2015 ANNUAL REPORT

AutoCanada


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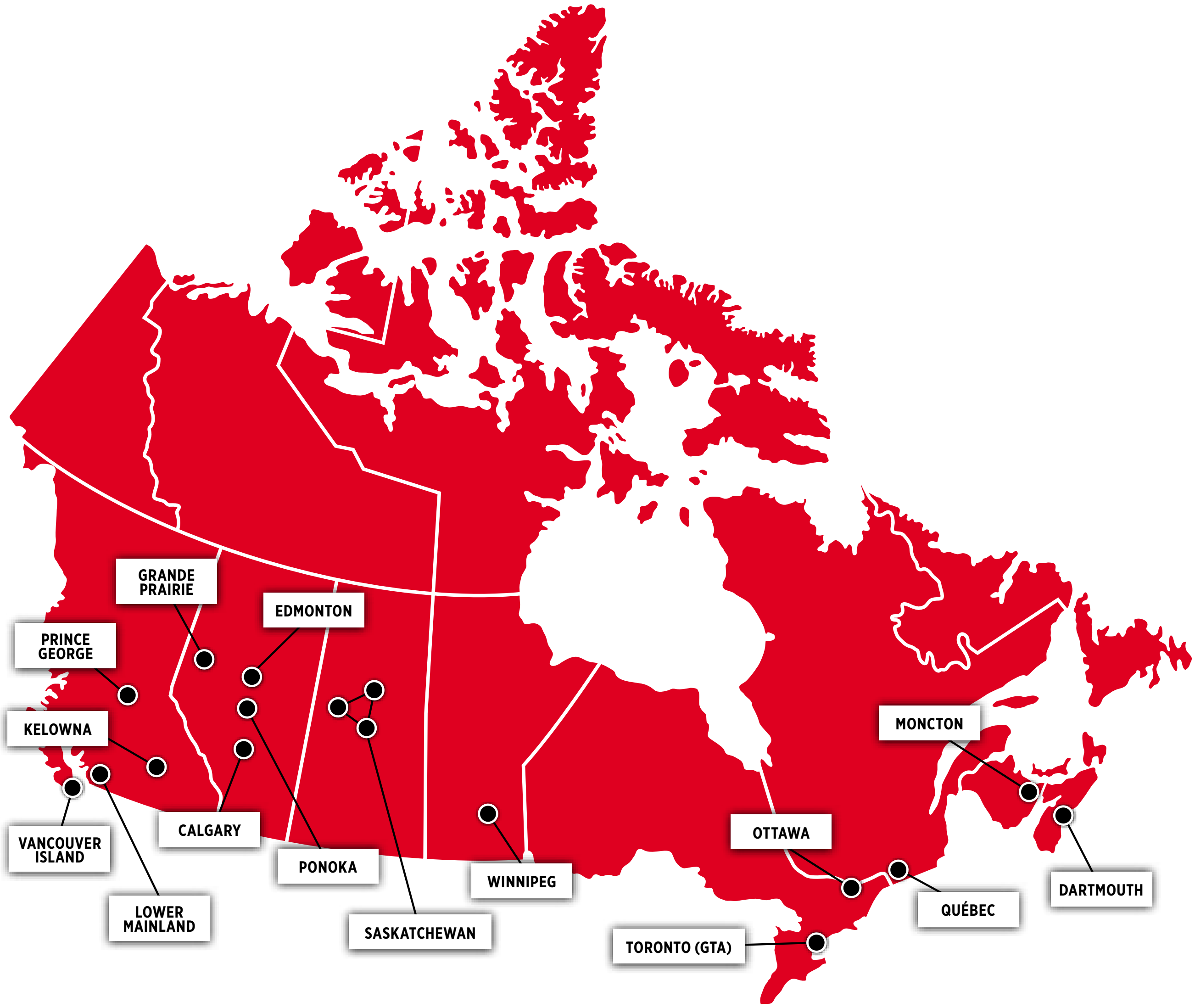
WHAT'S INSIDE

COMPANY OVERVIEW

AUTOCANADA (TSX:ACQ)

AutoCanada is Canada's largest, and only publicly-listed, multi-location automobile dealership group, currently operating 53 dealerships, comprised of 60 franchises, in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick and Nova Scotia. In 2015, our dealerships sold approximately 62,800 vehicles and processed approximately 848,000 service and collision repair orders in our 912 service bays.

Our dealerships derive their revenue from the following four inter-related business operations: new vehicle sales; used vehicle sales; parts, service and collision repair; and finance and insurance. While new vehicle sales are the most important source of revenue, they generally result in lower gross profits than used vehicle sales, parts, service and collision repair operations and finance and insurance sales. Overall gross profit margins will increase as revenues from higher margin operations increase relative to revenues from lower margin operations.



VANCOUVER ISLAND
Victoria Hyundai
Island Chevrolet Buick GMC

LOWER MAINLAND
Abbotsford Volkswagen
Chilliwack Volkswagen
Maple Ridge Chrysler Dodge Jeep RAM FIAT
Maple Ridge Volkswagen

KELOWNA
Okanagan Chrysler Dodge Jeep RAM
Don Folk Chevrolet

PRINCE GEORGE
Northland Chrysler Dodge Jeep RAM FIAT
Northland Hyundai
Northland Nissan

GRANDE PRAIRIE
Grande Prairie Chrysler Dodge Jeep RAM FIAT
Grande Prairie Hyundai
Grande Prairie Mitsubishi
Grande Prairie Nissan
Grande Prairie Subaru
Grande Prairie Volkswagen

EDMONTON AREA
Capital Chrysler Dodge Jeep RAM FIAT
Crosstown Chrysler Dodge Jeep RAM FIAT
North Edmonton KIA
Lakewood Chevrolet
Sherwood Buick GMC
Sherwood Park Chevrolet
Sherwood Park Hyundai
Grove Chrysler Dodge Jeep RAM

CALGARY AREA
Airdrie Chrysler Dodge Jeep RAM
Calgary Hyundai
Courtesy Chrysler Dodge Jeep RAM
Courtesy Mitsubishi
Crowfoot Hyundai
Fish Creek Nissan
Hyatt Infiniti
Northland Volkswagen
Tower Chrysler Dodge Jeep RAM

PONOKA
Ponoka Chrysler Dodge Jeep RAM

SASKATCHEWAN
Bridges Chevrolet Buick GMC
Dodge City Motors
Mann-Northway Auto Source
Saskatoon Motor Products

WINNIPEG
Audi Winnipeg
Eastern Chrysler Dodge Jeep RAM
McNaught Cadillac Buick GMC
St. James Volkswagen

TORONTO & GTA
401 Dixie Hyundai
Cambridge Hyundai
Toronto Chrysler Dodge Jeep RAM

OTTAWA
Hunt Club Nissan
417 Infiniti
417 Nissan

QUÉBEC
BMW Canbec / MINI Mont Royal
BMW Laval / MINI Laval

MONCTON
Moncton Chrysler Dodge Jeep RAM

DARTMOUTH
Dartmouth Chrysler Dodge Jeep RAM

FROM OUR EXECUTIVE CHAIR

As I think about 2015, it becomes clear that this was a year of challenges as well as opportunities. Many of our stores are located in markets which have been impacted by a decline in consumer confidence which directly impacts consumers' willingness to buy a new vehicle. The impact of this was deeply apparent throughout last year and it will no doubt continue into 2016. It is for this reason that we have been focused on the strength of our balance sheet.

We are disciplined retailers. We stick to the basics and the small details which are key to selling vehicles. And it shows – we have some of the best managed, highest volume stores anywhere in the country.

We are laser focused. In times of slower economic growth, we are focused on our profitability and our process. If we can be good in the tough times, we can be great in the good times.

We are deeply committed. No one is more committed to delivering value for our manufacturer partners, shareholders and customers than us – Steven, Tom, and each and every one of our team members, from management to the front line sales staff, are actively engaged in this pursuit.

Thanks so much to all of our shareholders, bondholders and investors for trusting us with your capital. You have choice and we are grateful and fortunate to be yours. Thanks to all of our 3,700 employees and their families – it is truly a pleasure to work with you.

Sincerely,

Pat Priestner
Executive Chair

> *"We have some of the best managed, highest volume stores anywhere in the country"*

AutoCanada is proud to congratulate Pat Priestner for winning the EY Entrepreneur of the Year Prairies award in 2015. This award is presented each year to one individual in the Prairies region in recognition of their business and personal accomplishments.

EY Entrepreneur Of The Year™

FROM OUR CEO & OUR PRESIDENT

By the time everyone reads this letter we will be part way through the year, and as such, We thought it would be prudent to discuss what priorities our team has been focused on this year. Fiscal 2015, which had the distinction of being compared to our all-time record year, took place in the midst of a challenging Alberta economy, home to 24 of our 53 dealerships. Within this difficult economic environment we faced sales and margins pressures, both of which we are focused on addressing and committed to resolving.

Our team is working diligently on reviewing the strategies of each dealership, relative to their particular markets, in order to make appropriate market sensitive adjustments with a focus of improving unit sales volumes, profitability and margins. We have a clear action plan for all of our dealerships whether they are located in Alberta or one of the other seven provinces that we operate in.

Our plan is simple. We focus on the basics and only on the basics. Our ability to excel at the details is crucial to retailing and has been the cornerstone of our success. There are three key areas to our plan:

- Improve new vehicle sales – We are placing a greater focus on digital marketing which we believe will provide more, and more cost effective, connections to our customers. And we have expedited the roll-out of a new sales process technology which will allow our dealerships to more effectively capture and use sales data and leads.

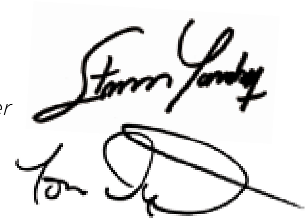
- Improve gross profit – We are working with our dealerships to manage profitability, especially in areas where sales have declined as a result of market conditions and lower unit volume. To be clear, this may mean focusing on more profitable sales at the expense of total units sold. Success and achievements aside, we are confident that there are further opportunities to improve gross profitability in our dealerships.

- Improve net income – We are working with our dealerships to reduce expenses. We are focused on employee expenses, marketing fees and administration costs and expect to save $15 million annually by working closely with our dealerships to identify areas where reduced spends will not adversely impact sales.

We recognize where we need to focus our efforts to achieve the results that we and our shareholders have come to expect and deserve, and we are singularly committed to focusing our efforts, over the coming year in particular, to implement our plan. This is our plan and we have the talent to achieve our goals.

In closing, thank-you to our Founder and Executive Chair, our Board, our team, and of course each of our manufacturer partners.

Sincerely,



Steven Landry
Chief Executive Officer

Tom Orysiuk
President

OUR 10 YEAR EVOLUTION

EVOLUTION OF OUR COMPANY

On May 11, 2006, the Company completed its initial public offering and became the only publicly-listed, multi-location dealership group in Canada. The Company operated 14 dealerships in 6 provinces with approximately 800 employees. The franchise brands sold included Chrysler, Dodge, Jeep, Hyundai, and Subaru.

"We anticipate that the Company will continue to grow as we execute our growth strategy through accretive acquisitions of other franchised automotive dealers, continued organic growth and the commencement of operations at new franchised automotive dealerships that have been awarded to us by manufacturers."

— Pat Priestner (August 14, 2006)

It is now 2016, and Management and the Company are excited to celebrate our 10th anniversary. Results and growth since 2006 has been astronomical – from 14 dealerships to 53, expanding East across two additional provinces, and now employing over 3,700 employees. Additionally, our franchises have grown to 19 brands. Management is pleased with the progress to date and is proud of the relationships established with the manufacturer partners.

Our business model has proven a long history of profitability in the past 10 years, however, Management realizes the challenges and economic factors that are inevitable in the foreseeable future to the Company, and will adapt business practices and strategies to maintain momentum for growth.

211,068

NEW RETAIL VEHICLES SOLD SINCE 2006 (UNITS)

111,112

USED RETAIL VEHICLES SOLD SINCE 2006 (UNITS)

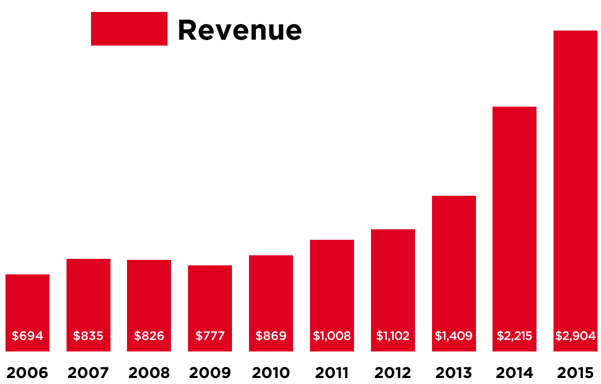
3,943,800

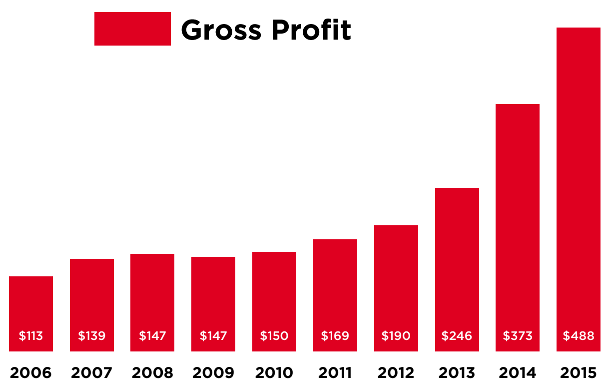
SERVICE & COLLISION REPAIRS SINCE 2006 (ORDERS)

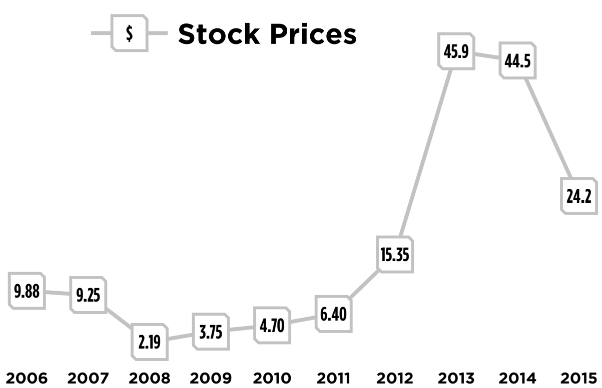
$12,648,064,000

AGGREGATE REVENUE SINCE 2006

10 YEARS AT A GLANCE







DEALERSHIPS
2006 **14** ➤ 2015 **54**

BRANDS
2006 **5** ➤ 2015 **19**

SERVICE BAYS
2006 **223** ➤ 2015 **912**

EMPLOYEES
2006 **800** ➤ 2015 **3700**

"The Board believes the potential added cash flow from the dealership will be beneficial for our unitholders in the near term, and the establishment of a business relationship with another top automobile manufacturer such as Nissan Canada may also provide longer-term benefits."

— Gordon Barefoot (February 7, 2007)

MAY 11, 2006
AutoCanada Income Fund (the Fund) completed an initial public offering

The Fund acquired its first Nissan dealership
JAN 7, 2007

NOV 5, 2007
The Fund was awarded its first Mitsubishi open point dealership

The Fund acquired its first Volkswagen dealership
DEC 8, 2008

OCT 6, 2009
Signed $20,000,000 revolving credit facility with HSBC Canada

The Fund underwent a reorganization and converted the Trust to the corporation known as AutoCanada Inc. (AutoCanada) with common shares trading on the TSX under the symbol ACQ
DEC 18, 2009

"This investment, AutoCanada's first with a GM Canada dealership, represents a significant milestone for the Company. Chevrolet is a very significant brand in the Canadian automotive landscape and we are extremely pleased that GM Canada has agreed to accept AutoCanada as part of the GM family."

— Pat Priestner (May 1, 2012)

AutoCanada was awarded its first KIA open point dealership

APR 20, 2012

MAY 5, 2012

AutoCanada obtained approval from General Motors of Canada (GM) to invest in its first GM dealership

AutoCanada acquired its first Audi dealership

MAR 28, 2013

Completed private offering of $150 million aggregate principal amount of senior unsecured notes

MAY 22, 2014

MAY 22, 2014

AutoCanada acquired its first BMW and MINI dealerships

NOV 11, 2015

AutoCanada provided a participatory loan to PPH, a holding company wholly owned by Pat Priestner, to fund 80% of the purchase of Whitby Oshawa Honda

2015 RESULTS AT A GLANCE

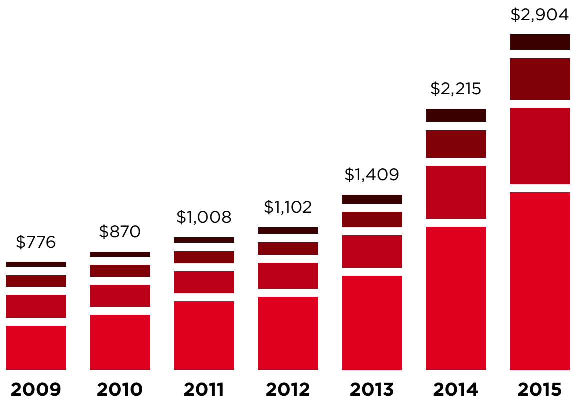
OVERALL STATISTICS

+6 DEALERSHIPS
2014: 48
2015: 54

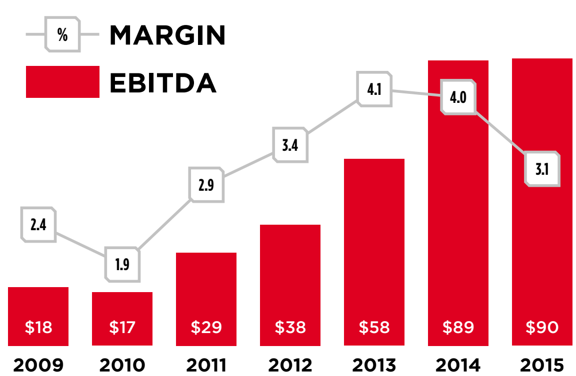
+6 FRANCHISES
2014: 56
2015: 62

+20% UNITS SOLD
2014: 52,147
2015: 62,799

+41% SERVICE ORDERS
2014: 601,597
2015: 847,702



TOTAL REVENUE



EBITDA MARGIN

New Vehicles
Used Vehicles
Parts & Service
Finance & Insurance

INCOME STATISTICS

+31% REVENUE	**+.5%** EBITDA	**-39%** FREE CASH FLOW	**-27%** ADJUSTED EPS
2014: $2,214,778	2014: $89,434	2014: $63,723	2014: $2.24
2015: $2,903,803	**2015: $89,838**	**2015: $38,675**	**2015: $1.64**

OPERATING STATISTICS

+24% NEW VEHICLE REVENUE	**+42%** USED VEHICLE REVENUE	**+6%** ABSORPTION RATE
2014: $1,342,346	2014: $495,352	2014: 85%
2015: $1,668,237	**2015: $704,569**	**2015: 91%**

OUR OPERATIONS

Our current multi-location automobile dealership model of 53 automobile dealerships (60 franchises) located in eight provinces enables us to serve a diversified geographic customer base and enjoy benefits not available to single location dealerships. In addition, by operating multiple dealerships in certain metropolitan areas we are able to gain the advantages associated with a "platform" of dealerships in a single geographic area.

Our franchised automobile dealerships are operated as distinct profit centres in which the dealer principals are given significant autonomy within overall operating guidelines. This autonomy, combined with the dealer principals' understanding of their local markets, enables the dealer principals to effectively run day-to-day operations, market to customers, recruit new employees and gauge acquisition opportunities in their local markets. Our dealer principals are required to take an active, hands-on approach to operating their respective dealerships. Each dealer principal is supported by a complete management team that provides oversight and management over every facet of the business. While each member of a dealership's management team, other than the dealership controllers, report directly to the dealer principal, they also report to one or more members of our head office senior management team. The dealership controllers report directly to the head office finance group. Our reporting structure is designed to facilitate the sharing of ideas and market intelligence in an efficient and effective manner.

