components of income tax expense are as follows:

	Three month period ended March 31, 2013 $	Three month period ended March 31, 2012 $
Current	12,642	9,622
Deferred	(10,333)	(8,181)
Income tax expense	2,309	1,441

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 rates used for the period ended March 31, 2013 was 25.4% (March 31, 2012 - 26.0%).

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

11 Business acquisition

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 17) in the amount of $1,413 and the remaining $568 was financed with cash from operations. The acquisition will be 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 March 31, 2013 was $2,219.

The purchase price allocated, as presented above, is an estimate and subject to change.

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

12 Investment in associate

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.

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 March 31, 2013, on a consolidated basis, Green Isle generated revenue of $2,443 and total net comprehensive income of $44. For the period ended March 31, 2013, no dividends have been received from Green Isle.

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

12 Investment in associate continued

Carrying value of Investments in Associates

The following table summarizes the Company's consolidated carrying value of its investments in Dealer Holdings Ltd. and Green Isle G Auto Holdings Inc. as at March 31, 2013:

	Dealer Holdings Ltd. **$**	**Green Isle G Auto Holdings Inc.** **$**	**Total** **$**
Balance, beginning of the period	4,730	-	4,730
Investment in Green Isle	-	7,057	7,057
Income from investment in associate	168	33	201
Balance, end of period	4,898	7,090	11,988

13 Trade and other receivables

	March 31, 2013 **$**	**December 31, 2012** **$**
Trade receivables	55,716	45,998
Less: Allowance for doubtful accounts	(393)	(447)
Net trade receivables	55,323	45,551
Other receivables	2,340	2,414
Trade and other receivables	57,663	47,965

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

	March 31, 2013 $	December 31, 2012 $
New vehicles	172,464	158,251
Demonstrator vehicles	7,278	7,333
Used vehicles	29,275	25,622
Parts and accessories	8,251	8,020
	217,268	199,226

During the period ended March 31, 2013, $233,137 of inventory (2012 - $205,617) was expensed as cost of goods sold which included net write-downs on used vehicles of $179 (2012 - $65). During the period ended March 31, 2013, $337 of demonstrator expense (2012 - $274) was included in selling, general, and administration expense. During the period ended March 31, 2013, demonstrator reserves increased by $94 (2012 - $126). As at March 31, 2013, the Company had recorded reserves for inventory write downs of $2,203 (2012 - $1,352).

15 Property and equipment

During the quarter ended March 31, 2013, the Company purchased $590 of fixed assets plus land and a building purchased at a cost of $1,800. The land and building are being used for operations at the Grande Prairie Volkswagen dealership (see Note 11).

16 Payables, accruals and provisions

	March 31, 2013 $	December 31, 2012 $
Trade payables	19,297	19,280
Accruals and provisions	6,332	5,086
Sales tax payable	1,593	282
Wages and witholding taxes payable	14,301	11,070
	41,523	35,718

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

16 Payables, accruals and provisions continued

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 period	45	61	106
March 31, 2013	1,098	612	1,710

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

17 Indebtedness

This note provides information about the contractual terms of the Company's interest-bearing debt, which are measured at amortized cost. For more information about the Company's exposure to interest rate, foreign currency and liquidity risk, see Note 21 - Financial instruments in the annual financial statements for the year ended December 31, 2012.

	March 31, 2013 $	December 31, 2012 $
Current portion of indebtedness (iv, v, vi)	3,012	3,000
Revolving floorplan facility - Scotiabank (i)	215,523	194,791
Revolving floorplan facilities - VCCI (ii)	9,864	8,734
	228,399	206,525
Non-current indebtedness		
HSBC revolving term loan (iii)	31,500	15,000
HSBC non-revolving fixed term loan (iv)	2,896	2,940
Servus Mortgage (vi)	5,944	5,997
	40,340	23,937
Total indebtedness	268,739	230,462

17 Indebtedness continued

Terms and conditions of outstanding loans were as follows:

i The Bank of Nova Scotia ("Scotiabank") provides the Company with a revolving floorplan facility in the amount of $290,000 to finance new and used vehicle inventory. The facility for the new vehicle inventory bears interest at Bankers' Acceptance Rate plus 1.30% per annum (2.49% at March 31, 2013). The facility for the used vehicle inventory bears interest at Bankers' Acceptance Rate plus 1.80% per annum (2.99% at March 31, 2013). 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.

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 dealerships. The VCCI facilities bear interest at the Royal Bank of Canada ("RBC") prime rate for new vehicles and RBC Prime Rate plus 0.75-1.00% for used vehicles (RBC prime rate = 3.00% at March 31, 2013). The maximum amount of financing provided by the VCCI facilities is $19,240. 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 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 a fully committed, extendible revolving term loan (the "HSBC Revolver") in the amount of $40,000 and may be increased by $10,000 subject to approval from HSBC. The facility is repayable on June 30, 2014 and may be extended for an additional 365 days at the request of the Company and upon approval by HSBC. The HSBC Revolver bears interest at HSBC's Prime Rate plus 0.75% (3.75% at March 31, 2013). The HSBC Revolver is collateralized by all of the present and future assets of the subsidiaries of AutoCanada Inc, the various Limited Partnerships and the General Partners of each dealership within the Company. As part of a priority agreement signed by HSBC, Ally Credit and the Company, the collateral for the HSBC Revolver excludes all new, used and demonstrator inventory financed with the Scotiabank and VCCI revolving floorplan facilities.

iv HSBC provides the Company with a committed, extendible non-revolving term loan (the "HSBC Term Loan"). The HSBC Term Loan's maturity date is April 30, 2013, 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 April 30, 2014. The HSBC Term Loan bears interest at HSBC's Prime Rate plus 1.75% (4.75% at March 31, 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 March 31, 2013, the carrying amount of the Newmarket Infiniti Nissan property was $5,291. The Company is currently in the renewal process for the HSBC Term Loan.