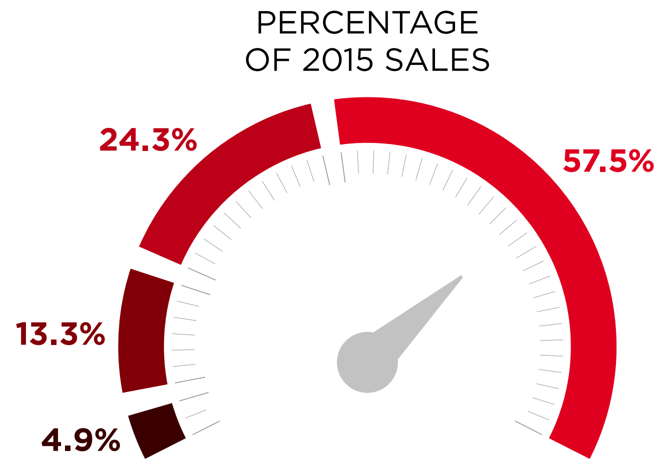
ALBERTA VENTURE

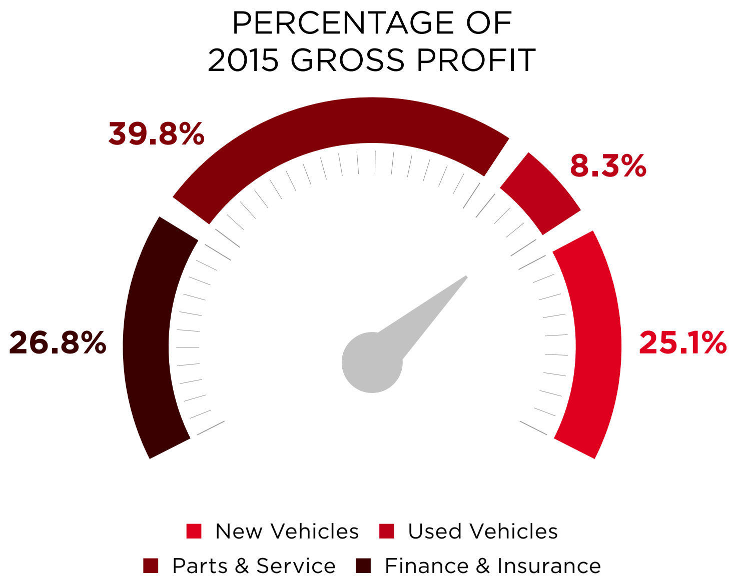
#1 FOR 2016 THE FAST GROWTH 50

AutoCanada was ranked #1 for Alberta Venture's Fast Growth 50 Program. AutoCanada's significant number of acquisitions fueled their success in the rated categories of growth in revenue, assets, capital expenditures, and employees.

SOURCES OF REVENUE AND GROSS PROFIT

We generate revenues and gross profit from four inter-related revenue streams: new vehicle sales; used vehicle sales; parts, service and collision repair; and finance and insurance.





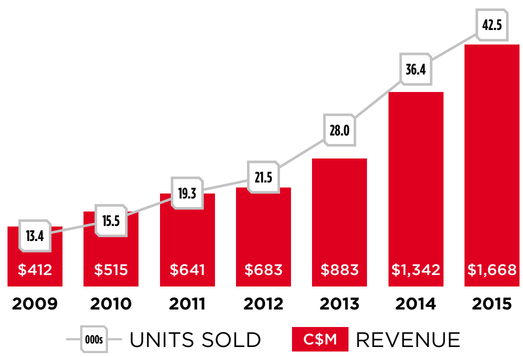
REVENUE STREAMS

NEW VEHICLE SALES

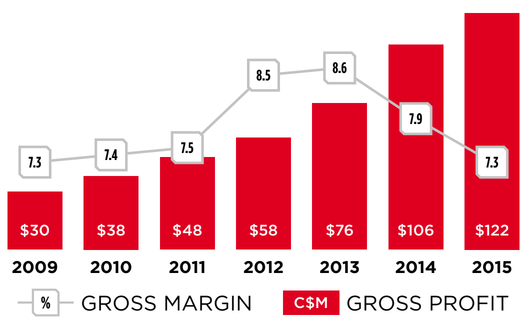
New vehicle sales are the driving force behind AutoCanada's business. While all four revenue streams generate gross profit, new vehicle sales is a primary focus. In 2015, 57.5% of our revenue was generated from new vehicle sales. In addition to the profit from the sale itself, a typical new vehicle sale (or lease transaction) creates other profit opportunities for our dealerships including the resale of trade-in vehicles, sale of third party finance products, the sale of vehicle service and insurance contracts in connection with the retail sale, and the service and repair of the vehicle during and after the warranty period.

New vehicle leases, which are provided by third parties, generally have shorter terms than finance transactions, resulting in customers returning to a dealership more frequently than in the case of financed purchases. In addition, leases provide us with a source of late-model, off-lease vehicles for our used vehicle inventory. Generally, leased vehicles remain under factory warranty for the term of the lease, allowing franchised automobile dealers to provide repairs and service to the customer throughout the lease term.

We acquire our new vehicle inventory from automobile manufacturers. Automobile manufacturers allocate products among their dealerships based primarily on historical sales volume and planned future sales. We have a team of new vehicle inventory analysts that monitor the dealership ordering process (including quantity by model and trim level), inventory stocking levels for in-transit and landed units, inventory turnover and projected days supply. We believe that our new vehicle analysts provide a valued service to our dealers to prevent ordering which may result in excess supply of vehicles as a result of improper models and trim levels.



TOTAL REVENUE



GROSS PROFIT

BY THE NUMBERS

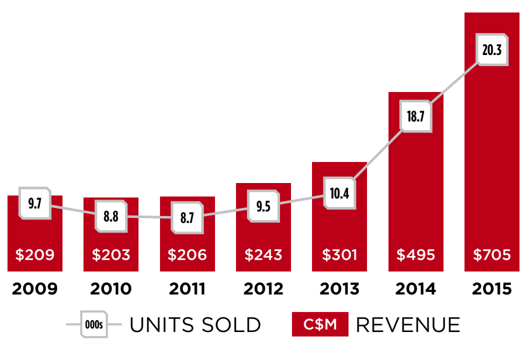
USED VEHICLE SALES

Used vehicle sales are also a key component to the overall success of AutoCanada. Our new vehicle operations provide our used vehicle operations with a large supply of high quality trade-ins and off-lease vehicles, which are the best sources of attractive used vehicle inventory. Our dealers supplement their used vehicle inventory with purchases from auctions, daily rental companies, and wholesalers. Used vehicle sales give us an opportunity to further increase our revenues by aggressively pursuing customer trade-in vehicles, increase service contract sales, provide parts and services required in the maintenance of the vehicle, perform reconditioning work on trade-ins and provide financing to used vehicle purchasers.

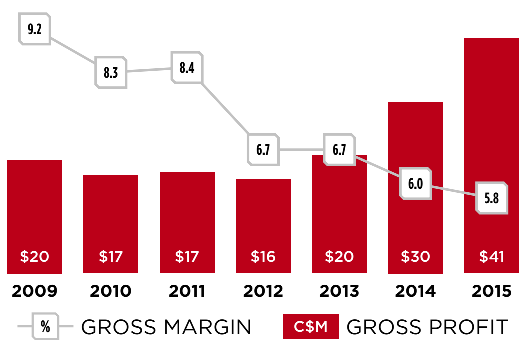
Vehicles that are acquired through trade-in are assessed for certain criteria to determine if it meets our requirements to be sold as a retail unit. Vehicles which do not meet our criteria are sold through wholesale.

We actively manage the quality and age of our used vehicle inventory and monitor our used inventory appraisal values, reconditioning costs, pricing, online marketing, stocking levels, turnover, and return on investment. We believe that monitoring these various processes results in greater sales volumes, higher turnover, and ultimately a greater return on investment.

Manufacturer certified pre-owned vehicles typically sell at a premium compared to other used vehicles and are available only at franchised automobile dealerships, such as ours. We believe that the manufacturer's warranty that comes with these certified vehicles increases our potential to retain the purchaser as a future parts and service customer since certified warranty work can only be performed at franchised automobile dealerships.



TOTAL REVENUE



GROSS PROFIT

PARTS, SERVICE & COLLISION REPAIR

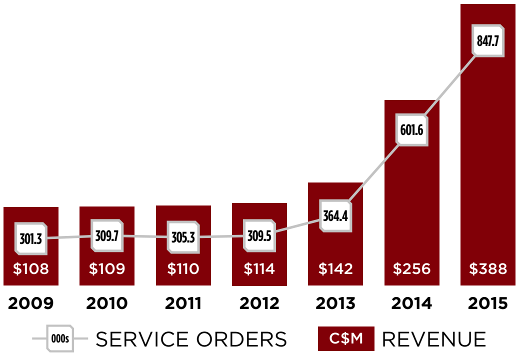
Parts, Service and Collision Repair is an important part of our overall business, it not only provides high-margin revenue but also supports our overall approach to customer service, leading to customer retention and vehicle sales. Parts and service activity is generally considered countercyclical. In a downturn, consumers buy fewer new vehicles, but their older vehicles require more service.

One of our major goals is to retain each vehicle purchaser as a long-term customer of our parts, service and collision repair department. A substantial number of our customers return to our dealerships for other services after the vehicle warranty expires. Each dealership has systems in place to track customer maintenance records and notify owners of vehicles purchased at the dealerships when their vehicles are due for periodic services.

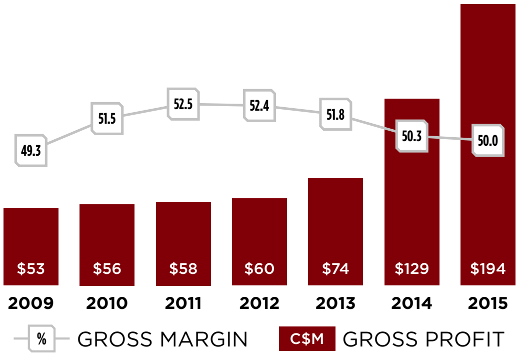
Parts are either used in repairs made in the service department, sold at retail to customers, or sold at wholesale to independent repair shops and other dealerships.

Our profitability in parts, service and collision repair can be attributed to our comprehensive management system, including the use of variable rate pricing structures, cultivation of strong customer relationships through an emphasis on preventive maintenance, and the efficient management of inventory.

We manage our parts inventories to a target of 45 days' supply on hand in order to be responsive to our customers' needs while managing our working capital.



TOTAL REVENUE



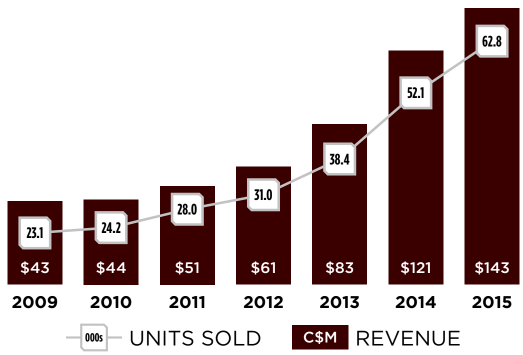
GROSS PROFIT

FINANCE, INSURANCE, & OTHER

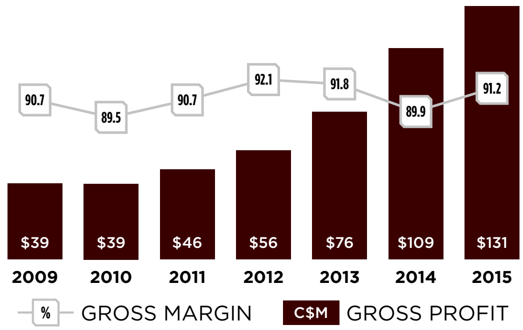
Every vehicle sale presents AutoCanada with an opportunity to increase profits through the sale of additional products such as third party financing or lease arrangements, extended warranties, service contracts and insurance products. We do not own a finance company and do not retain substantial credit risk after a customer has received financing.

The finance and insurance products our dealerships currently offer are generally underwritten and administered by independent third parties, including the automobile manufacturers' captive finance companies. In return for arranging third party purchase and lease financing for our customers, we receive a fee from the third party lender upon completion of the financing. These third party lenders include the automobile manufacturers' captive finance companies and warranty divisions, selected commercial banks and a variety of other third party lenders, including credit unions and regional auto finance lenders. Under our arrangements with the providers of these products, we either sell these products on a straight commission basis or participate in future profits, if any, pursuant to a retrospective commission arrangement.

We arranged customer financing on a significant portion of the retail vehicles we sold in 2015. In addition to finance commissions, opportunities are created to sell other profitable products, such as warranty and extended protection products with purchases of new and used vehicles, including: service contracts; auto protection insurance; life, disability and dismemberment insurance, as well as lease "wear and tear insurance"; and theft protection. Our size and volume capabilities enable us to acquire these products at reduced fees compared to the industry average, which results in competitive advantages as well as acquisition related revenue synergies.



TOTAL REVENUE



GROSS PROFIT

INDUSTRY OVERVIEW

RETAIL AUTOMOTIVE INDUSTRY OVERVIEW

The Canadian retail automotive industry is highly fragmented with approximately 3,567 franchised automobile dealerships and approximately 2,000 owners. We expect the Canadian automotive retail industry to continue to consolidate as the average age of automobile dealership owners continues to rise. AutoCanada has the ability to act as a key consolidator of the industry due to our access to capital and our reputation and expertise in the industry. While we are limited to those brands which have accepted public ownership, the opportunity for growth through acquisitions is immense.

The auto retail sector is a key part of the economy and amounts to an annual spending of $128 billion in 2015, up 7.1% as compared to 2014[1]. This sector represents the largest Canadian retail segment.

[1]Source: Stats Canada Statistics Canada. Table 080-0020 - Retail trade, sales by the North American Industry Classification System (NAICS), monthly (dollars), CANSIM (database)

"Canadian auto sales climbed a stronger-than-expected 3% last year to a record high 1.90 million units. We expect volumes to be largely flat this year, as diverging trends between the industrial heartland and commodity-producing regions balance each other out. Stronger employment growth and economic activity in the export-reliant manufacturing provinces will lift volumes in these markets, but deteriorating fundamentals and weakening demographic and income trends will pressure volumes in other regions. However, unless Canadian economic growth falters below last year's 1% pace, we still expect passenger vehicle sales to remain on par with record 2015 volumes." ***— Scotiabank Global Auto Report (January 27, 2016)***

THE HIGHLY COMPETITIVE RETAIL AUTOMOTIVE SECTOR

New Vehicles — In the new vehicle market, our dealerships compete with other franchised automobile dealerships. We believe the principal competitive factors in the retail new vehicle business are consumer brand and model preferences, location, quality of facility and service, and price. We are subject to competition from franchised automobile dealers that sell the same brands of new vehicles and other new vehicle brands.

Used Vehicles — In the used vehicle market, our dealerships compete for the supply and resale of used vehicles with other franchised automobile dealerships, local independent used vehicle dealers, vehicle rental agencies and private sellers. We believe the principal competitive factors in the retail used vehicle business are location, quality of merchandising, quality of the facility and service, the suitability of a franchise to the market in which it is located, and price and selection. Improvements in online private sale technologies have inherently increased the competition in the used vehicle market as private sellers now have a more cost-effective medium to sell their vehicles. We believe that auto dealerships have a distinct competitive advantage over private sellers due to our ability to provide multiple sources of financing, the ability to offer extended warranty and our direct access to dealer auctions which offer competitive pricing and we intend to focus our marketing efforts on these advantages.

Parts, Service and Collision Repair — In the parts, service and collision repair market, our dealerships compete with other franchised automobile dealerships to perform warranty repairs and with franchised and independent service centre chains, and independent repair shops for non-warranty repair and maintenance business. We believe the principal competitive factors in the parts, service and collision repair business are location, quality of facility and service, the use of factory-approved replacement parts, familiarity with an automobile manufacturer's brands and models, convenience, competence of technicians and price.

Finance and Insurance — In the finance and insurance market, we face competition in arranging financing for our customers' vehicle purchases from a broad range of financial institutions. We believe the principal competitive factors in the finance and insurance business are convenience, interest rates and flexibility in contract length. We also face competition in the sale of third party warranty, insurance and other vehicle maintenance and protection products from independent businesses which sell similar products.

Acquisitions — We compete with owners of other franchised automobile dealerships and, in some cases, individual investors for acquisitions. An acquisition of an existing franchised automobile dealership requires the approval of the automobile manufacturer and the manufacturer may approve our competitors as a purchaser of the dealership rather than us. Further, there continue to be manufacturers who continue to be reluctant to entertain a relationship with a public multi-brand dealer group. AutoCanada continues to work on developing relationships with these manufacturers.

RECENT EVENTS

AutoCanada made a total of 6 dealership acquisitions (6 franchises) in 2015, one of which included an investment in a General Motors dealer. Additionally, the Company provided a participatory loan to a related party for the purpose of purchasing a Honda dealership. During the year, AutoCanada also relocated one dealership to a brand new facility.

In the fall of 2015 we took steps to strengthen our balance sheet and also provide flexibility for future acquisitions, we completed a public offering of common shares and also increased the size of our revolving credit facility. We are pleased with the current year developments and we are excited to realize the long-term benefit of this year's activity.

Q1

NORTH WINNIPEG KIA

March 16, 2015

Awarded an Open Point KIA dealership in Winnipeg, Manitoba by KIA Canada Inc. Construction is anticipated to commence in 2017.

Q2

AIRDRIE CHRYSLER DODGE JEEP RAM

May 11, 2015

Acquired Airdrie Chrysler Dodge Jeep Ram in Airdrie, Alberta for total consideration of $25.2 million.

Q3

NORTHLAND CHRYSLER DODGE JEEP RAM

September 9, 2015

Northland Chrysler Jeep Dodge relocated to a new 64,507 square foot facility owned by AutoCanada.

DON FOLK CHEVROLET

September 14, 2015

Acquired Don Folk Chevrolet in Kelowna, British Columbia through an 80% owned subsidiary for total consideration of $9.2 million. Additionally AutoCanada acquired the land and facilities of the dealership for $13.3 million.

Q4

GROVE CHRYSLER DODGE JEEP RAM

October 5, 2015

Acquired Grove Dodge Chrysler Jeep in Spruce Grove, Alberta through a 90% owned subsidiary for total consideration of $20.8 million.

In September 2015, Northland Chrysler Dodge Jeep RAM, in Prince George, British Columbia, relocated to a new facility. The new location has tripled its frontage and is in a prime location on the Yellowhead Highway. The new facility consists of a 64,507 square foot building with 15 service bays, two quick-lube bays and a state-of-the-art showroom.

Q4

HUNT CLUB NISSAN

November 1, 2015

Acquired Hunt Club Nissan, and the exclusive right to an Open Point Nissan Dealership, in Ottawa, Ontario through a 90% owned subsidiary for total consideration of $13.8 million.

CREDIT FACILITY

November 18, 2015

Increased the size of our revolving credit facility from $200 million to $250 million. The increase in the credit facility provides additional financial flexibility to support acquisitions and other capital expenditures.

PARTICIPATORY LOAN

November 30, 2015

Provided $8.4 million participatory loan to PPH Holdings Ltd., a related party. These funds were used to fund 80% of PPH Holding Ltd.'s purchase of Whitby Oshawa Honda.

417 INFINITI & 417 NISSAN

December 7, 2015

Acquired 417 Infiniti and 417 Nissan in Ottawa, Ontario through a 90% subsidiary for total consideration of $5.7 million.

EQUITY OFFERING

December 14, 2015

AutoCanada closed a public offering of common shares. 2,950,000 common shares were issued at a price of $25.50 per share for gross proceeds of $75 million.

OUR PEOPLE

EXECUTIVE MANAGEMENT TEAM

AutoCanada strives to attract and retain experienced management with the expertise needed to succeed in the retail automotive industry. Our management team is responsible for the overall management and operations of the Company in order to ensure the long-term success of the Company. Management works closely with the Board of Directors on strategy related issues, monitoring of the financial performance of the Company and other financial reporting matters.

The success of the Company as a whole is driven by Management's actions, as well as strategy, policies and procedures implemented at the corporate level. Our management team ensures that each dealership is managed effectively, is meeting Company-wide and dealership-specific performance targets, and is implementing corporate strategy.

Management maintains consistent communication with each dealership through regular meetings with the dealer principal of each dealership. Performance is monitored through monthly reporting which allows management to quickly evaluate dealership success and implement new strategies as deemed necessary.

The Company has established management compensation programs that are competitive to the market. Management's compensation is comprised of Base Salary and a Hybrid Incentive Plan. The annual incentive plan aims to enhance the link between pay and performance by aligning the financial and operational interest and motivations of the Company's management team with the annual financial returns of the Company. It is designed to motivate management to work toward common annual performance objectives while acknowledging and rewarding individual goal achievement. Through equity-based incentives, longer-term strategic actions by management are able to be appropriately recognized and rewarded. The compensation program is designed to focus management on successfully implementing the continuing strategic plan of the Company, improve retention of key members of the management team and attract talented individuals to the Company. Further, our management team has a significant stake in the performance of the Company through their direct and indirect ownership of AutoCanada shares.

PAT PRIESTNER

Executive Chair

Mr. Priestner is the Founder of AutoCanada Inc. He has over 40 years of experience in the automotive industry including over 30 years as a franchised automobile dealership owner. Since 1998 Mr. Priestner has been the Vice-President of the Alberta Dealers Association Advertising Council. Previously he served as the Chairman of the Dealer Council DaimlerChrysler – Western Region, and as a Board member of Rocky Mountain Dealerships, Inc. an agriculture and construction equipment dealership group.

STEVEN LANDRY

Chief Executive Officer

Mr. Landry joined us as our Chief Executive Officer in April 2016. Prior thereto, and since June 2014, he was the Chief Development Officer of ATCO Ltd. Prior thereto and since 2011, Mr Landry was the Managing Director & Chief Operating Officer of ATCO Australia. From 1982 to 2009, Mr. Landry held several progressively senior positions with Chrysler LLC and its predecessor's entities in Canada, USA and Europe. Positions held during this time include President and Chief Executive Officer of DaimlerChrysler Canada, President of Chrysler Europe as well as Executive Vice President, North America Sales & Marketing, and Global Service & Parts of Chrysler LLC. He received his Bachelor of Commerce from Saint Mary's University in 1982 and his Master of Business Administration from Michigan State University in 2000.

TOM ORYSIUK

President

Mr. Orysiuk is the President of AutoCanada Inc., and is a Board member of Caritas Foundation. He joined AutoCanada as the Executive Vice-President and Chief Financial Officer in 2005. Previously he was the Chief Financial Officer of Liquor Stores Income Fund as well as Alberta Oats Milling Ltd. He has a Bachelor of Commerce from the University of Alberta and is a Chartered Accountant.

STEVE ROSE

Chief Operating Officer

Mr. Rose is the Chief Operating Officer of AutoCanada Inc. He has over 20 years of automotive related experience. He joined AutoCanada as the Vice President Corporate Development, General Counsel and Secretary in January 2007. Previously he was the Vice President, General Counsel and Secretary of Chrysler Canada Ltd. He has a Bachelor of Commerce from Dalhousie University and a law degree from Osgoode Hall Law School.

CHRIS BURROWS

Chief Financial Officer

Mr. Burrows is the Chief Financial Officer of AutoCanada Inc. He joined AutoCanada in September 2014. Previously he was the Chief Financial Officer of K-Bro Linen Inc. as well as the Vice President Finance, Administration & Tax with Stuart Olson. He has Bachelor of Science and Bachelor of Commerce degrees from the University of Alberta, and a Masters Degree from the University of Saskatchewan and Gonzaga University. He is a Chartered Accountant, a US (Illinois) Certified Public Accountant, a certified Human Resource Professional, and is ICD.D certified.

ERIN OOR

Vice President Corporate Development & Administration

Mr. Oor is the Vice President of Corporate Development & Administration. He joined AutoCanada as Vice President Administration and General Counsel in June 2014. Previously he was the General Counsel and General Manager of Unified Alloys, and the General Counsel of Voodoo Vox Inc. He has a Bachelor of Arts and a law degree from the University of Alberta. He is a Member of Law Society of Alberta and Member of Law Society of Upper Canada.

In 2014, the Company re-organized the corporate head office to form Dealers Support Services (DSS) in order to fully direct the attention and efforts of corporate head office staff to those initiatives which drive profit or improvements to dealership operations, or which enhance customer service or our relationships with our key partners. This aligns corporate head office and our dealerships in providing long term shareholder value.

DSS' purpose is to create and foster a retail automobile organization that marries the entrepreneurial strengths and advantages of the classic dealer/owner model with the discipline and process adherence of a public company model, all within a culture that values and promotes mutual respect, support and assistance.

The means by which DSS seeks to achieve this is by empowering the very best General Managers/Dealer Principals to make the key dealership operating decisions on a day to day basis, within a financial and governance framework set out by DSS, all of which is supported by a motivated DSS team dedicated to providing to our dealer partners timely, relevant, and actionable information and advice to assist our dealerships to make ever better operating decisions.

DSS is solely dedicated to providing advice, services and support to our dealer partners for the simple reason that their success is our success and the only way to achieve sustainable progress is by working together towards common goals.

We strongly believe in the "power of the group" and its ability to provide cost saving synergies, marketing expertise, shared support services such as IT support, legal, HR and benefits support, as well as operational support through its Sales and Inventory Operations, Fixed Operations and Marketing teams. We also host separate Dealer, Fixed Operations, and Controller Line Group meetings.

Of all the assistance DSS is dedicated to bring to our dealerships, perhaps none is of greater value than its ability to leverage the expertise and experience of our dealership professionals. DSS regularly seeks opportunities to connect dealerships that have operational challenges in one area, with a dealership

which has particular expertise in the same area. This enables an invaluable sharing of knowledge and expertise on a dealership employee peer-to-dealership employee peer basis. In the end, DSS is only as strong, and will be only as successful, as it's ability to harness the knowledge and expertise of its individual dealership employees and make that available to others through dealership to dealership mentoring. The importance and power of sharing best practices cannot be overstated, and DSS works hard to ensure that all of its dealerships are given every opportunity to succeed.

DEALERSHIP TEAMS

The success of AutoCanada is attributed to our people on the ground at each dealership. AutoCanada continuously aims to hire the best individuals in the retail automotive industry at our dealerships as these individuals drive our day-to-day operations and are the face of the Company to our customers.

Our franchised automobile dealerships are operated as distinct profit centres in which the dealer principals are given significant autonomy within overall operating guidelines. This autonomy, combined with the dealer principals' understanding of their local markets, enables the dealer principals to effectively run day-to-day operations, market to customers, recruit new employees and gauge acquisition opportunities in their local markets.

Our dealer principals are required to take an active, hands-on approach to operating their respective dealerships. Each dealer principal is supported by a complete management team that provides oversight and management over every facet of the business. While each member of a dealership's management team, other than the dealership controllers, report directly to the dealer principal, they also report to one or more members of our head office senior management team. The dealership controllers report directly to the head office finance group. Our reporting structure is designed to facilitate the sharing of ideas and market intelligence in an efficient and effective manner.

Dealer principals are compensated, to a significant extent, on the basis of the financial performance of the franchised automobile dealership for which they are responsible. Our dealer principals participate in an incentive plan that provides for the payment to them of a percentage of the profit of the dealer principal's franchised automobile dealership.

COMPANY VALUES

DEALERSHIP CODE OF CONDUCT

We have developed and implemented a code of conduct that reflects our commitment to conducting our business in accordance with the highest ethical standards. Our code of conduct is intended to provide guidance on recognizing and dealing with ethical issues, provide mechanisms to report unethical conduct, and help foster a culture of honesty, integrity and accountability. The code deals with, among other things, advertising standards, clarity of pricing, sales techniques and standards, customer relationships and other matters. The code of conduct applies to all of our directors, officers and employees and sets policies and standards that go beyond mere compliance with the minimum legal standards.

CORPORATE SOCIAL RESPONSIBILITY

AutoCanada takes pride in creating value for our shareholders, providing employees with rewarding careers, and giving back to our communities. Corporate social responsibility has always been a key value at AutoCanada.

The AutoCanada team is passionate about making a significant difference in our communities. In 2015, our team members at DSS and the dealerships contributed to not-for-profit organizations and participated in many volunteer activities throughout Canada.

THE CHAIRMAN'S CLUB

The Chairman's Club is a yearly incentive program that recognizes the outstanding achievements by our valued Top Product Advisors and Top Service Advisors.

Each member of the Chairman's Club have earned their induction due to hard work, customer service, diligence and a desire to be the very best of the best.

CHAIRMAN'S SCHOLARSHIP - PROGRAM -

We strongly believe in sharing and helping others. As well, there are few greater gifts than the gift of helping a child achieve their goals in life.

It is for these reasons that we implemented the Chairman's Scholarship Program, which was designed to provide the deserving and eligible dependents of our Companies' full-time employees with financial assistance to pursue post-secondary education. It is meant to recognize and reward young adults who take time out of their lives to give back to their community. The program is open to students currently, or soon-to-be enrolled, in full-time studies at a Canadian post-secondary educational institute, resulting in a Certificate, Degree or Diploma. Students must have at least one parent or guardian working full-time for at least one year at their dealership at the time of application and at the time the scholarship is awarded.

CORPORATE ALIGNMENT

AutoCanada strives to deliver excellent customer service along with an efficient process. Conference meetings are held regularly with representatives from each dealership to discuss areas for betterment, success stories, best practices, and to provide recognition for a job well done. Ideas are communicated across all dealerships to allow all to learn and grow together.

APPRECIATION EVENTS

Management and DSS staff also strive to show appreciation by travelling to dealerships to host employee appreciation events. This further promotes relationship strengthening and communication between all levels of staff.

COMPANY STRATEGIES

MAINTAIN STRONG RELATIONSHIPS WITH MANUFACTURER PARTNERS

One of our main strategic aspects for growth is to pursue opportunities through acquisitions and integrate and improve synergies for existing dealerships. Management and the Company strive to maintain excellent relationships with our manufacturer partners to build upon our current brand portfolios and to gain the acceptance of other new manufacturers over time. Developing strong mutual relationships with Manufacturers can also assist in the allocation of a desirable mix of popular new vehicles, which can provide adequate supply and generate high profit margins.

UTILIZE ECONOMIES OF SCALE

Our size and consolidated purchasing power provide both cost and revenue synergies. Cost synergies include achieving lower prices for items such as insurance, advertising, benefit plans and information systems. Revenue synergies include being a preferred provider for retail service and warranty contracts and earning higher commissions on finance and insurance activities.

Our diversified locations throughout Canada help to mitigate the potential effect of adverse economic conditions in any one region of Canada.

IMPLEMENT STRATEGIC PROCESS & BEST PRACTICES

Our organizational structure allows us to provide market specific responses to sales, service, marketing, and inventory requirements from the resources provided by our experienced and centralized DSS team.

Our model enables us to benchmark and leverage the success of our dealership operations against each other and rapidly implement new and innovative ideas across our dealership group. Operating a number of franchised automobile dealerships allows us to share market information amongst our dealerships selling the same brands and quickly identify any changes in consumer buying patterns.

ATTRACT & EMPLOY TALENTED INDIVIDUALS

Our Company understands the key driving force behind the operations are our team members. We strive to ensure compensation packages are effective and competitive within the industry and continuously research new retention-related initiates to help attract and retain quality employees. Training programs, supportive peer groups, and advancement opportunities are developed for employees to prepare for future growth.

RISKS

Major risks for the Company include the availability of consumer credit access, lack of consumer confidence, the risk of not being able to successfully integrate new dealerships, and the risk of current dealerships under-performing.

Management has taken steps to mitigate the risk as:

- The weak economic conditions have had an adverse impact on consumer spending, credit availability, and consumer confidence, which are key drivers of the business. While management is unsure of when the Alberta economy will improve and the outlook for the retail automotive industry in Alberta remains challenging; we have taken steps to more effectively market our vehicles with a greater emphasis on cost effective digital marketing strategies and focus on gross margins where volumes are constrained.
- Having a dedicated acquisitions team that is able to focus on forming manufacturer relationships and identifying premium acquisition targets.
- In order to ensure that we obtain manufacturer approvals for acquisitions, we focus on current same store sales and leverage best ideas from dealerships that out-perform the market.
- We have invested heavily in our head office staff and our support staff to ensure that acquisitions are successfully integrated through an on-boarding process including a detailed acquisition process, and monitoring of acquisition process, and detailed integration and training plans including dealer visits and team building.
- Access to capital markets allows us to have the ability to fund future growth.

A comprehensive discussion of the known risk factors is available in our 2015 Annual Information Form dated March 17, 2016, available on the SEDAR website at www.sedar.com.

PERFORMANCE SCORECARD

	2015	2014	Change %
Financial Performance ($)			
Revenues	2,903,803	2,214,778	31%
Gross profit	487,709	373,149	31%
EBITDA[1]	89,838	89,434	-1%
Free cash flow[2]	38,675	63,723	-39%
Growth capital expenditures incurred	61,909	63,900	-3%
Financial Performance ($)			
New retail vehicles sold (units)	35,323	30,346	16%
Used retail vehicles sold (units)	20,342	15,725	29%
Number of repair orders completed	847,702	601,597	41%
Number of vehicles retailed that had finance and insurance related products	55,507	45,133	23%
Inventory turnover ratio	3.99	4.23	-3%
Absorption rate (%)[3]	91%	85%	6%
Average Gross Profit (per unit)			
New retail vehicles	2,883	2,957	-3%
Used retail vehicles	1,997	1,929	4%
Repair order completed	229	219	5%
Retailed unit that had finance and insurance related products	2,357	2,417	-2%

[1]"EBITDA" is earnings before interest expense (other than interest expense on floorplan financing and other interest), income taxes, depreciation, amortization and asset impairment charges

[2]Free cash flow" is cash provided by (used in) operating activities (including the net change in non-cash working capital balances) less capital expenditure (not including acquisitions of dealerships and dealership facilities)

[3]Absorption rate is an operating measure commonly used in the retail automotive industry as an indicator of the performance of the parts, service and collision repair operations of a franchised automobile dealership. Absorption rate is not a measure recognized by GAAP and does not have a standardized meaning prescribed by GAAP

LOOKING FORWARD

IMPROVE NEW RETAIL VEHICLE SALES

New retail vehicle sales is an area of primary focus as it is the key to follow-up profit opportunities. Our plan is to continue to focus on digital marketing strategies and enhance our sales process technology. These will lead to more cost effective lead sources and allow the dealerships to more effectively capture, monitor, and use sales data.

IMPROVE GROSS PROFIT MARGINS AND INTEGRATE NEW STORES

Our business model also allows us to benchmark the success of each dealership operations against each other and rapidly implement new and innovative ideas across the group. Market data and best practices are shared across the dealerships and inventory levels are carefully monitored to increase profitability and minimize interest on financing inventory. Our integration process involves economies of sale to utilize our consolidated purchasing power to achieve both cost and revenue synergies.

DECREASE VARIABLE OPERATING EXPENSES

Decreasing $15 Million in operating expenses, without adversely impacting sales, is a prominent goal in fiscal 2016 and cost savings strategies have been communicated to all our dealership teams across Canada. Management will periodically analyze actual expenses against forecasted and budgeted figures, and leverage cost saving initiatives across dealerships.

MAINTAIN WORKING CAPITAL AND ADEQUATE CASH FLOW

Management will be prudent in analyzing the cash flow to meet working capital requirements imposed by the manufacturer partners, while capitalizing on areas of profitability and spending on capital expenditures and investments. All these factors will contribute to the growth and increased long-term profitability of the Company.

SUSTAIN POSITION FOR GROWTH

Despite the economic slowdown occurring in the west, and Alberta in particular, all but two of our same stores in fiscal year 2015 were profitable. Although 45% of our dealerships are located in Alberta, the downward pressure was mitigated by growth in gross profit of our eastern dealerships. Management anticipates that there will continue to be attractive buying opportunities and the Company is in a position for further growth. Our strong balance sheet, available liquidity, and access to capital markets allows us to capitalize on opportunities. We will patiently pursue our acquisition strategy to maximize our ability to take advantage of anticipated buying opportunities that times of economic uncertainty generally provide. Management and the Company will continue to strengthen relationships with manufacturer partners, and strive to increase the performance of current brand portfolios and gain the acceptance of other new manufacturers over time.

2015 GOALS

ACHIEVED ONGOING

CONSOLIDATE DEALER BODY GROUP

To acquire an additional four to six dealerships by May, 2016.

2014 · 48 DEALERSHIPS **2015 · 54 DEALERSHIPS**

6 dealerships were acquired in 2015: Airdrie Chrysler, Don Folk Chevrolet, Grove Dodge Chrysler Jeep, Hunt Club Nissan, 417 Nissan, and 417 Infiniti. Open Points to build and operate dealerships for Kia in North Winnipeg and Nissan in Barrhaven, Ottawa have also been awarded in 2015.

INTEGRATE ACQUIRED STORES

To successfully integrate newly acquired stores within two years.

2014 · 2 NEW SAME STORES **2015 · 5 NEW SAME STORES**

The five new 2015 same stores, Grande Prairie Volkswagen, Audi Winnipeg, St. James Volkswagen, Courtesy Chrysler, and Eastern Chrysler increased aggregate net income by 51% in 2015 over the prior year to acquisition.

Best practices and centralization of processes have served as key factors in identifying areas for improvement and successful integration.

LIQUIDITY

To maintain working capital in excess of manufacturer requirements and adequate cash flow.

2014 · $16 MILLION EXCESS WORKING CAPITAL **2015 · $26 MILLION EXCESS WORKING CAPITAL**

Net working capital was $121 million at December 31, 2015, which was in excess of the manufacturer requirement of $95 million. We have drawn $104 million on our $250 million revolving term facility, and have $146 million in readily available liquidity.

In December 2015, we also closed a public offering which generated gross proceeds of $75 million to be used to reduce indebtedness of the revolving credit facility, fund future capital expenditures, and for general corporate purposes.

INCREASE GROSS PROFIT MARGINS

To increase gross profit margins in all revenue streams.

2014 · **16.8% OVERALL GROSS PROFIT**

2015 · **16.8% OVERALL GROSS PROFIT**

Management considers gross profit to be a key measure of overall corporate performance. The reduced economic activity, particularly in Western Canada, has negatively impacted gross profits. However, the decrease has been offset with higher sales and gross profits in the year as a direct result of acquisitions made.

DECREASE VARIABLE OPERATING EXPENSES

To reduce variable operating expenses as a percentage of gross profit.

2014 · **66.8%**

2015 · **68.3%**

Operating expenses as a percentage of gross profit increased slightly by 1.5% in 2015. This increase is driven by the slowdown of the economy during the year and the time lag in the corresponding reduction of operating costs. Management is prudent in monitoring outflows and is working to realign operating costs with gross profit and expect improvement of gross profit in 2016. Centralization of suppliers' contracts across dealership groups has also generated cost savings.

IMPLEMENT PLANNED CAPITAL EXPENDITURES

To implement capital plan based on the performance of the Company.

2014 · **$207M BUDGETED 5 YEAR CAPITAL PLAN**

2015 · **SPENT $62 MILLION**

Largest capital expenditures in 2015 include: relocation of Northland Dodge ($14.5 million); new land purchased and/or construction cost for Maple Ridge Chrysler ($7.9 million), Sherwood Park Chevrolet ($12.5 million), Audi Winnipeg ($4.2 million); and new land purchased for Sherwood Park Volkswagen Open Point ($7.8 million) with the expectation of completion by fourth quarter of 2016.

Management monitors the capital plan and performs robust analysis on all future capital expenditures prior to allocating funds. Due to the change in economic conditions, Management revised the capital plan to deferred capital expenditures into future years, leading to lower expenditures in 2015.

CONTINUE TO CREATE VALUE FOR STAKE-HOLDERS

To create value for stakeholders in the short-term and long-term.

2014 · **$2.24 ADJUSTED EARNINGS PER SHARE**

2015 · **$1.64 ADJUSTED EARNINGS PER SHARE**

Management assesses past acquisitions, return on capital, and the Company as a whole to ensure shareholder value is being achieved by capital investments. Implementation of policies, procedures, and best practices are the key to successful integration and Management believes these are main drivers in delivering long term stakeholder value.

COMPANY GROWTH

AutoCanada's growth strategy has two main pillars. The first, organic growth, involves growing our existing dealerships through increase in sales volumes, improving gross margins and expanding market share. The second, growth through acquisitions, involves growing the AutoCanada footprint by acquiring dealerships and opening new dealerships through Open Point opportunities.

ORGANIC GROWTH

We continue to focus on those areas of our business that enable us to increase the profitability of our operations. Key areas include increasing same store gross profits by controlling expenses and expanding margins at our existing franchised automobile dealerships and those that are integrated into our operations on acquisition.

Improve retail sales

- Awareness of trends and changes in consumer patterns
- Greater focus on digital marketing efforts
- New sales process technology
- More effectively capture and use sales data

Reduce operating expenses

- Centralize functional tasks
- Evaluate supplier contracts
- Reduce variable operating expenses as a percentage of gross profit

GROWTH THROUGH ACQUISITIONS

Our growth depends in large part on the ability to acquire additional franchised automobile dealerships, manage expansion, control costs in operations and integrate acquired franchised automobile dealerships.

Due to the economic slowdown occurring in the West, and Alberta in particular, Management anticipates that there will continue to be attractive buying opportunities, further enhancing long term shareholder value. Following the acquisitions of three dealerships in Ottawa during the fourth quarter of 2015, the Company continues to seek opportunities in Eastern Canada in the effort to further diversify. AutoCanada is in a position to patiently pursue its acquisition strategy thereby maximizing its ability to take advantage of anticipated buying opportunities that times of economic uncertainty generally provide. Management and the Company have excellent relationships with our manufacturer partners and believe that if we continue to perform well, we can build upon our current brand portfolios and gain the acceptance of other new manufacturers over time.