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

17 Indebtedness continued

v Bank of Montreal provides the Company a Fixed Rate Term Loan (the "BMO Term Loan"). The BMO Term Loan matured September 30, 2012 and bears interest at a fixed rate of 5.11%. Repayments consist of fixed monthly payments totaling $20 per month. The BMO Term 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 March 31, 2013, the carrying amount of the Cambridge Hyundai property was $3,194. The Company is currently in the renewal process for the BMO Term Loan.

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 March 31, 2013, the carrying amount of the property was $8,492.

18 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.

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

	March 31, 2013 Number of RSUs	**March 31, 2012 Number of RSUs**
Outstanding, beginning of the period	92,710	12,245
Settled	(35,475)	-
Granted	47,608	76,916
Dividends reinvested	980	189
Outstanding, end of the period	105,823	89,350

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

18 Share-based payments continued

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 periods ended:

	March 31, 2013 Number of DSUs	**March 31, 2012 Number of DSUs**
Outstanding, beginning of the period	3,435	-
Granted	3,302	-
Dividends reinvested	71	-
Outstanding, end of the period	6,808	-

19 Share capital

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

RSU 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 18) 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. To date, the Company has contributed cash to the trustee to purchase a total of 76,916 shares of the Company at a total cost of $912 on the open market to fund the future payment of awards to eligible individuals under the Plan. Dividends earned to date on the shares held in trust of $38 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 March 31, 2013. As the Company controls the Trust, it has included the Trust in its condensed interim consolidated financial statements for the period ended March 31, 2013.

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

19 Share capital continued

The following table shows the change in share capital from January 1, 2013 to March 31, 2013:

	March 31, 2013 Number	March 31, 2013 Amount $
Outstanding, beginning of the period	19,802,149	189,500
Common shares repurchased	(825)	(15)
Outstanding, end of the period	19,801,324	189,485

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 three month period ended March 31, 2013, eligible dividends totaling $0.18 per common share were declared and paid.

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 securities. Earnings used in determining earnings per share from continuing operations are presented below:

	Three month period ended March 31, 2013 $	Three month period ended March 31, 2012 $
Earnings attributable to common shares	6,822	4,113

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

	Three month period ended March 31, 2013	Three month period ended March 31, 2012
Weighted-average number of shares outstanding, opening	19,840,802	19,880,930
Weighted-average common shares held in treasury	(38,754)	-
Weighted-average number of sharse outstanding, closing	19,802,048	19,880,930

20 Related party transactions

Transactions with Companies Controlled by the CEO of AutoCanada

During the period ended March 31, 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 42.3% 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. Details of these transactions are noted below:

a Rent paid to companies with common directors

During the period ended March 31, 2013, total rent paid to companies controlled by Mr. Priestner amounted to $1,971 (2012 - $1,971). The Company currently leases thirteen of twenty-six properties in which the Company operates from COAG, a company controlled by Mr. Priestner. 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 period ended March 31, 2013, total administrative support fees received from companies controlled by Mr. Priestner amount to $207 (2012 - $79). Administrative support fees consist of a fixed monthly fee in exchange for information technology, accounting, and other administrative support. The fees are determined annually based on the estimated cost of services provided.

c Advances to Green Isle

During the three month period ended March 31, 2013, the Company advanced $500 to Green Isle to assist with short-term working capital needs. Repayment of the amount is due by June 30, 2013.

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

21 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 periods ended March 31, 2013 and March 31, 2012.

	March 31, 2013 $	March 31, 2012 $
Accounts receivable	(9,682)	(8,932)
Inventories	(16,586)	(18,319)
Prepaid expenses	(269)	(183)
Accounts payable and accrued liabilities	5,493	(380)
Leased vehicle repurchase obligations	(257)	(517)
Revolving floorplan facility	21,862	27,329
	561	(1,002)

22 Seasonal nature of the business

The Company’s results from operations for the period ended March 31, 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 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.

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

23 Subsequent Events

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 $23,258. The acquisition was financed with a combination of the Company's revolving term loan and cash from operations. The acquisition will be 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	1,934	-	1,934
Inventories	9,324	-	9,324
Prepaids	138	-	138
	11,712	-	11,712
Long term assets			
Property and equipment	6,547	4,163	10,710
Total assets	18,259	4,163	22,422
Current liabilities			
Revolving floorplan facility	8,147	-	8,147
Trade and other payables	978	-	978
	9,125	-	9,125
Long term liabilities			
Deferred tax liabilities	65	-	65
Total liabilities	9,190	-	9,190
Net assets acquired	9,069	4,163	13,232
Goodwill and intangibles	-	10,026	10,026
Total net assets acquired	9,069	14,189	23,258

The purchase price allocated, as presented above, is an estimate and subject to change.

24 Fair value of financial instruments

The Company's financial instruments at March 31, 2013 are represented by cash and cash equivalents, trade and other receivables, trade and other payables, revolving floorplan facilities, lease obligations and long-term indebtedness. The fair values of cash equivalents, trade and other receivables, trade and other payables, 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 the prevailing and comparable market interest rates.