During the fourth quarter, AutoCanada reached a deal to provide a participatory loan to PPH Holdings Ltd., a related party, for the purchase of Whitby-Oshawa Honda. In exchange for a loan equal to 80% of the purchase price of Whitby-Oshawa Honda, AutoCanada expects to receive approximately 80% of the net income of the dealership. While this is not a dealership that is owned by AutoCanada, it provides the Company with an additional source of revenue that was previously unavailable.

2015 COMPANY ACQUISITIONS

AIRDRIE CHRYSLER DODGE JEEP RAM

AutoCanada acquired Airdrie Chrysler Dodge Jeep RAM located in Airdrie, Alberta, on May 11, 2015. The dealership operates from a facility which includes an eight car showroom and twenty service bays. In 2014, the dealership retailed 935 new vehicles and 704 used vehicles.

DON FOLK CHEVROLET

AutoCanada acquired an 80% effective interest in Don Folk Chevrolet, located in Kelowna, British Columbia, on September 14, 2015. The dealership operates from a facility which includes a fifteen car showroom, fourteen service bays and six detail bays. In 2014, the dealership retailed 452 new vehicles and 304 used vehicles.

GROVE CHRYSLER DODGE JEEP RAM

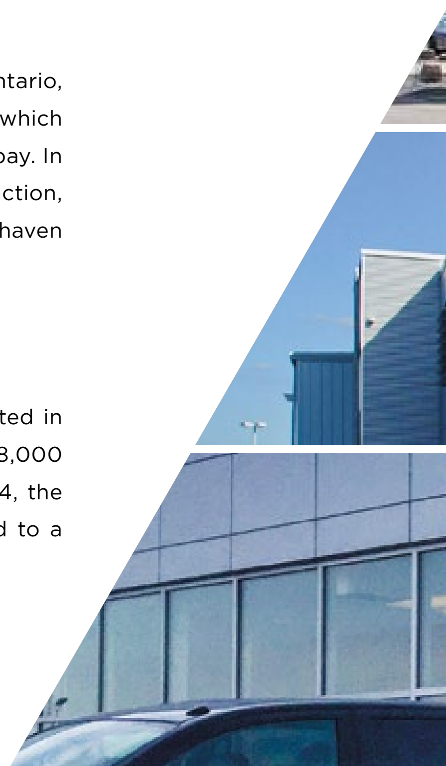
AutoCanada acquired a 90% effective interest in Grove Chrysler Dodge Jeep RAM, located in Spruce Grove, Alberta, on October 5, 2015. The dealership operates from a 34,000 square foot leased facility which includes an eight car showroom, thirteen service bays, three detail bays and one alignment bay. In 2014, the dealership retailed 809 new vehicles and 407 used vehicles.

HUNT CLUB NISSAN

AutoCanada acquired a 90% effective interest in Hunt Club Nissan, located in Ottawa, Ontario, on November 1, 2015. The dealership operates from a 27,608 square foot leased facility which includes a twelve car showroom, thirteen service bays, four detail bays and one alignment bay. In 2014, the dealership retailed 1,109 new vehicles and 452 used vehicles. As part of the transaction, AutoCanada has also acquired the right to a new Nissan Open Point dealership in the Barrhaven area of Ottawa, Ontario.

417 NISSAN AND 417 INFINITI

AutoCanada acquired a 90% effective interest in each of 417 Nissan and 417 Infiniti, located in Ottawa, Ontario, on December 7, 2015. The dealerships currently operate out of a shared 28,000 square foot leased facility with a fourteen car showroom and fifteen service bays. In 2014, the dealerships retailed 727 new vehicles and 180 used vehicles. 417 Infiniti will be relocated to a standalone leased facility adjacent to the current facility in early 2018.




Airdrie
DODGE
Jeep
RAM


CHEVROLET


RAM
DODGE
Jeep
RAM


NISSAN
HuntClub
NISSAN


NISSAN
417
NISSAN

CAPITAL PLAN

A focus of the Company is to maintain a capital plan that accurately budgets for contemplated future capital projects while allowing the Company sufficient resources to operate in a difficult economic environment. Under our current capital plan we expect to spend $51.2 million in 2016, with a total of $193.8 being budgeted to the end of 2019, relating to currently contemplated capital projects. Since the end of the third quarter we have successfully developed a plan to defer $32.1 million of capital spending that was projected for 2016. Management closely monitors the capital plan and adjusts as appropriate based on Company performance, Manufacturer requirements and individual dealership needs.

Our capital plan includes dealership relocations, dealership expansion and imaging requirements, and Open Point opportunities.

The Company expects dealership relocations to provide long term earnings sustainability and result in significant improvements in revenues and overall profitability. Dealership expansions are required when current facilities are unable to meet customer demands. Dealership reimaging occurs when the Company is required by Manufacturers to undertaking imaging upgrades to our facilities. The Company expects that relocations and reimaging expenditures will attract more customers to our existing dealerships.

AutoCanada is currently the holder of rights to four Open Point dealerships: Sherwood Park Volkswagen, North Winnipeg Kia, a Nissan in Calgary, and a Nissan in Ottawa. Management regularly reviews Open Point opportunities, if successful in being awarded these opportunities, additional costs arise to construct suitable facilities for the Open Points.

Image: Sherwood Park
Volkswagen Consturction Site

EQUITY OFFERING

During the year, the Company completed a public offering of common shares for gross proceeds of $75 million. The Company used the net proceeds of this offering to reduce indebtedness under our revolving credit facility, which may subsequently be redrawn and applied as needed to fund future capital expenditures, including the potential acquisition of additional dealerships, and for general corporate and working capital purposes.

CORPORATE GOVERNANCE

INDEPENDENT BOARD OF DIRECTORS

AutoCanada considers good governance to be central to ensuring effective and efficient operations and the Board of Directors (the Board) are committed to reviewing and adapting governance practices to meeting changes needs and to ensure compliance with regulatory requirements.

OVERSIGHT

The Board is responsible for establishing and maintaining a culture of integrity in the conduct of the affairs of the Company. The Board seeks to discharge this responsibility by satisfying itself as to the integrity of the senior management of the Company, and by overseeing and monitoring Management to ensure a culture of integrity is maintained. Although directors may be nominated or elected by shareholders to bring special expertise or a point of view to Board deliberations, they are not chosen to represent a particular constituency. The best interests of the Company and its shareholders must be paramount at all times.

In order to maintain the integrity, transparency and accountability of the financial, administrative and management practices of AutoCanada, we maintain a Whistleblower policy providing direct and anonymous access to the Audit Committee Chair.

BOARD COMPOSITION

The Board is composed of eight members, five of whom are independent. AutoCanada strives to maintain a balanced Board with members from different backgrounds which provides a wide-range of skill sets and expertise. The Board includes leading automotive industry experts as well as members from diverse backgrounds. Each member brings a different point of view and collaborate on decisions which allows the Board to act in the best interest of the shareholders.

INVESTOR RELATIONS

Throughout the year AutoCanada maintained consistent and direct communication with investors through conference calls, conference presentations and investor tours. Management meets regularly with both institutional investors and analysts. To view investor relations presentations visit www.autocan.ca/investors.

BOARD MEMBERS

Pat Priestner (Executive Chair), Steven Landry (Chief Executive Officer), and Tom Orysiuk (President), are members of both Management and the Board. The independent Board members of AutoCanada are detailed on the following page.

GORDON BAREFOOT

Lead Director, Audit Committee

Director since: **2009**
2015 Attendance: **100%**

Total Shares (units): **13,393**
2015 Compensation: **$125,462**

Mr. Barefoot is the Executive Chairman of the Board of Corix Water Group and President of Cabgor Management Inc., a management consulting company. Previously he was Senior Vice-President and Chief Financial Officer of Terasen Inc., a natural gas distributor, and a retired partner of Ernst & Young LLP. He has a Bachelor of Commerce from the University of Manitoba, has been recognized a Fellow of the Chartered Accountants by the Chartered Professional Accountants of British Columbia, and also holds the ICD.D designation.

MICHAEL ROSS

Chair of the Governance and Compensation Committee

Director since: **2009**
2015 Attendance: **100%**

Total Shares (units): **22,913**
2015 Compensation: **$117,000**

Mr. Ross is a Board member of Fountain Tire, Camex Equipment Sales and Rentals Inc., Norseman Group Ltd., FYidoctors, G2 Integrated Solutions Holdings, LLC, Imagine Health Centres. He is President of M. H. Ross Management Ltd., a management consulting company. Previously he was a Founding Partner of Conroy Ross Partners, a business advisory company, and is a former partner of Ernst & Young LLP. He holds a Bachelor of Commerce from the University of Alberta and holds the CMA, CMC, CHRP and ICD.D designations.

DENNIS DESROSIERS

Governance and Compensation Committee

Director since: **2009**
2015 Attendance: **100%**

Total Shares (units): **10,885**
2015 Compensation: **$100,000**

Mr. DesRosiers has more than 40 years of experience in the automotive industry in Canada. He is the President of DesRosiers Automotive Consultants, Canada's leading automotive sector consultants. He has a Bachelor of Arts in Economics from the University of Windsor and has been awarded the Queen Elizabeth II Diamond Jubilee Medal by the Governor General of Canada.

BARRY JAMES

Chair of the Audit Committee
Governance and Compensation Committee

Director since: **2014**
2015 Attendance: **100%**

Total Shares (units): **2,342**
2015 Compensation: **$114,684**

Mr. James is a Board member and the Audit Committee Chair of Corus Entertainment and ATB Financial. He is also the Audit Committee Chair of the Government of the Province of Alberta, a Senator and Board member of the University of Alberta, and a Trustee of the University Hospital Foundation. He is President of Barry L. James Advisory Services Ltd., a private consulting firm. Previously Mr. James was a partner of PricewaterhouseCoopers LLP. He has a Bachelor of Commerce from the University of Alberta, has been recognized a Fellow of the Chartered Accountants by the Chartered Professional Accountants of Alberta, and also holds the ICD.D designation.

MARYANN KELLER

Audit Committee

Director since: **2015**
2015 Attendance: **100%**

Total Shares (units): **1,808**
2015 Compensation: **$69,648**

Ms. Keller joined the Board in 2015 with over 40 years of experience in the automotive industry. She is a Board member of DriveTime Automotive Group, a national dealership group in the USA, and Lee Auto Malls, a regional dealership group in Maine, USA, and is the Principal of Maryann Keller & Associates LLC, an automotive consultancy company. Previously she served on the Board of Directors of Sonic Automotive and Lithia Motors, public dealership groups in the USA. She has a Bachelor of Science from Rutgers University and a Master of Business Administration from Baruch College.

FIVE-YEAR FINANCIALS

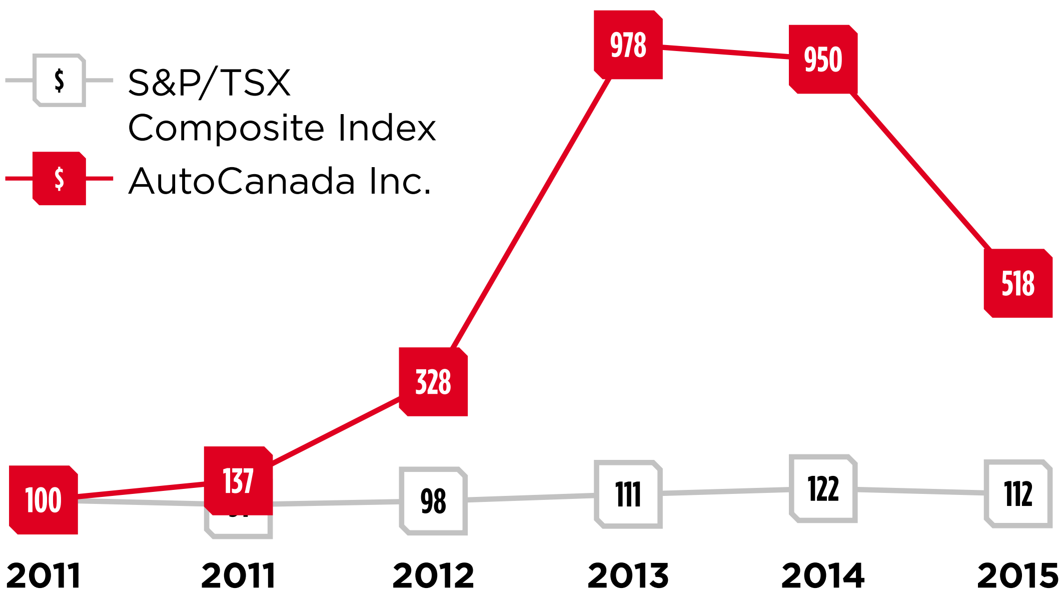
(In thousands of dollars, unless otherwise specified)	2015	2014	2013	2012	2011
INCOME STATEMENT DATA					
New Vehicles	1,668,237	1,342,346	882,858	882,858	640,721
Used Vehicles	704,569	495,352	300,881	300,881	206,030
Parts, Service, & Collision Repair	387,614	255,707	142,343	142,343	110,465
Finance, Insurance, & Other	143,383	121,373	82,958	82,958	51,126
REVENUE	**2,903,803**	**2,214,778**	**1,409,040**	**1,409,040**	**1,008,342**
New Vehicles	122,408	106,002	75,835	57,575	47,762
Used Vehicles	40,629	29,501	20,273	16,311	17,395
Parts, Service, & Collision Repair	193,868	128,566	73,755	59,643	57,699
Finance, Insurance, & Other	130,804	109,080	76,172	56,836	46,364
GROSS PROFIT	**487,709**	**373,149**	**246,035**	**190,365**	**169,220**
Gross Profit %	16.8%	16.8%	17.5%	17.2%	16.80%
Operating Expenses	395,877	290,904	188,519	149,140	136,846
Operating Expenses as a % of Gross Profit	81.2%	78.0%	76.6%	78.3%	80.9%
Income From Investments in Associates	-	3,490	2,241	468	-
Net Earnings Attributable to Autocanada Shareholders	22,821	53,132	38,166	24,236	36,784
EBITDA[1]	89,838	89,434	58,469	37,885	29,070
SHARE INFORMATION					
Basic Earnings Per Share	$0.93	$2.31	$1.83	$1.22	$1.85
Diluted Earnings Per Share	$0.92	$2.30	$1.83	$1.22	$1.85
Adjusted Net Earnings Per Share	$1.64	$2.24	$1.82	$1.22	$1.85
Basic Weighted Average Shares (Units)	24,574,022	23,018,588	20,868,726	19,840,802	19,880,930
Diluted Weighted Average Shares (Units)	24,674,083	23,139,403	20,934,828	19,840,802	19,880,930
Annual Dividend Rate Per Share	$1.00	$0.94	$0.88	$0.72	$0.56

[1] "EBITDA" is earnings before interest expense (other than interest expense on floorplan financing and other interest), income taxes, depreciation, amortization and asset impairment charges

FIVE YEAR SHAREHOLDER RETURN

PERFORMANCE GRAPH

The Board recognizes that in a cyclical industry such as the retail automotive industry, AutoCanada's focus is on long-term shareholder value growth. The following chart compares the cumulative total shareholder return, including the reinvestment of distributions, from January 1, 2011 to the end of the most recently completed financial year on December 31, 2015 for $100 invested in ACI Shares with the cumulative total return from the S&P/TSX Composite Index (Total Return).



PERFORMANCE GRAPH VALUES	JAN 2011	DEC 2011	DEC 2012	DEC 2013	DEC 2014	DEC 2015
AutoCanada Inc.	$100.00	$136.63	$327.68	$978.24	$949.61	$517.63
S&P/TSX Composite Index	$100.00	$91.29	$97.85	$110.56	$122.23	$112.06

ACTUAL VALUES	JAN 2011	DEC 2011	DEC 2012	DEC 2013	DEC 2014	DEC 2015
AutoCanada Inc.	$4.70	$6.40	$15.35	$45.89	$44.50	$24.15
S&P/TSX Composite Index	13,443.22	11,955.09	12,433.53	13,621.55	14,632.44	13,009.95

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the year ended December 31, 2015

Table of Contents

1. READER ADVISORIES

This Management's Discussion & Analysis ("MD&A") was prepared as of March 17, 2016 to assist readers in understanding AutoCanada Inc.'s (the "Company" or "AutoCanada") consolidated financial performance for the year ended December 31, 2015 and significant trends that may affect AutoCanada's future performance. The following discussion and analysis should be read in conjunction with the audited consolidated financial statements and accompanying notes (the "Consolidated Financial Statements") of AutoCanada as at and for the year ended December 31, 2015. Results are reported in Canadian dollars, unless otherwise stated. Certain dollars have been rounded to the nearest thousand dollars. References to notes are to the Notes of the Consolidated Financial Statements of the Company unless otherwise stated.

To provide more meaningful information, this MD&A typically refers to the operating results for the three month period and the year ended December 31, 2015 of the Company, and compares these to the operating results of the Company for the three month period and the year ended December 31, 2014. Until July 11, 2014, the Company had investments in associates comprised of six General Motors dealerships and accounted for the investments utilizing the equity method, whereby the operating results of these investments were included in one line item on the statement of comprehensive income known as income from investments in associates. As a result, the Company did not incorporate the consolidated results of its investments in associates in its discussion and analysis prior to Q3 2014. On July 11, 2014, the Company completed a business combination under common control, resulting in the accounting consolidation of the results of its investments in associates using the predecessor values method. Management has provided comparative information and discussion of this business combination in "BUSINESS COMBINATION UNDER COMMON CONTROL."

This MD&A contains forward-looking statements. Please see the section "FORWARD-LOOKING STATEMENTS" for a discussion of the risks, uncertainties and assumptions used to develop our forward-looking information. This MD&A also makes reference to certain non-GAAP measures to assist users in assessing AutoCanada's performance. Non-GAAP measures do not have any standard meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. These measures are identified and described under the section "NON-GAAP MEASURES."

Additional information regarding our Company, including our 2015 Annual Information Form, dated March 17, 2016, is available on SEDAR at www.sedar.com and our website www.autocan.ca.

2. OUR PERFORMANCE

Performance vs. the Prior Year

2015 has proven to be a challenging year for AutoCanada. AutoCanada's higher sales and gross profit results in fiscal 2015 are a direct result of its acquisitions completed during the year. However, same store revenues and gross profit have decreased over the year. Due to the economic situation in Alberta, the Company has seen adverse changes to performance throughout 2015. Lower net earnings, same store sales and same store gross profits are a result of reduced economic activity, particularly in Western Canada.

Management considers gross profit to be a key measure of overall corporate performance. Overall revenues can vary significantly year over year as a result of fluctuations in sales mix, fluctuations in lower margin fleet sales and used vehicle wholesale sales. As such, Management believes that gross profit is a key indicator of overall corporate performance.

Gross profit increased in all revenue streams and overall gross profit increased by $114.6 million or 30.7% for the year ended December 31, 2015 when compared to the prior year. Gross profit increased due to increases across all four revenue streams as a result of 6 dealership acquisitions in 2015 as well as the impact of 17 acquisitions completed in 2014. However, same store gross profit decreased by $32.7 million or 11.7% for the year ended December 31, 2015 when compared to the prior year, which is due primarily to gross profit decreases in new vehicle retail, finance and insurance sales offset by increases in used vehicle retail. In light of the economic downturn experienced throughout the year, there has been a shift of consumers reducing purchases on new vehicles, and instead, purchasing used vehicles or bringing in their vehicles for servicing, evidenced by an increase in repair orders of 1.0% for same stores, 40.9% across all stores.

New vehicle same store gross profit decreased by $19.6 million or 23.4% and gross profit margin declined to 7.3% from 8.5%, as a result of tightening markets and lower achievement of sales volume incentives in certain stores.

Used vehicle same store gross profits increased by $0.5 million or 2.5% while gross profit margin has declined to 5.4% from 5.7% due to a change in consumer patterns. Due to the difficult economy, consumers who would typically purchase new vehicles are instead buying nearly-new used vehicles which have higher gross margin than the average used vehicle.

Finance and insurance same store gross profit decreased by 15.2% while gross profit margin in this revenue stream stayed constant at 92.0% from 92.3% in the comparative period. The decline in finance and insurance gross profit, while significant, is less than the percentage decline in new vehicle retail sales and evidences the Company's ability to retain this high margin business despite a challenging retail sales environment. The cause of the decrease in gross profit margin is due to consumers reducing their purchase of premium F&I products when buying a vehicle.

Parts, service and collision same store gross profit decreased by 0.7% and gross profit margin decreased by 1.8% over the comparative period due a slight decrease in the average gross margin per repair order, offset by an increase in the number of repair orders completed in the year.

The Company recorded a non-cash intangibles and goodwill impairment of $18.8 million, which is mainly attributable to lower activity in the Alberta stores due to economic downturn experienced in 2015, as previously mentioned.

The Company has been focused on integrating the dealerships acquired in the prior year as well as dealerships acquired during the year. Due to the increase of acquisition activity over the past two years, integration of individual dealerships has been a main focus in ensuring the new dealerships implement policies and procedures, as well as best practises which we believe are main drivers in delivering long term shareholder value.

Performance vs. the Canadian New Vehicle Market

The Canadian automotive retail sector performed consistently with 2014. New light vehicle sales in Canada in the year ended December 31, 2015 were up 2.5% when compared to the same period in 2014 and surpassed 1.89 million in unit sales.

Figures reported as new light vehicle sales in Canada include all types of vehicle sales, including retail, fleet and daily rentals, the breakout of which is not provided by manufacturers. The manufacturers do not publicly report retail sales by brand. Fleet and daily rental sales are not nearly as profitable as retail sales; hence, the Company's strategy has been and continues to be focused on retail sales with the result that our dealerships do not fully participate in fleet and daily rental sales channels.

Though Canadian automotive sales in 2015 were similar to 2014, the decrease in sales in the prairie provinces were offset by the increase in sales in British Columbia and Eastern Canada. Due to the economic downturn in 2015 as a result of crude oil prices negatively impacting consumer confidence, new vehicle sales in the prairie provinces decreased significantly, specifically in Alberta which decreased 12.0%, except for British Columbia which increased 6.9%.

Unit sales in Alberta decreased 32,211 units. New light vehicle sales in Eastern Canada increased by 5.4%. The slowdown in the economy in the prairie provinces in 2015 hindered our ability to perform well in this market as our concentration of Alberta dealerships continued to hinder the Company's new vehicle sales performance relative to the Canadian average change in light vehicle sales as reported by DesRosiers Automotive Consultants. It is unclear when the Alberta economy will improve and the outlook for the retail automotive industry in Alberta remains challenging.

Management continues to work closely with its dealerships to ensure that they are adjusting their processes to best capitalize on all sales opportunities and is confident that progress is being made, with continued focus on non-same stores to improve margins throughout the integration period.

The following table summarizes Canadian new light vehicle unit sales for the year ended December 31, 2015 by Province:

2015 Canadian New Vehicle Sales by Province[1,2]

	December Year to Date		Percent Change	Unit Change
	2015	**2014**		
British Columbia	207,163	193,798	6.9%	13,365
Alberta	236,208	268,419	(12.0)%	(32,211)
Saskatchewan	53,793	56,467	(4.7)%	(2,674)
Manitoba	55,820	55,916	(0.2)%	(96)
Ontario	760,521	718,523	5.8%	41,998
Quebec	444,557	420,757	5.7%	23,800
New Brunswick	43,288	41,417	4.5%	1,871
PEI	7,906	7,418	6.6%	488
Nova Scotia	54,352	53,441	1.7%	911
Newfoundland	34,877	35,217	(1.0)%	(340)
Total	1,898,485	1,851,373	2.5%	47,112

1 *DesRosiers Automotive Consultants Inc.*

2 *Readers are cautioned that the above table includes sales channels that the Company does not fully participate in such as daily rentals.*

The following table summarizes the number of same stores for the year ended December 31, 2015 by Province:

Number of Same Stores[1] by Province

	British Columbia	Alberta	Manitoba	Ontario	Atlantic	Total
Chrysler/FIAT	3	5	1	–	2	11
Hyundai	2	2	–	2	–	6
Volkswagen	3	1	1	–	–	5
Nissan/Infiniti	1	1	–	1	–	3
Audi	–	–	1	–	–	1
Mitsubishi	–	1	–	–	–	1
Subaru	–	1	–	–	–	1
Total	9	11	3	3	2	28

1 *Same store means the franchised automobile dealership has been owned for at least 2 full years since acquisition. The dealership is then included in the quarter thereafter, for same store analysis.*

Same Store Revenue and Vehicles Sold

	For the Three Months Ended			For the Year Ended		
Revenue Source (in thousands of dollars)	**December 31, 2015**	**December 31, 2014**	**% Change**	**December 31, 2015**	**December 31, 2014**	**% Change**
New vehicles – Retail	147,377	186,596	(21.0)%	721,979	841,735	(14.2)%
New vehicles – Fleet	16,964	27,175	(37.6)%	151,160	145,473	3.9%
Total New vehicles	164,341	213,771	(23.1)%	873,139	987,208	(11.6)%
Used vehicles – Retail	71,900	61,747	16.4%	292,314	264,769	10.4%
Used vehicles – Wholesale	24,779	26,581	(6.8)%	109,706	109,565	0.1%
Total Used vehicles	96,679	88,328	9.5%	402,020	374,334	7.4%
Finance, insurance and other	17,971	23,079	(22.1)%	79,389	93,207	(14.8)%
Subtotal	278,991	325,178	(14.2)%	1,354,548	1,454,749	(6.9)%
Parts, service and collision repair	47,216	46,016	2.6%	177,360	172,448	2.8%
Total	326,207	371,194	(12.1)%	1,531,908	1,627,197	(5.9)%
New retail vehicles sold	3,889	5,092	(23.6)%	18,978	22,593	(16.0)%
New fleet vehicles sold	709	976	(27.4)%	4,868	4,634	5.0%
Used retail vehicles sold	2,633	2,702	(2.6)%	11,006	11,542	(4.6)%
Total	7,231	8,770	(17.5)%	34,852	38,769	(10.1)%
Total vehicles retailed	6,522	7,794	(16.3)%	29,984	34,135	(12.2)%

Same Store Gross Profit and Gross Profit Percentage

Revenue Source (in thousands of dollars)	For the Three Months Ended					
	Gross Profit			Gross Profit %		
	December 31, 2015	December 31, 2014	% Change	December 31, 2015	December 31, 2014	% Change
New vehicles – Retail	12,152	16,005	(24.1)%	8.2%	8.6%	(0.4)%
New vehicles – Fleet	322	611	(47.3)%	1.9%	2.2%	(0.3)%
Total New vehicles	12,474	16,616	(24.9)%	7.6%	7.8%	(0.2)%
Used vehicles – Retail	5,375	4,311	24.7%	7.5%	7.0%	0.5%
Used vehicles – Wholesale	235	(29)	910.3%	0.9%	(0.1)%	1.0%
Total Used vehicles	5,610	4,282	31.0%	5.8%	4.8%	1.0%
Finance, insurance and other	16,625	20,979	(20.8)%	92.5%	90.9%	1.6%
Subtotal	34,709	41,877	(17.1)%	12.4%	12.9%	(0.5)%
Parts, service and collision repair	21,745	23,970	(9.3)%	46.1%	52.1%	(6.0)%
Total	56,454	65,847	(14.3)%	17.3%	17.7%	(0.4)%

Revenue Source (in thousands of dollars)	For the Year Ended					
	Gross Profit			Gross Profit %		
	December 31, 2015	December 31, 2014	% Change	December 31, 2015	December 31, 2014	% Change
New vehicles – Retail	63,035	82,187	(23.3)%	8.7%	9.8%	(1.1)%
New vehicles – Fleet	1,045	1,475	(29.2)%	0.7%	1.0%	(0.3)%
Total New vehicles	64,080	83,662	(23.4)%	7.3%	8.5%	(1.2)%
Used vehicles – Retail	21,170	20,264	4.5%	7.2%	7.7%	(0.5)%
Used vehicles – Wholesale	631	1,003	(37.1)%	0.6%	0.9%	(0.3)%
Total Used vehicles	21,801	21,267	2.5%	5.4%	5.7%	(0.3)%
Finance, insurance and other	73,017	86,055	(15.2)%	92.0%	92.3%	(0.3)%
Subtotal	158,898	190,984	(16.8)%	11.7%	13.1%	(1.4)%
Parts, service and collision repair	88,821	89,451	(0.7)%	50.1%	51.9%	(1.8)%
Total	247,719	280,435	(11.7)%	16.2%	17.2%	(1.0)%

The following table summarizes same store total revenue for the three months period and year ended December 31, 2015 by Province:

(in thousands of dollars)	For the Three Months Ended			For the Year Ended		
	December 31, 2015	December 31, 2014	% Change	December 31, 2015	December 31, 2014	% Change
British Columbia	113,027	110,272	2.5%	501,623	484,767	3.5%
Alberta	133,353	172,986	(22.9)%	642,357	759,637	(15.4)%
Manitoba	26,313	24,518	7.3%	112,725	102,537	9.9%
Ontario	26,354	30,277	(13.0)%	118,378	125,409	(5.6)%
Atlantic	27,160	33,141	(18.0)%	156,825	154,847	1.3%
Total	326,207	371,194	(12.1)%	1,531,908	1,627,197	(5.9)%

The following table summarizes same store gross profit for the three months and year ended December 31, 2015 by Province:

	For the Three Months Ended			For the Year Ended		
(in thousands of dollars)	**December 31, 2015**	**December 31, 2014**	**% Change**	**December 31, 2015**	**December 31, 2014**	**% Change**
British Columbia	20,326	20,407	(0.4)%	79,301	84,341	(6.0)%
Alberta	19,393	31,734	(38.9)%	105,574	136,342	(22.6)%
Manitoba	6,615	5,067	30.6%	23,092	22,376	3.2%
Ontario	4,328	3,335	29.8%	15,586	14,389	8.3%
Atlantic	5,792	5,304	9.2%	24,166	22,987	5.1%
Total	56,454	65,847	(14.3)%	247,719	280,435	(11.7)%

3. SELECTED ANNUAL FINANCIAL INFORMATION

The following table shows the results of the Company for the years ended December 31, 2015, December 31, 2014 and December 31, 2013. The results of operations for these years are not necessarily indicative of the results of operations to be expected in any given comparable period.

(in thousands of dollars, except Gross Profit %, Earnings per share, and Operating Data)	2015	2014[1]	2013
Income Statement Data			
New vehicles	1,668,237	1,342,346	882,858
Used vehicles	704,569	495,352	300,881
Parts, service and collision repair	387,614	255,707	142,343
Finance, insurance and other	143,383	121,373	82,958
Revenue	2,903,803	2,214,778	1,409,040
New vehicles	122,408	106,002	75,835
Used vehicles	40,629	29,501	20,273
Parts, service and collision repair	193,868	128,566	73,755
Finance, insurance and other	130,804	109,080	76,172
Gross profit	487,709	373,149	246,035
Gross Profit %	16.8%	16.8%	17.5%
Operating expenses	395,877	290,904	188,519
Operating expense as a % of gross profit	81.2%	78.0%	76.6%
Income from investments in associates	–	3,490	2,241
Income from loan to associate	49	–	–
Impairment (recovery) of intangible assets and goodwill	18,757	(1,767)	(746)
Net earnings attributable to AutoCanada shareholders	22,821	53,132	38,166
EBITDA attributable to AutoCanada shareholders[2]	89,838	89,434	58,469
Basic earnings per share	0.93	2.31	1.83
Diluted earnings per share	0.92	2.30	1.83
Basic adjusted earnings per share	1.64	2.24	1.82
Dividends declared per share	1.00	0.94	0.88
Operating Data			
Vehicles (new and used) sold excluding GM	51,503	46,393	35,774
Vehicles (new and used) sold including GM[3]	62,799	52,147	40,136
New vehicles sold including GM[3]	42,457	36,422	28,024
New retail vehicles sold	35,323	30,346	20,523
New fleet vehicles sold	7,134	6,076	4,876
Used retail vehicles sold	20,342	15,725	10,375
Number of service & collision repair orders completed	847,702	601,597	364,361
Absorption rate[2]	91%	85%	87%
# of dealerships at year end	54	48	28
# of same store dealerships	28	23	21
# of service bays at year end	912	822	406
Same store revenue growth[4]	(5.9)%	8.9%	17.2%
Same store gross profit growth[4]	(11.7)%	7.9%	17.5%
Balance Sheet Data			
Cash and cash equivalents	62,274	72,462	35,113
Trade and other receivables	90,821	92,138	57,771
Inventories	596,542	563,277	278,091
Revolving floorplan facilities	548,322	527,780	264,178

1 *In conjunction with the business combination under common control completed on July 11, 2014, the Selected Annual Financial Information for 2014 includes the consolidated results of the Company's GM stores from July 11, 2014. All 2014 financial information includes 100% of the results of the GM stores, except for Net earnings, EBITDA, and EPS amounts, which are presented net of non-controlling interests. Had the consolidation been effected for fiscal 2013, additional revenues of $205.6 million and gross profit of $33.1 million would have been recognized.*

2 *EBITDA and absorption rate have been calculated as described under "NON-GAAP MEASURES".*

3 *Until July 10, 2014, the Company had investments in General Motors dealerships that were not consolidated. In Q3 2014, these GM dealerships were consolidated. This number includes 100% of vehicles sold by these dealerships in which we have less than 100% investment.*

4 *Same store revenue growth & same store gross profit growth is calculated using franchised automobile dealerships that we have owned for at least 2 full years, excluding the GM stores, as these stores have been treated as acquisitions as at July 11, 2014.*

4. SELECTED QUARTERLY FINANCIAL INFORMATION

The following table shows the unaudited results of the Company for each of the eight most recently completed quarters. The results of operations for these periods are not necessarily indicative of the results of operations to be expected in any given comparable period.

(in thousands of dollars, except Gross Profit %, Earnings per share, and Operating Data)	Q4 2015[1]	Q3 2015[1]	Q2 2015[1]	Q1 2015[1]	Q4 2014[1,6]	Q3 2014[1]	Q2 2014	Q1 2014
Income Statement Data								
New vehicles	368,242	471,018	483,435	345,542	379,094	456,810	289,918	216,524
Used vehicles	167,100	179,270	194,956	163,243	148,579	158,779	102,025	85,969
Parts, service and collision repair	102,220	93,139	99,304	92,951	91,225	77,680	46,078	40,724
Finance, insurance and other	34,752	37,778	39,182	31,671	36,355	37,267	27,038	20,713
Revenue	672,314	781,205	816,877	633,407	655,253	730,536	465,059	363,930
New vehicles	27,482	34,300	34,861	25,765	29,325	35,086	23,792	17,799
Used vehicles	10,326	10,949	11,000	8,354	7,808	9,637	6,505	5,551
Parts, service and collision repair	51,760	48,336	49,859	43,913	45,687	38,913	23,373	20,593
Finance, insurance and other	34,354	35,088	33,955	27,407	31,109	34,714	24,077	19,180
Gross profit	123,922	128,673	129,675	105,439	113,929	118,350	77,747	63,123
Gross Profit %	18.4%	16.5%	15.9%	16.6%	17.4%	16.2%	16.7%	17.3%
Operating expenses	101,310	100,824	100,568	93,175	90,283	90,695	59,227	50,699
Operating expenses as a % of gross profit	81.8%	78.4%	77.6%	88.4%	79.2%	76.6%	76.2%	80.3%
Income from investments in associates	–	–	–	–	–	359	2,238	893
Income from loan to associate	49	–	–	–	–	–	–	–
Impairment (recovery) of intangible assets and goodwill	18,757	–	–	–	(1,767)	–	–	–
Net (loss) earnings attributable to AutoCanada shareholders[5]	(7,361)	11,690	13,523	4,969	14,240	17,765	12,831	8,296
EBITDA attributable to AutoCanada shareholders[2,5]	23,353	26,379	27,397	12,687	24,605	28,674	21,702	14,453
Basic earnings per share	(0.29)	0.48	0.56	0.20	0.60	0.74	0.59	0.38
Diluted earnings per share	(0.29)	0.47	0.56	0.20	0.59	0.74	0.59	0.38
Basic adjusted earnings per share	0.34	0.51	0.56	0.23	0.52	0.71	0.61	0.40
Operating Data								
Vehicles (new and used) sold excluding GM	12,345	13,092	14,723	11,343	12,774	14,966	9,887	8,766
Vehicles (new and used) sold including GM[3]	14,150	17,086	17,739	13,824	15,415	18,079	12,414	9,945
New vehicles sold including GM[3]	9,210	12,018	12,296	8,933	10,570	12,821	8,658	6,570
New retail vehicles sold	8,016	9,985	9,929	7,393	8,907	10,686	5,980	4,773
New fleet vehicles sold	1,194	2,033	2,367	1,540	1,663	2,135	1,146	1,132
Used retail vehicles sold	4,940	5,068	5,443	4,891	4,845	5,258	2,761	2,861
# of service and collision repair orders completed	230,772	202,692	215,142	199,096	216,427	198,612	97,559	91,999
Absorption rate[2]	93%	91%	94%	85%	85%	93%	92%	85%
# of dealerships at period end	54	50	49	48	48	45	34	28
# of same store dealerships	28	26	24	23	23	23	23	23
# of service bays at period end	912	862	842	822	822	734	516	406
Same store revenue growth[4]	(12.1)%	(6.9)%	(2.8)%	(3.5)%	10.9%	8.9%	4.1%	13.0%
Same store gross profit growth[4]	(14.3)%	(14.1)%	(11.0)%	(8.5)%	5.7%	11.4%	5.4%	8.1%
Balance Sheet Data								
Cash and cash equivalents	62,274	77,071	77,676	66,351	72,462	64,559	91,622	41,541
Trade receivables	90,821	118,853	124,683	104,753	92,138	115,074	85,837	69,747
Inventories	596,542	581,258	620,837	625,779	563,277	471,664	324,077	261,764
Revolving floorplan facilities	548,322	550,857	607,694	601,432	527,780	437,935	313,752	261,263

1 *In conjunction with the business combination under common control completed on July 11, 2014, the Selected Quarterly Financial Information for Q3 2014, Q4 2014, Q1 2015, Q2 2015, Q3 2015, and Q4 2015 includes the consolidated results of the Company's GM stores from July 11, 2014. All Q3 2014, Q4 2014, Q1 2015, Q2 2015, Q3 2015, and Q4 2015 financial information includes 100% of the results of the GM stores, except for Net earnings, EBITDA, and EPS amounts, which are presented net of non-controlling interests.*

2 *EBITDA and absorption rate have been calculated as described under "NON-GAAP MEASURES."*

3 *Until July 10, 2014, the Company had investments in General Motors dealerships that were not consolidated. In Q3 2014, these GM dealerships were consolidated. This number includes 100% of vehicles sold by these dealerships in which we have less than 100% investment.*

4 *Same store revenue growth and same store gross profit growth is calculated using franchised automobile dealerships that we have owned for at least 2 full years, excluding the GM stores, as these stores have been treated as acquisitions as at July 11, 2014.*

5 *The results from operations 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 reduced number of business days during the holiday season. As a result, our 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 have also caused significant fluctuations in operating results from quarter to quarter.*

6 *Data presented for Q4, 2014 has been amended subsequent to initial presentation to correct an immaterial clerical error which impacted the computation of Q4, 2014. The annual 2014 results are unchanged as previously presented.*

5. OUTLOOK

The outlook regarding new retail vehicle sales in Canada is difficult to predict as manufacturers do not publicly disclose fleet and rental sales separately. Total Canadian new light vehicle unit sales of all types are currently forecasted to increase by 0.1% in 2016 as compared to the prior year as follows:

New Vehicle Sales Outlook by Province [1]

	1994 – 2005 (Average)	2006 – 2012 (Average)	2013	2014	2015	2016F
Canada	**1,446**	**1,600**	**1,745**	**1,851**	**1,898**	**1,900**
Atlantic	**102**	**120**	**135**	**137**	**140**	**138**
Central	**936**	**994**	**1,061**	**1,139**	**1,205**	**1,222**
Quebec	366	409	415	420	444	450
Ontario	570	585	646	719	761	772
West	**408**	**486**	**549**	**575**	**553**	**540**
Manitoba	42	45	54	56	56	56
Saskatchewan	36	46	58	56	54	53
Alberta	166	223	257	269	236	220
British Columbia	164	172	180	194	207	211

1 *Includes cars and light trucks (units presented above are in thousands.) Source: Scotia Economics - Global Auto Report, January 27, 2016.*

The Canadian economy remains flat overall, with continued downward pressure on the Alberta economy, mitigated by growth in British Columbia and Ontario. Economic uncertainty is expected to continue to define 2016. Canadian unemployment has increased to 7.3%, with unemployment at 7.9% in Alberta and 5.9% in Saskatchewan. With increased unemployment, our customers in Alberta and Saskatchewan are experiencing greater challenges in obtaining consumer retail financing. Management believes that increased unemployment and continued crude oil price volatility has negatively impacted consumer confidence in Alberta and Saskatchewan and continues to challenge the auto retail sector.

To mitigate these impacts, Management has set a five point strategy:

First, the Company continues to seek regional diversity to acquisitions when possible. Management believes the Company remains well positioned to continue to patiently seek out and acquire quality acquisitions at reasonable multiples which will provide sustainable, long term shareholder value.

Second, the Company has directed resources to increase integration efforts for the dealerships recently acquired, as well as actively monitoring the dealerships acquired in the prior year to ensure integration has been effective. Due to the increase of acquisition activity over the past two years, integration of individual dealerships has been a main focus. Implementation of policies, procedures, and best practices are the key to successful integration and Management believes these are main drivers in delivering long term shareholder value.

Third, the Company continues to manage the balance sheet. In 2015, the Company successfully negotiated an increase to its revolving credit facility by $50 million. As part of this process, the Company had renegotiated its covenants for this facility, which, together with the Company's free cash flow from operations, provide the necessary flexibility to meet all capital requirements, and provide the base to continue to pursue attractive acquisitions at reasonable multiples. The Company also used the proceeds from the equity offering for repayment of debt which strengthened the balance sheet by improving leverage ratios.

Fourth, to expedite the roll-out of certain marketing and sales process technologies to our dealerships to maximize all sales opportunities in a more challenging economic climate.

Fifth, to review all costs within the group and reduce or eliminate where possible. We are working with our dealer partners on a cost saving initiative target of $15 million in annualized operating cost reduction across the group. This goal has been communicated to the group as well as Head Office with expected timeline for meeting set targets throughout 2016.

In regard to future growth, Management is pleased with the quality of potential acquisitions currently in the pipeline and expects to acquire additional dealerships in 2016.

Effective April 1, 2016, Steven Landry shall be appointed Chief Executive Officer, and Tom Orysiuk shall continue as President. In addition, effective May 6, 2016, Pat Priestner shall assume the role of non-executive Chair of the Board of Directors, which he shall hold with a target retirement date at the Annual General Meeting in May 2017.

Steven Landry was most recently the Chief Development Officer for ATCO Ltd & Canadian Utilities Limited in Calgary, and previously the Managing Director & Chief Operating Officer for ATCO Australia. Prior to that, Steven Landry spent 27 years at the Chrysler Group where he held various global and executive positions including: Chief Executive Officer and President of DaimlerChrysler Canada, President of Chrysler Europe and Executive Vice President of North America at Chrysler LLC. Steven holds an MBA from Michigan State University and a Bachelor's Degree in Business from Saint Mary's University in Halifax, Nova Scotia.

Steve Rose, Chief Operating Officer, shall retire from his position effective October 1, 2016. Christopher Burrows, Chief Financial Officer and Erin Oor, Vice-President, Corporate Development & Administration, continue in their current positions.

6. MARKET

The Company's geographical profile is illustrated below by number of dealerships and revenues and gross profit by province for the years ended December 31, 2015 and December 31, 2014.

	December 31, 2015					
Location of Dealerships	**Number of Franchises[2]**	**Number of Dealerships[2]**	**Revenue**	**Revenue % of Total**	**Gross Profit**	**Gross Profit % of Total**
British Columbia	13	11	558,717	19%	87,465	18%
Alberta	27	24	1,270,901	44%	222,806	46%
Saskatchewan	4	4	246,477	8%	47,239	10%
Manitoba	4	4	181,265	7%	33,706	7%
Ontario	8	7	156,680	5%	22,580	5%
Quebec	4	2	333,990	12%	50,869	10%
Atlantic	2	2	155,773	5%	23,044	4%
Total	62	54	2,903,803	100%	487,709	100%

	December 31, 2014[1]					
Location of Dealerships	**Number of Franchises[2]**	**Number of Dealerships[2]**	**Revenue**	**Revenue % of Total**	**Gross Profit**	**Gross Profit % of Total**
British Columbia	12	10	507,574	23%	86,473	23%
Alberta	25	22	1,080,632	49%	189,797	51%
Saskatchewan	4	4	118,692	5%	19,952	6%
Manitoba	4	4	156,263	7%	27,192	7%
Ontario	5	4	108,404	5%	15,202	4%
Quebec	2	2	80,762	4%	12,192	3%
Atlantic	4	2	162,451	7%	22,341	6%
Total	56	48	2,214,778	100%	373,149	100%

1 *The results of six GM stores operated by the Company during Q3 2014 were not consolidated until July 11, 2014, as the stores were accounted for as investments in associates. Commencing July 11, 2014, General Motors dealerships have been consolidated for accounting purposes and have been included in the total number of dealerships at Q3 2014.*

2 *"Dealerships" refers to each physical storefront while "Franchises" refers to each separate franchise agreement.*

The following table sets forth the dealerships that we currently own and operate and the date opened or acquired by the Company or its predecessors, organized by location.

Location	**Operating Name**	**Franchise**	**Year Opened or Acquired**	**Same Store[1]**
Wholly-Owned Dealerships:				
Abbotsford, British Columbia	Abbotsford Volkswagen	Volkswagen	2011	Y
Chilliwack, British Columbia	Chilliwack Volkswagen	Volkswagen	2011	Y
Kelowna, British Columbia	Okanagan Chrysler Jeep Dodge FIAT	FIAT / Chrysler	2003	Y
Maple Ridge, British Columbia	Maple Ridge Chrysler Jeep Dodge FIAT	FIAT / Chrysler	2005	Y
Maple Ridge, British Columbia	Maple Ridge Volkswagen	Volkswagen	2008	Y
Prince George, British Columbia	Northland Chrysler Jeep Dodge	Chrysler	2002	Y
Prince George, British Columbia	Northland Hyundai	Hyundai	2005	Y
Prince George, British Columbia	Northland Nissan	Nissan	2007	Y
Victoria, British Columbia	Victoria Hyundai	Hyundai	2006	Y
Airdrie, Alberta	Airdrie Chrysler Jeep Dodge Ram	Chrysler	2015	Q3 2017
Calgary, Alberta	Courtesy Chrysler Dodge	Chrysler	2013	Y
Calgary, Alberta	Calgary Hyundai	Hyundai	2014	Q3 2016
Calgary, Alberta	Crowfoot Hyundai	Hyundai	2014	Q3 2016
Calgary, Alberta	Courtesy Mitsubishi	Mitsubishi	2014	Q3 2016
Calgary, Alberta	Northland Volkswagen	Volkswagen	2014	Q3 2016
Calgary, Alberta	Fish Creek Nissan	Nissan	2014	Q4 2016

Location	Operating Name	Franchise	Year Opened or Acquired	Same Store[1]
Calgary, Alberta	Hyatt Infiniti	Infiniti	2014	Q4 2016
Calgary, Alberta	Tower Chrysler Jeep Dodge Ram	Chrysler	2014	Q4 2016
Edmonton, Alberta	Crosstown Chrysler Jeep Dodge FIAT	FIAT / Chrysler	1994	Y
Edmonton, Alberta	Capital Chrysler Jeep Dodge FIAT	FIAT / Chrysler	2003	Y
Edmonton, Alberta	North Edmonton Kia	Kia	2014	Q4 2016
Grande Prairie, Alberta	Grande Prairie Chrysler Jeep Dodge FIAT	FIAT / Chrysler	1998	Y
Grande Prairie, Alberta	Grande Prairie Hyundai	Hyundai	2005	Y
Grande Prairie, Alberta	Grande Prairie Subaru	Subaru	1998	Y
Grande Prairie, Alberta	Grande Prairie Mitsubishi	Mitsubishi	2007	Y
Grande Prairie, Alberta	Grande Prairie Nissan	Nissan	2007	Y
Grande Prairie, Alberta	Grande Prairie Volkswagen	Volkswagen	2013	Y
Ponoka, Alberta	Ponoka Chrysler Jeep Dodge	Chrysler	1998	Y
Sherwood Park, Alberta	Sherwood Park Hyundai	Hyundai	2006	Y
Saskatoon, Saskatchewan	Dodge City Chrysler Jeep Dodge Ram	Chrysler	2014	Q3 2016
Winnipeg, Manitoba	Audi Winnipeg	Audi	2013	Y
Winnipeg, Manitoba	St. James Volkswagen	Volkswagen	2013	Y
Winnipeg, Manitoba	Eastern Chrysler Jeep Dodge	Chrysler	2013	Y
Cambridge, Ontario	Cambridge Hyundai	Hyundai	2008	Y
Mississauga, Ontario	401 Dixie Hyundai	Hyundai	2008	Y
Newmarket, Ontario	Newmarket Infiniti Nissan[2]	Nissan / Infiniti	2008	Y
Toronto, Ontario	Toronto Chrysler Jeep Dodge Ram	Chrysler	2014	Q1 2017
Moncton, New Brunswick	Moncton Chrysler Jeep Dodge	Chrysler	2001	Y
Dartmouth, Nova Scotia	Dartmouth Chrysler Jeep Dodge	Chrysler	2006	Y
Equity Investments:				
Duncan, British Columbia	Island Chevrolet Buick GMC	General Motors	2013	Q4 2016
Kelowna, British Columbia	Don Folk Chevrolet	General Motors	2015	Q4 2017
Edmonton, Alberta	Lakewood Chevrolet	General Motors	2014	Q4 2016
Sherwood Park, Alberta	Sherwood Park Chevrolet	General Motors	2012	Q4 2016
Sherwood Park, Alberta	Sherwood Buick GMC	General Motors	2012	Q4 2016
Spruce Grove, Alberta	Grove Dodge Chrysler Jeep	Chrysler	2015	Q1 2018
North Battleford, Saskatchewan	Bridges Chevrolet Buick GMC	General Motors	2014	Q1 2017
Prince Albert, Saskatchewan	Mann-Northway Auto Source	General Motors	2014	Q4 2016
Saskatoon, Saskatchewan	Saskatoon Motor Products	General Motors	2014	Q4 2016
Winnipeg, Manitoba	McNaught Cadillac Buick GMC	General Motors	2014	Q4 2016
Laval, Quebec	BMW Laval and MINI Laval	BMW / MINI	2014	Q1 2017
Montreal, Quebec	BMW Canbec and MINI Mont Royal	BMW / MINI	2014	Q3 2016
Ottawa, Ontario	Hunt Club Nissan	Nissan	2015	Q1 2018
Ottawa, Ontario	417 Nissan	Nissan	2015	Q1 2018
Ottawa, Ontario	417 Infiniti	Infiniti	2015	Q1 2018
Dealership Loan Financing:				
Whitby, Ontario	Whitby Honda[3]	Honda	2015	N/A

1 *Same store means the franchised automobile dealership has been owned for at least 2 full years since acquisition. The dealership is then included in the quarter thereafter, for same store analysis.*

2 *As at December 31, 2015, this dealership was owned and operated by the Company. On February 24, 2016 the Company sold this location to an undisclosed party. Refer to Note 37 of the annual consolidated Financial Statements for additional information.*

3 *See "GROWTH, ACQUISITIONS, RELOCATIONS AND REAL ESTATE" for more information related to this dealership loan financing arrangement.*

Seasonality

The results from operations historically 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 reduced number of business days during the holiday season. As a result, our operating results are generally not as strong during the first and fourth quarters than during the other quarters of each fiscal year. The timing of acquisitions and the common control business combination may have also caused substantial fluctuations in operating results from quarter to quarter.

7. RESULTS OF OPERATIONS

Annual Operating Results

EBITDA attributable to AutoCanada shareholders for the year ended December 31, 2015 remained flat at $89.8 million, from $89.4 million when compared to the results of the Company for the same period in the prior year. The change in EBITDA attributable to AutoCanada shareholders for the year can be mainly attributed to acquisitions completed during 2015, offset by the slowdown in activity due to tightening markets.

Adjusted EBITDA attributable to AutoCanada shareholders for the year ended December 31, 2015 increased by $4.7 million or 5.3% from $89.2 million to $93.9 million when compared to the results of the Company for the prior year.

The following table illustrates EBITDA and adjusted EBITDA attributable to AutoCanada shareholders for the last three years of operations.

(in thousands of dollars)	2015	2014	2013
Period from January 1 to December 31			
Net earnings attributable to AutoCanada shareholders	22,821	53,132	38,166
Impairment (recovery) of intangible assets	18,126	(1,767)	(746)
Income taxes	16,171	17,162	13,696
Depreciation of property and equipment	17,863	13,072	6,346
Interest on long-term indebtedness	14,857	7,835	1,007
EBITDA attributable to AutoCanada shareholders[1]	89,838	89,434	58,469
Add back:			
Share-based compensation attributed to changes in share price	(272)	(291)	727
Revaluation of redemption liabilities[2]	4,329	–	–
Unrealized gain on embedded derivative	(42)	18	–
Adjusted EBITDA attributable to AutoCanada shareholders[1]	93,853	89,161	59,196

1 *This financial measure is identified and defined under the section "NON-GAAP MEASURES."*

2 *Redemption liabilities relate to put options held by certain non-controlling interests and are measured at fair value. Adjustments to fair value are recognized as income or expense through profit and loss.*

Pre-tax earnings attributable to AutoCanada shareholders decreased by $31.3 million or 44.5% to $39.0 million for the year ended December 31, 2015 from $70.3 million in the prior year. Net earnings attributable to AutoCanada shareholders decreased by $30.3 million or 57.0% to $22.8 million in the year of 2015 from $53.1 million when compared to the prior year. Income tax expense attributable to AutoCanada shareholders decreased by $1.0 million to $16.2 million in the year of 2015 from $17.2 million in the same period of 2014.

Adjusted earnings attributable to AutoCanada shareholders decreased by $11.4 million or 22.1% to $40.2 million in 2015 from $51.6 million in the prior year.

The following table reconciles net earnings to adjusted net earnings for the years ended December 31:

(in thousands of dollars)	2015	2014	2013
Net earnings attributable to AutoCanada shareholders	22,821	53,132	38,166
Add back:			
Impairment (recovery) of intangible assets, net of tax	13,286	(1,310)	(746)
Share-based compensation attributed to changes in share price, net of tax	(200)	(216)	540
Revaluation of redemption liabilities[2]	4,329	–	–
Unrealized gain on embedded derivative	(42)	18	–
Adjusted net earnings attributable to AutoCanada shareholders[1]	40,194	51,624	37,960
Weighted average number of shares - Basic	24,574,022	23,018,588	20,868,723
Weighted average number of shares - Diluted	24,674,083	23,149,776	20,868,732
Adjusted net earnings per share attributable to AutoCanada shareholders - Basic[1]	1.64	2.24	1.82
Adjusted net earnings per share attributable to AutoCanada shareholders - Diluted[1]	1.63	2.23	1.82

1 *This financial measure is identified and defined under the section "NON-GAAP MEASURES."*

2 *Redemption liabilities relate to put options held by certain non-controlling interests and are measured at fair value. Adjustments to fair value are recognized as income or expense through profit and loss.*

Revenues

Revenues for the year ended December 31, 2015 increased by $689.0 million or 31.1% compared to the prior year. This increase was driven by increases in all four revenue streams as a result of 6 dealership acquisitions in 2015 as well as the impact of 17 acquisitions completed in 2014. New vehicle sales for the year increased by $325.9 million or 24.3% compared to the prior year due to an increase in new vehicle sales of 6,035 units or 16.6% and an increase in the average revenue per new vehicle sold of $2,437 or 6.5%. Used vehicle sales for the year increased by $209.2 million or 42.2% compared to the prior year due to an increase in used vehicle sales of 4,617 units or 29.4% and an increase in the average revenue per new vehicle sold of $3,135 or 10.0%. Finance and insurance revenue for the year increased by $22.0 million or 18.1% compared to the prior year. Parts, service and collision repair revenue increased by $131.9 million or 51.6% compared to the prior year mainly due to an increase in overall repair orders completed of 246,105 and a $32 or 7.5% increase in the average revenue per repair order completed.

Revenues - Same Store Analysis

Same store revenues decreased by $95.3 million or 5.9% in the year ended December 31, 2015 when compared to the same period in 2014. Same store new vehicle revenues decreased by $114.1 million or 11.6% for the year ended December 31, 2015 over the same period in the prior year due to a decrease in new vehicle sales of 3,381 units or 12.4% offset by an increase in the average revenue per new vehicle sold of $357 or 1.0%. For the year ended December 31, 2015, used vehicle revenues increased by $27.7 million or 7.4% due to an increase in the average revenue per used vehicle sold of $4,095 or 12.6% offset by a decrease in used vehicle sales of 536 units or 4.6%. For the year ended December 31, 2015, same store finance, insurance and other revenue decreased by $13.8 million or 14.8% over the same period in 2014 mainly due to a decrease in the number of new and used vehicles retailed of 4,151 units offset by an increase in the average revenue per unit retailed of $17 or 0.6%. For the year ended December 31, 2015, parts, service and collision repair revenue increased by $4.9 million or 2.8%, mainly due to an increase in overall repair orders completed of 3,990 and a $8 or 1.9% increase in the average revenue per repair order completed.

Gross Profit

Gross profit increased by $114.6 million or 30.7% for the year ended December 31, 2015 when compared to the prior year. As with revenues, gross profit increased due to increases across all four revenue streams as a result of 6 dealership acquisitions in

2015 as well as the impact of 17 acquisitions completed in 2014. Gross profit on the sale of new vehicles increased by $16.4 million or 15.5% for the year ended December 31, 2015 compared to the prior year which can be mainly attributed to an increase in new vehicle sales of 6,035 units or 16.6% offset by a decrease in the average gross profit per new vehicle sold of $121 or 6.5%. Used vehicle sales gross profit for the year ended December 31, 2015 increased by $11.1 million or 37.7% compared to the prior year which was mainly due to an increase in the average gross profit per vehicle retailed of $27 or 0.9% and an increase in the number of used vehicles retailed of 4,617 units. Finance and insurance gross profit increased by $21.7 million or 19.9% during the year ended December 31, 2015 compared to the prior year. Parts, service and collision repair gross profit increased by $65.3 million or 50.8% during the year ended December 31, 2015 compared to the prior year which can be mainly attributed to a decrease in the average gross profit per repair order completed of $15 or 7.0% offset by an increase in the number of repair orders completed of 246,105.

Gross Profit - Same Store Analysis

Same store gross profit decreased by 32.7 million or 11.7% for the year ended December 31, 2015 when compared to the prior year. For the year ended December 31, 2015, new vehicle gross profit decreased by $19.6 million or 23.4% which can be mainly attributed to a decrease in new vehicle sales of 3,381 units or 12.4% and a decrease in the average gross profit per new vehicle sold of $386 or 12.6%. For the year ended December 31, 2015, same store used vehicle gross profits increased by $0.5 million or 2.5% which was mainly due to an increase in the average gross profit per vehicle retailed of $138 or 7.5% offset by a decrease in the number of vehicles retailed of 536 units. For the year ended December 31, 2015, finance and insurance gross profit decreased by $13.0 million or 15.2% mainly attributed to a decrease in units retailed of 4,151 offset by an increase in the average gross profit per unit sold of $46 or 2.7%. For the year ended December 31, 2015, parts, service and collision repair gross profit decreased by $0.6 million or 0.7% which can be mainly attributed to a decrease in the average gross profit per repair order completed of $4 or 1.8% offset by an increase in the number of repair orders completed of 3,990.

Operating expenses

Operating expenses consist of four major categories: employee costs, selling and administrative costs, facility lease costs and depreciation of property and equipment. A significant portion of the Company’s operating costs are employee costs which are largely variable in nature. There is a balance between reducing staffing levels as a result of business contraction, and maintaining high-performing staff. Due to the competitive nature of the retail automotive industry, additional measures are employed to ensure that the high-performing staff are maintained during down-times, as a result any decrease in gross profit may not be met with a matched decrease in operating expenses. The Company operates a centralized marketing department and information technology department, both of which provide services to the dealerships in order to leverage the size of the group as a means to lower the operating costs of the dealerships.

The following tables summarize operating expenses as a percentage of gross profit for the years ended December 31. When evaluated, operating expenses are broken into their fixed and variable components. Fixed expenses are costs that do not fluctuate with changes in sales volume while variable expenses are costs that vary depending on sales volume.

	Year ended December 31, 2015	Year ended December 31, 2014	Change
Employee costs	50.4%	49.9%	0.5%
Administrative costs – Variable	17.9%	16.9%	1.0%
Total variable expenses	68.3%	66.8%	1.5%
Administrative Costs – Fixed	4.5%	3.8%	0.7%
Facility lease costs	4.5%	3.7%	0.8%
Depreciation of property and equipment	3.9%	3.7%	0.2%
Total fixed expenses	12.9%	11.2%	1.7%
Total operating expenses	81.2%	78.0%	3.2%

Operating expenses increased by 36.1% or $105.0 million during the year ended December 31, 2015 as compared to the prior year. Since many operating expenses are variable in nature, management considers operating expenses as a percentage of gross profit to be a good indicator of expense control.

The increase in the fixed portion of operating expenses is due to the growth of the Company since the fourth quarter of 2014, resulting in an increase in facility lease costs, depreciation of property and equipment, and the fixed portion of administrative costs. While the fixed costs would typically remain steady as a percentage of gross profit, the slowdown in the economy in the current year has caused this to rise. As the economy, and gross profit, improves, the fixed costs as a percentage of gross profit will also improve.

For the year ended December 31, 2015, operating expenses as a percentage of gross profit increased to 81.2% in 2015 from 78.0% in the prior year. This increase is driven by the slowdown of the economy during the year and the time lag in the corresponding reduction of operating costs. We are currently working on realigning the operating costs with gross profit and expect improvement of gross profit in 2016.

Employee costs

During the year ended December 31, 2015, employee costs increased by $59.5 million to $245.7 million from $186.2 million in the prior year. Employee costs as a percentage of gross profit increased to 50.4% in 2015 from 49.9% in 2014. Our dealership employee pay structures are tied to meeting sales objectives, maintaining customer satisfaction indices, as well as improving gross profit and net income.

Administrative costs

During the year ended December 31, 2015, selling and administrative costs increased by $32.1 million or 41.5% to $109.6 million from $77.5 million, primarily due to the 6 dealership acquisitions completed in 2015 as well as the impact of 17 acquisitions completed in 2014. Selling and administrative expenses as a percentage of gross profit increased to 22.4% from 20.7% in the same period of the prior year. During the year ended December 31, 2015, the Company incurred $0.5 million related to acquisitions compared to $1.4 million for the same period in 2014. These costs will vary based on the number of acquisitions completed each period.

Facility lease costs

During the year ended December 31, 2015, facility lease costs increased by 59.2% to $21.7 million from $13.6 million, primarily due to the 6 dealership acquisitions completed in 2015 as well as the impact of 17 acquisitions completed in 2014.

Depreciation of property and equipment

During the year ended December 31, 2015, depreciation of property and equipment increased by 38.4% to $18.9 million from $13.6 million, primarily due to the 6 dealership acquisitions completed in 2015 as well as the impact of 17 acquisitions completed in 2014.

Impairment of intangible assets and goodwill

The Company has a number of franchise agreements for its individual dealerships which it classifies as intangible assets. These intangible assets are tested for impairment at least annually as they are considered to be indefinite-lived intangible assets. The Company performed its annual test for impairment of its cash generating units (“CGUs”) in the fourth quarter of 2015. As a result of the tests performed, the Company recorded a net impairment of intangible assets and goodwill in the amount of $18.8 million (2014 - $1.8 million recovery). Of total net impairment, $10.6 million was related to intangible assets impairment and $8.2 million was related to goodwill impairment.

Under IFRS, previously recognized impairment charges, with the exception of impairment charges related to goodwill, may potentially be reversed if the circumstances causing the impairment have improved or are no longer present. If such circumstances change, a new recoverable amount should be calculated and all or part of the impairment charge should be reversed to the extent the recoverable amount exceeds carrying value.

Dealership Divestiture

On December 19, 2015, the Company entered into an agreement to sell substantially all of the operating and fixed assets of Newmarket Infiniti Nissan located in Newmarket Ontario. Management made the decision to divest of this dealership due to weak performance of the dealership combined with a planned re-focus of capital resources from Newmarket, Ontario to Ottawa, Ontario. On February 25, 2016, the Company sold the operating and fixed assets of Newmarket Infiniti Nissan for net cash proceeds of $11,262 resulted in a pre-tax gain on divestiture of $4,359. Further details of the break-down of the transaction is disclosed in Note 37 of the annual consolidated financial statements for the year ended December 31, 2015.

Income Taxes

Income tax expense for the year ended December 31, 2015 decreased by $0.5 million to $17.8 million from $18.3 million in 2014. The Company recorded deferred tax recovery of $1.5 million (2014 - $3.3 million recovery) as a result of temporary differences between the tax basis and carrying value of these assets.

The increase in the effective tax rate is due in part to the 2% increase in corporate income tax rates for the province of Alberta from 10% to 12%. All deferred income tax balances within the province of Alberta are calculated using the increased rate, as the reversal of the underlying temporary differences will reverse at this rate. The impact of this adjustment has increased the effective tax rate by 4.29%. Impairment of intangible assets and goodwill cause an additional impact on the increase in effective tax rate. The impairment of these assets are non-tax deductible expenses, causing a variance between net income for tax purposes and net income as reported on the Consolidated Statement of Financial Position. The impact of non-tax deductible impairment has increased the effective tax rate by 5.87%.

The change in the Alberta tax rate has negatively impacted basic earnings per share for the year ended December 31, 2015, by $0.01 from $0.94 to $0.93 and the diluted earnings per share by $0.01 from $0.93 to $0.92.

Until December 31, 2009, our previous trust structure was such that current income taxes were passed on to our unitholders. In conjunction with our conversion from a trust to a corporation, the Company became subject to normal corporate tax rates starting in 2010. The corporate income tax rate applicable to 2010 was approximately 29.0%; however, we did not pay any corporate income tax in 2010 due to the tax deductions available to us and the effect of the deferral of our partnership income.

In December 2011, legislation was passed implementing tax measures outlined in the 2011 budget (Bill C-13), which included the elimination of the ability of a corporation to defer income as a result of timing differences in the year-end of the corporation and of any partnership of which it is a partner, subject to transitional relief over five years.

Although the amounts below can change based on our future taxable income, the Company estimates the following amounts to be recorded as current income tax payable over the next two years in conjunction with the payment of the deferral. The Company notes that these amounts paid will be in addition to the normal current income tax payable of future years:

(in thousands of dollars)	2016	2017
Increase to current tax payable	1,366	1,707

The Company expects income tax to have a more significant effect on our free cash flow and adjusted free cash flow as the Company will now be required to pay current income taxes, as well as, income tax installments for the anticipated current tax expense for the fiscal year.

Prior to 2012, the Company had not paid any corporate tax or installments for corporate tax. The payment of cash taxes will have an impact on adjusted free cash flow. Investors are cautioned that income taxes will have a more significant effect on the Company's cash flow in the future, and as a result, prior year levels of adjusted free cash flow will inherently be lowered by cash taxes in the future.

Finance costs

The Company incurs finance costs on its revolving floorplan facilities, long term indebtedness and banking arrangements. Additionally, the Company incurs finance expense as a result of the revaluation of redemption liabilities, contingent consideration and embedded derivative. During the year ended December 31, 2015, finance costs on our revolving floorplan facilities increased by 25.9% to $13.2 million from $10.5 million in 2014 and finance costs on long term indebtedness increased by $7.1 million or 88.9%, to $14.9 million from $7.9 over the prior year. The increase to finance costs are mainly attributable to the 6 dealership acquisitions completed in 2015 as well as the impact of 17 acquisitions completed in 2014.

Redemption liabilities relate to put options held by certain non-controlling shareholder interests (excluding Mr. Patrick Priestner) and are measured at fair value. The fair value of the liabilities are based on predefined formulas included in the universal shareholder agreements as executed at the time of acquisition. The fair value of the redemption liabilities are revalued at each reporting date. The redemption liabilities only become payable in the event the non-controlling shareholder exercises their put option, wherein the Company is required to acquire the non-controlling shareholder's interest.

During the year ended December 31, 2015, the net income of certain dealerships exceeded their annual income from the prior year, resulting in an increase in the cumulative net income for the purposes of revaluing the redemption liabilities. Consequently, a $4,329 increase to the fair value was recorded on the balance sheet with a corresponding expense charged to financing costs in 2015.

Some of our manufacturers provide non-refundable credits on the finance costs for our revolving floorplan facilities to offset the dealership's cost of inventory that, on average, effectively provide the dealerships with interest-free floorplan financing for the first 45 to 60 days of ownership of each financed vehicle. During the year ended December 31, 2015, the floorplan credits earned were $14,853 (2014 - $12,246). Accounting standards require the floorplan credits to be accounted for as a reduction in the cost of new vehicle inventory and subsequently a reduction in the cost of sales as vehicles are sold.

The following table summarizes the net floorplan credits that were received in 2015.

(in thousands of dollars)	Q1 2015	Q2 2015	Q3 2015	Q4 2015	For the year ended December 31, 2015
Net floorplan credits	3,305	4,301	3,640	3,607	14,853

Management believes that a comparison of floorplan financing costs to floorplan credits can be used to evaluate the efficiency of our new vehicle sales relative to stocking levels. The following table details the carrying cost of vehicles based on floorplan interest net of floorplan assistance earned:

	For the Year Ended	
(in thousands of dollars)	**December 31, 2015**	**December 31, 2014**
Floorplan financing	13,160	10,452
Floorplan credits earned	(14,853)	(12,246)
Net carrying cost of vehicle inventory	(1,693)	(1,794)

Fourth Quarter Operating Results

EBITDA attributable to AutoCanada shareholders for the three month period ended December 31, 2015 decreased by $1.2 million or 5.1% to $23.4 million, from $24.6 million when compared to the results of the Company for the same period in the prior year. The decrease in EBITDA attributable to AutoCanada shareholders for the quarter can be mainly attributed to tightening markets and lower achievement of sales volume incentives in certain stores.

Adjusted EBITDA attributable to AutoCanada shareholders for the three month period ended December 31, 2015 increased by $1.7 million or 7.1% from $24.2 million to $25.9 million when compared to the results of the Company for the same quarter in the prior year.

The following table illustrates EBITDA and adjusted EBITDA attributable to AutoCanada shareholders for the three months period ended December 31, for the last three years of operations:

(in thousands of dollars)	**2015**	**2014**	**2013**
Period from October 1 to December 31			
Net earnings attributable to AutoCanada shareholders	(7,361)	14,240	9,553
Impairment (recovery) of intangible assets	18,126	(1,767)	(746)
Income taxes	3,474	4,998	3,490
Depreciation of property and equipment	4,866	4,179	2,069
Interest on long-term indebtedness	4,248	2,995	388
EBITDA attributable to AutoCanada shareholders[1]	23,353	24,605	14,754
Add back:			
Share-based compensation attributed to changes in share price	(30)	(447)	248
Revaluation of redemption liabilities[2]	2,566	–	–
Unrealized gain on embedded derivative	(8)	(3)	–
Adjusted EBITDA attributable to AutoCanada shareholders[1]	25,881	24,155	15,002

1 *This financial measure is identified and defined under the section "NON-GAAP MEASURES."*

2 *Redemption liabilities relate to put options held by certain non-controlling interests and are measured at fair value. Adjustments to fair value are recognized as income or expense through profit and loss.*

Pre-tax earnings (loss) attributable to AutoCanada shareholders decreased by $23.1 million or 120.3% to ($3.9) million for the three month period ended December 31, 2015 from $19.2 million in the same period of the prior year.

Net earnings (loss) attributable to AutoCanada shareholders decreased by $21.6 million or 152.1% to ($7.4) million in the fourth quarter of 2015 from a $14.2 million when compared to the prior year.

Income tax expense attributable to AutoCanada shareholders decreased by $1.5 million to $3.5 million in the fourth quarter of 2015 from $5.0 million in the same period of 2014.

Adjusted net earnings attributable to AutoCanada shareholders decreased by $4.1 million or 32.5% to $8.5 million in 2015 from $12.6 million in the same period of 2014.

The following table reconciles net earnings to adjusted net earnings for the quarters ended December 31:

(in thousands of dollars)	2015	2014	2013
Net earnings attributable to AutoCanada shareholders	(7,361)	14,240	9,553
Add back:			
Impairment (recovery) of intangible assets, net of tax	13,286	(1,310)	(746)
Share-based compensation attributed to changes in share price, net of tax	(22)	(332)	184
Revaluation of redemption liabilities[2]	2,566	–	–
Unrealized gain on embedded derivative	(8)	(3)	–
Adjusted net earnings attributable to AutoCanada shareholders[1]	8,461	12,595	8,991
Weighted average number of shares - Basic	25,016,637	24,410,169	21,638,433
Weighted average number of shares - Diluted	25,110,033	25,190,000	21,638,433
Adjusted net earnings per share attributable to AutoCanada shareholders - Basic[1]	0.34	0.52	0.42
Adjusted net earnings per share attributable to AutoCanada shareholders - Diluted[1]	0.34	0.50	0.42

1 *This financial measure is identified and defined under the section "NON-GAAP MEASURES."*

2 *Redemption liabilities relate to put options held by certain non-controlling interests and are measured at fair value. Adjustments to fair value are recognized as income or expense through profit and loss.*

Revenues

Revenues for the three month period ended December 31, 2015 increased by $17.1 million or 2.6% compared to the same period of the prior year. This increase was driven by increases in two revenue streams as a result of 6 dealership acquisitions since the fourth quarter of 2014. New vehicle sales decreased by $10.9 million or 2.9% for the three month period ended December 31, 2015 to $368.2 million from $379.1 million in the same period of the prior year. Used vehicle sales increased by $18.5 million or 12.5% for the three month period ended December 31, 2015 compared to the same period of the prior year. Finance and insurance revenue decreased by $1.6 million or 4.4% for the three month period ended December 31, 2015 compared to the same period of the prior year. Parts, service and collision repair revenue increased by $11.0 million or 12.1% for the three month period ended December 31, 2015 compared to the same period of the prior year.

Revenues - Same Store Analysis

Same store revenue decreased by $45.0 million or 12.1% in the three month ended December 31, 2015 when compared to the same period in 2014. Same store new vehicle revenues decreased by $49.4 million or 23.1% for the fourth quarter of 2015 over the prior year due to a decrease in new vehicle sales of 1,470 units or 24.2% offset by an increase in the average revenue per new vehicle sold of $513 or 1.5%. Same store used vehicle revenues increased by $8.4 million or 9.5% for the three month period ended December 31, 2015 over the same period in the prior year due to increase in the average revenue per used vehicle sold of $4,028 or 12.3% offset by decrease in used vehicle sales of 69 units or 2.6%. Same store finance, insurance and other revenue decreased by $5.1 million or 22.1% for the three month period ended December 31, 2015 over the same period in 2014. This was due to increase in the average revenue per unit retailed of $198 or 6.7% and decrease in the number of new and used vehicles retailed, that had finance and insurance related products, of 1,272 units. Same store parts, service and collision repair revenue increased by $1.2 million or 2.6% for the fourth quarter of 2015 compared to the prior period and was primarily a result of increase in overall repair orders completed of 2,775 and a $4 or 0.9% decrease in the average revenue per repair order completed.

Gross Profit

Gross profit increased by $10.0 million, or 8.8% for the three month period ended December 31, 2015 compared to the same period in the prior year. Gross profit increased due to increases across three revenue streams as a result of 6 dealership acquisitions since the fourth quarter of 2014. Gross profit on the sale of new vehicles decreased by $1.8 million or 6.3% for the three month period ended December 31, 2015 compared to the same period in the prior year. The decrease in new vehicle gross profit can be attributed to a decrease in the number of new vehicles sold of 1,360 or 12.9% offset by an increase in the average gross profit per new vehicle sold of $210 or 7.6%. Used vehicle gross profit increased by $2.5 million or 32.3% for the three month period ended December 31, 2015 compared to the same period in the prior year due to an increase in the average gross profit per used vehicle retailed of $479 or 29.7% and an increase in the number of used vehicles sold of 95 units. Finance and insurance gross profit increased by $3.2 million or 10.6% during the fourth quarter of 2015. This increase can be mainly attributed to the increase in average gross profit per unit sold of $241 or 9.8%. Parts, service and collision repair gross profit increased by $6.1 million or 13.3% in the fourth quarter of 2015 as a result of increase in the number of repair orders completed of 14,345 offset by a decrease in the average gross profit per repair order completed of $13 or 6.2%.

Gross Profit - Same Store Analysis

Same store gross profit decreased by $9.4 million or 14.3% for the three month period ended December 31, 2015 compared to the same period in the prior year. New vehicle gross profit decreased by $4.1 million or 24.9% in the three month period ended December 31, 2015 when compared to the same period in the prior year as a result of decrease in new vehicle sales of 1,470 units or 24.2% and decrease in the average gross profit per new vehicle sold of $25 or 0.9%. Used vehicle gross profit increased by $1.3 million or 31.0% in the three month period ended December 31, 2015 compared to the same period in the prior year. This was due to an increase in the average gross profit per used vehicle retailed of $546 or 34.5% offset by decrease in the number of used vehicles sold of 69 units. Parts, service and collision repair gross profit decreased by $2.2 million or 9.3% in the three month period ended December 31, 2015 when compared to the same period in the prior year as a result of increase in the number of repair orders completed of 2,775 offset by a decrease in the average gross profit per repair order completed of $26 or 11.5%. Finance and insurance gross profit decreased by $4.4 million or 20.8% in the three month period ended December 31, 2015 when compared to the prior year as a result of increase in the average gross profit per unit sold of $403 and a decrease in units retailed that had finance and insurance related products of 1,272.

Operating expenses

The following tables summarize operating expenses as a percentage of gross profit for the years ended December 31. When evaluated, operating expenses are broken into their fixed and variable components. Fixed expenses are costs that do not fluctuate with changes in sales volume while variable expenses are costs that vary depending on sales volume.

	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q4 2014	Change
Employee costs	54.9%	49.3%	48.7%	49.4%	48.7%	0.7%
Administrative costs – Variable	19.5%	16.9%	16.8%	18.8%	18.4%	0.4%
Total variable expenses	74.4%	66.2%	65.5%	68.2%	67.1%	1.1%
Administrative Costs – Fixed	5.3%	4.1%	4.8%	4.3%	4.3%	—%
Facility lease costs	4.8%	3.9%	4.2%	5.0%	4.0%	1.0%
Depreciation of property and equipment	3.9%	3.4%	3.9%	4.3%	3.8%	0.5%
Total fixed expenses	14.0%	11.4%	12.9%	13.6%	12.1%	1.5%
Total operating expenses	88.4%	77.6%	78.4%	81.8%	79.2%	2.6%

Operating expenses increased by $11.0 million or 12.2%, to $101.3 million from $90.3 million during the three month period ended December 31, 2015 compared to the same period in the prior year. Operating expenses as a percentage of gross profit increased to 81.8% in the fourth quarter of 2015 from 79.2% in the same period of the prior year. This increase is driven by the slowdown of the economy during the fourth quarter and the time lag in the corresponding reduction of operating costs.

Employee costs

During the three month period ended December 31, 2015, employee costs increased by $4.0 million or 7.0%, to $60.8 million from $56.8 million in the prior year period. Employee costs as a percentage of gross profit stayed consistent compared to the same period of the prior year. Employee costs as a percentage of gross profit for the three month period ended December 31, 2015 decreased to 49.1% from 49.9% for the same period in the prior year. Our dealership employee pay structures are tied to meeting sales objectives, maintaining customer satisfaction indices, as well as improving gross profit and net income.

Administrative costs

During the three month period ended December 31, 2015, administrative costs increased by $4.2 million or 13.9%, to $34.4 million from $30.2 million primarily due to 6 dealership acquisitions since the fourth quarter of 2014. Administrative expenses as a percentage of gross profit increased to 27.7% in the fourth quarter of 2015 from 26.5% in the comparable period of 2014. During the three month period ended December 31, 2015, the Company incurred $0.2 million related to acquisitions compared to $0.4 million for the same period in 2014. These costs will vary based on the number of acquisitions completed each period.

Facility lease costs

During the three month period ended December 31, 2015, facility lease costs increased by $1.0 million or 22.0%, from $4.7 million to $5.7 million primarily due to 6 dealership acquisitions since the fourth quarter of 2014. Facility lease costs are 4.6% of gross profit for the three month period from 4.1% in the comparable period of 2014.

Depreciation of property and equipment

During the three month period ended December 31, 2015, depreciation of property and equipment increased by $0.7 million or 14.6%, to $5.2 million from $4.5 million primarily due to 6 dealership acquisitions since the fourth quarter of 2014. Depreciation expense makes up 4.2% of gross profit for the three month period from 4.0% in the comparable period of 2014.

Income Taxes

Income tax expense for the three month period ended December 31, 2015 decreased by $1.7 million to $3.3 million from $5.0 million in 2014. During the fourth quarter of 2015, the Company paid $11.0 million of cash taxes which relates to installments toward the 2015 taxation year. The payment of cash taxes will have an impact on adjusted free cash flow.

Finance costs

The Company incurs finance costs on its revolving floorplan facilities, long term indebtedness and banking arrangements. During the three month period ended December 31, 2015, finance costs on our revolving floorplan facilities decreased by 17.1% to $2.9 million from $3.5 million in the fourth quarter of 2014, and finance costs on long term indebtedness increased by $1.3 million or 46.0%, to $4.3 million from $2.9 million in the fourth quarter of 2015. The increase to finance costs is mainly attributable to the 6 dealership acquisitions since the fourth quarter of 2014.

During the three months ended December 31, 2015, the net income of certain dealerships exceeded their quarterly net income from the comparative quarter, resulting in an increase in the cumulative net income for the purposes of revaluing the redemption liabilities. Consequently, a $2,566 increase to the fair value was recorded on the balance sheet with a corresponding expense charged to financing costs in the fourth quarter.

Some of our manufacturers provide non-refundable credits on the finance costs for our revolving floorplan facilities to offset the dealership's cost of inventory that, on average, effectively provide the dealerships with interest-free floorplan financing for the first 45 to 60 days of ownership of each financed vehicle.

During the three month period ended December 31, 2015, the floorplan credits earned were $3,607 (2014 - $3,858) Accounting standards require the floorplan credits to be accounted for as a reduction in the cost of new vehicle inventory and subsequently a reduction in the cost of sales as vehicles are sold.

Management believes that a comparison of floorplan financing costs to floorplan credits can be used to evaluate the efficiency of our new vehicle sales relative to stocking levels. The following table details the carrying cost of vehicles based on floorplan interest net of floorplan assistance earned:

	For the Three Months Ended	
(in thousands of dollars)	**December 31, 2015**	**December 31, 2014**
Floorplan financing	2,939	3,293
Floorplan credits earned	(3,607)	(3,858)
Net carrying cost of vehicle inventory	(668)	(565)

8. GROWTH, ACQUISITIONS, RELOCATIONS AND REAL ESTATE

At December 31, 2015, the Company operated 54 automotive dealerships (62 franchises) comprised of 39 dealerships (45 franchises) which are wholly owned, as well as investments in nine General Motors dealerships (nine franchises), two BMW dealerships (four franchises), one Chrysler dealership (one franchise), and three Nissan dealerships (three franchises), which the Company controls and consolidates for accounting purposes.

Growth

The Company has acquired 6 dealerships (6 franchises) in 2015. Acquisitions completed during the year are as follows:

Airdrie Chrysler

On May 11, 2015, the Company purchased substantially all of the operating and fixed assets of North Hill Motors (1975) Ltd. ("Airdrie Chrysler"), in Airdrie, Alberta, for total cash consideration of $21,595 and contingent consideration with a fair value of $3,608. The acquisition was financed by drawing on the Company's revolving term facility. In 2014, the dealership retailed 935 new vehicles and 704 used vehicles.

Don Folk Chevrolet

On September 14, 2015, the Company, through an 80% owned subsidiary, DFC Holdings Inc., purchased substantially all of the operating and fixed assets of Don Folk Chevrolet Inc., a Chevrolet dealership, and 399573 B.C. Ltd., an auto body shop, (together "Don Folk Chevrolet"), located in Kelowna, British Columbia, for total cash consideration of $9,175. The acquisition was financed by drawing on the Company's revolving term facility. To comply with GM Canada's approval, Mr. Patrick Priestner, the Executive Chair of the Company, is required to have 100% voting control of Don Folk Chevrolet. In 2014, the dealership retailed 452 new vehicles and 304 used vehicles.

The Company also purchased the land and facilities through a wholly-owned subsidiary, DFC Properties Inc., for $13,250.

Grove Dodge Chrysler Jeep

On October 5, 2015, the Company, through GRV C Holdings LP, purchased substantially all of the operating and fixed assets of Grove Dodge Chrysler Jeep Ltd. ("Grove Dodge"), in Spruce Grove, Alberta, for total cash consideration of $19,083 and contingent consideration with a fair value of $1,808. The acquisition was financed by drawing on the Company's revolving term facility. In 2014, the dealership retailed 809 new vehicles and 407 used vehicles.

As part of the transaction, the Company entered into an agreement with a former minority owner of Grove Dodge, whereby he acquired a 10% ownership interest in GRV C Holdings LP from the Company for cash consideration.

Hunt Club Nissan and Ottawa Open Point

On November 1, 2015, the Company, through AutoCanada HCN Holdings Inc., purchased substantially all of the operating and fixed assets of Hunt Club Nissan Ltd. ("Hunt Club Nissan"), in Ottawa, Ontario, as well as the exclusive right to build and operate a Nissan motor vehicle franchise on a designated property in southwest Ottawa. Total cash consideration for the transaction was $13,825. The acquisition was financed by drawing on the Company's revolving term facility. In 2014, the dealership retailed 1,109 new vehicles and 452 used vehicles.

As part of the transaction, the Company entered into an agreement with a former owner of Hunt Club Nissan, whereby he acquired a 10% ownership interest in AutoCanada HCN Holdings Inc. from the Company for cash consideration of $1,383.

417 Nissan and 417 Infiniti

On December 7, 2015, the Company, through a 90% owned subsidiary, AutoCanada HCN Holdings Inc., purchased substantially all of the operating and fixed assets of 417 Infiniti Nissan Limited ("417 Nissan and 417 Infiniti"), in Ottawa, Ontario, for total cash consideration of $5,408. The acquisition was financed by drawing on the Company's revolving term facility. In 2014, the dealership retailed 727 new vehicles and 180 used vehicles.

Integration of New Dealerships and Investments

Over the past year, the Company has opened and acquired six dealerships, and has been dedicating resources to ensure a successful integration of its newly acquired dealerships. As noted in our same store analysis, experience has shown that it takes a minimum of two full years in order to successfully integrate a store and achieve its anticipated performance objectives.

The dealerships acquired in 2014 appear to be integrating well into their respective platforms and within the Company. The dealerships acquired in 2015 are still fairly new and being integrated into their respective platforms and within the Company. Management continues to work diligently on the integration of those dealerships and is very satisfied with the progress being made.

The investments in the dealerships that we made in the third and fourth quarters of 2015 are fairly recent. As a result, we are still relatively early in the process of integrating these investments.

We will continue to dedicate significant resources to newly acquired dealerships in order to successfully integrate acquisitions in an efficient manner. As a result, we expect to incur additional selling and administrative costs in the future in order to successfully integrate new dealerships into our model.

Dealership Open Points

Volkswagen – Sherwood Park, Alberta

In February 2014, the Company announced that it had been awarded the right to a Volkswagen Open Point dealership in Sherwood Park, Alberta. The Company intends to construct an approximately 45,000 square foot facility in Sherwood Park, designed to Volkswagen Canada image standards, with construction to be completed and opened in the fourth quarter of 2016. The Volkswagen Open Point has a planning potential of 800 new vehicles annually which the Company anticipates achieving in two to three years of operation.

Nissan – Calgary, Alberta

On July 1, 2014, as part of the Company's purchase of the Hyatt Group, the Company acquired the exclusive right to build and operate a Nissan dealership on a designated property in southeast Calgary. The purchase price for transfer of the right was $1.5 million, which was satisfied by the issuance of 18,753 common shares of AutoCanada at a deemed price of $79.99. The permit process in the City of Calgary had taken longer than expected, which caused some delay. Therefore, the dealership construction is now expected to begin late 2016 with anticipated opening in late 2017. The dealership will be constructed by a third party and subsequently leased by the Company.

North Winnipeg Kia

In March 2015, the Company announced that it has signed a Letter of Intent with Kia Canada Inc. ("Kia") which, subject to the completion of requirements contained in the Letter of Intent, will award AutoCanada an Open Point Kia dealership in North Winnipeg, Manitoba. AutoCanada intends to operate the dealership out of a new facility, designed to Kia image standards, with construction anticipated to commence in early 2017.

Nissan - Ottawa, Ontario

On November 1, 2015, as part of the purchase of Hunt Club Nissan, the Company acquired the exclusive right to build and operate a Nissan motor vehicle franchise on a designated property in southwest Ottawa. AutoCanada intends to operate the dealership out of a new facility, designed to Nissan image standards, with construction anticipated to commence in second quarter of 2016 and anticipated opening in early 2017.

Dealership Loan Financing

On November 30, 2015, the Company loaned $8,422 to PPH Holdings Ltd ("PPH"). The Company holds no ownership interest in PPH, which is a company controlled, and formed, by Mr. Patrick Priestner ("Priestner"). The Company has no participation in the equity of PPH. PPH's principal place of business is Alberta, Canada. Although the Company holds no voting rights in PPH the Company exercises significant influence by virtue of the existence of its loan and the provision of essential technical information required for operations, as well as through the relationship with Priestner, as AutoCanada's Executive Chair. However, the Company does not have the power to make or block key decisions under the terms of the underlying agreements. As a result, the Company has accounted for its loan to PPH under the effective interest method and it is carried at amortized cost. Income from loan to PPH was $49 in 2015.

Future Acquisition Opportunities

Due to the economic slowdown occurring in Alberta, Management anticipates that there will continue to be attractive buying opportunities, further enhancing long term shareholder value, however, Management is not yet seeing a change in acquisition multiples. Additionally, the Company shall continue to seek opportunities elsewhere in Canada, where appropriate, so as to provide continued diversity. The Company is in a position to patiently pursue its acquisition strategy thereby maximizing its ability to take advantage of anticipated buying opportunities that times of economic uncertainty generally provide. Management and the Company have excellent relationships with our manufacturer partners and believe that if we can continue to perform well, we can build upon our current brand portfolios and hopefully gain the acceptance of other new manufacturers over time.

Capital Plan

The Company maintains a capital plan for contemplated future capital projects. Details of the capital plan are described below:

Dealership Relocations

Management estimates the total capital requirements of additional potential planned dealership relocations to be approximately $133.3 million by the second quarter of fiscal 2019, $83.5 million of this amount is to be financed. As noted above, the Company expects dealership relocations to provide long term earnings sustainability and result in significant improvements in revenues and overall profitability. Management continually updates its capital plan and as such the estimates provided may vary as delays occur or projects are added or removed.

Current Dealership Expansion and Imaging Requirements

The Company has identified approximately $37.5 million in capital costs that it may incur in order to expand or renovate various current locations by the end of fiscal 2019, $13.0 million of this amount is to be financed. The Company is required by its manufacturers to undertake periodic imaging upgrades to its facilities. Included above are the estimated costs and timing related to the re-imaging requirements by Hyundai Canada. The Company expects re-imaging to attract more customers to its dealerships.

Open Point Opportunities

Management regularly reviews potential open point opportunities. If successful in being awarded these opportunities, Management would then estimate additional capital costs in order to construct suitable facilities for open points. The Company estimates approximately $23.0 million in capital costs that it may incur by the end of fiscal 2017 related to currently awarded Open Points, $8.7 million of this amount is to be financed. If awarded in the future, Management will provide additional cost estimates and timing of construction. In order to be successful in some opportunities, Management may be required to secure appropriate land for the potential open points, in which case, additional land purchase costs may be incurred in the future.

The following summarizes the capital plan for contemplated future capital projects as at December 31, 2015:

(in millions of dollars)	2016	2017	2018	2019	Total
Same Store					
Dealership Relocations	22.8	56.5	16.6	–	95.9
Current Dealership Expansion and Imaging Requirements	3.1	5.3	5.3	8.6	22.3
Capital Plan	25.9	61.8	21.9	8.6	118.2
Expected to be Financed	14.1	39.8	13.3	–	67.2
Non-Same Store					
Dealership Relocations	0.1	12.0	11.3	14.0	37.4
Current Dealership Expansion and Imaging Requirements	10.6	4.6	–	–	15.2
Open Point Opportunities	14.6	8.4	–	–	23.0
Capital Plan	25.3	25.0	11.3	14.0	75.6
Expected to be Financed	15.4	8.4	7.9	6.3	38.0
Total Capital Plan	51.2	86.8	33.2	22.6	193.8
Total Expected to be Financed	29.5	48.2	21.2	6.3	105.2

Notwithstanding the capital plan laid out above, expected capital expenditures are subject to deferral due to issues in obtaining permits, construction delays, changes in reimaging requirements or other delays that are normal to the construction process. The above is considered to be a guide for when the Company expects to perform capital expenditures, however, significant deferral may occur in the future. Management closely monitors the capital plan and adjusts as appropriate based on Company performance, Manufacturer requirements and individual dealership needs. Management performs a robust analysis on all future expenditures prior to the allocation of funds. Timing of dealership relocations is determined based on the dealership's current performance, the market, and expected return on invested capital. It is expected that a dealership relocation will result in improved performance and increased profitability.

9. LIQUIDITY AND CAPITAL RESOURCES

Our principal uses of funds are for capital expenditures, repayment of debt, funding the future growth of the Company and dividends to Shareholders. We have historically met these requirements by using cash generated from operating activities and through short term and long term indebtedness. On December 14, 2015, the Company completed a $75.0 million equity offering which was used to pay down its revolving credit facility and replenish its capital.

The Company maintains working capital in excess of manufacturer requirements which may be used for capital expenditures. The Company's analysis of its available capital based on the balance sheet at December 31, 2015 is as follows:

- The Company had drawn $103.6 million on its $250.0 million revolving term facility.

As a result of the above, as at December 31, 2015, the Company currently has approximately $146.4 million in readily available liquidity, not including future retained cash from operations, that it may deploy for growth expenditures including acquisitions.

Note 25 of the annual consolidated financial statements of the Company for the year ended December 31, 2015 summarizes the Company's remaining contractual maturity for its financial liabilities.

Use of Proceeds

The Company's use of proceeds from the equity offering was for repayment of long-term indebtedness.

Cash Flow from Operating Activities

Cash flow from operating activities (including changes in non-cash working capital) of the Company for the year ended December 31, 2015 was $52.8 million (cash provided by operating activities of $51.5 million plus net increase change in non-cash working capital of $1.3 million) compared to $71.1 million (cash provided by operating activities of $66.8 million plus net increase in non-cash working capital of $4.3 million) in the prior year.

Cash Flow from Investing Activities

For the year ended December 31, 2015, cash flow from investing activities of the Company was a net outflow of $165.7 million as compared to a net outflow of $331.1 million in the prior year. The decrease was primarily due to $75.5 million in acquisitions compared to $270.0 million in 2014.

Cash Flow from Financing Activities

For the year ended December 31, 2015, cash flow from financing activities was a net inflow of $104.0 million as compared to a net inflow of $295.2 million in the prior year. The decrease was primarily due to proceeds of $146.4 million from the issuance of senior unsecured notes in 2014, as well as issuance of common shares in 2014 which exceeded issuance of shares in 2015 by $119.5 million.

Credit Facilities and Floorplan Financing

Details of the Company's credit facilities and floorplan financing are included in Note 28 of the annual audited consolidated financial statements for the year ended December 31, 2015.

Key Financial Covenants

The Company is required by its debt agreements to comply with several financial covenants. The following is a summary of the Company's actual performance against its financial covenants as at December 31, 2015:

Financial Covenant	Requirement	Q4 Actual Calculation	Q3 Actual Calculation
Syndicated Revolver:			
Senior Secured Leverage Ratio[1]	Shall not exceed 2.75	1.38	1.74
Adjusted Total Leverage Ratio[1]	Shall not exceed 5.00	4.09	4.30
Fixed Charge Coverage Ratio	Shall not be less than 1.20	1.72	1.60
Current Ratio	Shall not be less than 1.05	1.18	1.14
Syndicated Floorplan:			
Current Ratio	Shall not be less than 1.10	1.15	1.15
Tangible Net Worth	Shall not be less than $40 million	$89.4 million	$93.5 million
Debt to Tangible Net Worth	Shall not exceed 7.50	4.67	4.52

1 *On September 30, 2015, amended terms and conditions of the syndicated revolver facility resulted in the Senior Secured Leverage Ratio changing from 2.00 to 2.75, and the Adjusted Total Leverage Ratio changing from 4.50 to 5.00.*

The covenants above are based on consolidated financial statements of the dealerships that are financed directly by the lender. As a result, the actual performance against the covenant does not necessarily reflect the actual performance of AutoCanada. The Company is required to comply with other covenants under the terms of its remaining credit agreements. The Company stress tests all covenants on a monthly and quarterly basis and notes that a significant further drop in performance would be necessary to breach the covenants.

As at December 31, 2015, the Company is in compliance with all of its financial covenants.

Financial Instruments

Details of the Company's financial instruments, including risks and uncertainties are included in Note 25 of the annual audited consolidated financial statements for the year ended December 31, 2015.

Growth vs. Non-Growth Capital Expenditures

Non-growth capital expenditures are capital expenditures incurred during the period to maintain existing levels of service. These include capital expenditures to replace property and equipment and any costs incurred to enhance the operational life of existing property and equipment. Non-growth capital expenditures can fluctuate from period to period depending on our needs to upgrade or replace existing property and equipment. Over time, we expect to incur annual non-growth capital expenditures in an amount approximating our depreciation of property and equipment reported in each period.

Additional details on the components of non-growth property and equipment purchases are as follows:

(in thousands of dollars)	October 1, 2015 to December 31, 2015	January 1, 2015 to December 31, 2015
Leasehold improvements	1,525	7,054
Machinery and equipment	546	2,183
Furniture and fixtures	322	1,355
Computer equipment	756	2,073
Company & lease vehicles	15	32
	3,164	12,697

Amounts relating to the expansion of sales and service capacity are considered growth expenditures. Growth expenditures are discretionary, represent cash outlays intended to provide additional future cash flows and are expected to provide benefit in future periods. During the three month period and the year ended December 31, 2015, growth capital expenditures of $5.7 million and $61.9 million were incurred, respectively. These expenditures related primarily to land that was purchased for future dealership operations during the first three quarters of the year of $52.9 million, and construction on buildings of approximately $5.3 million during the fourth quarter. Dealership relocations are included as growth expenditures if they contribute to the expansion of sales and service capacity of the dealership.

The following table provides a reconciliation of the purchase of property and equipment as reported on the Statement of Cash Flows to the purchase of non-growth property and equipment as calculated in the free cash flow section below:

(in thousands of dollars)	October 1, 2015 to December 31, 2015	January 1, 2015 to December 31, 2015
Purchase of property and equipment from the Statement of Cash Flows	8,879	74,606
Less: Amounts related to the expansion of sales and service capacity	(5,715)	(61,909)
Purchase of non-growth property and equipment	3,164	12,697

Repairs and maintenance expenditures are expensed as incurred and have been deducted from earnings for the period. Repairs and maintenance expense incurred during the three month period and the year ended December 31, 2015, were $1.7 million and $6.2 million (2014 - $1.1 million and $3.5 million), respectively.

Planned Capital Expenditures

Our capital expenditures consist primarily of leasehold improvements, the purchase of furniture and fixtures, machinery and equipment, service vehicles, computer hardware and computer software. Management expects that our annual capital expenditures will increase in the future, as a function of increases in the number of locations requiring maintenance capital expenditures, the cost of opening new locations and increased spending on information systems.

For further information regarding planned capital expenditures, see “GROWTH, ACQUISITIONS, RELOCATIONS AND REAL ESTATE” above.

Financial Position

The following table shows selected audited balances of the Company (in thousands) for December 31, 2015 and December 31, 2014, as well as unaudited balances of the Company at September 30, 2015, June 30, 2015, March 31, 2015, September 30, 2014, June 30, 2014, and March 31, 2014:

(in thousands of dollars)	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
Cash and cash equivalents	62,274	77,071	77,676	66,351	72,462	64,559	91,662	41,541
Trade and other receivables	90,821	118,853	124,683	104,753	92,138	115,074	85,837	69,747
Inventories	596,542	581,258	620,837	625,779	563,277	471,664	324,077	261,764
Assets	1,532,182	1,508,028	1,517,978	1,449,213	1,354,755	1,211,527	910,715	667,016
Revolving floorplan facilities	548,322	550,857	607,694	601,432	527,780	437,935	313,752	261,263
Non-current debt and lease obligations	285,759	313,703	287,202	241,929	223,009	179,447	294,289	123,811

Net Working Capital

The automobile manufacturers represented by the Company require the Company to maintain net working capital for each individual dealership. At December 31, 2015, the aggregate of net working capital requirements was approximately $95.0 million. At December 31, 2015, all working capital requirements had been met by each dealership. The working capital requirements imposed by the automobile manufacturers' may limit our ability to fund capital expenditures, acquisitions, dividends, or other commitments in the future if sufficient funds are not generated by the Company. Net working capital, as defined by automobile manufacturers, may not reflect net working capital as determined using GAAP measures. As a result, it is possible that the Company may meet automobile manufacturers' net working capital requirements without having sufficient aggregate working capital using GAAP measures. The Company defines net working capital amounts as current assets less current liabilities as presented in the consolidated financial statements. At December 31, 2015, the Company had aggregate working capital of approximately $121.1 million.

The net working capital requirements above restrict the Company's ability to transfer funds up from its subsidiaries, as each subsidiary dealership is required to be appropriately capitalized as explained above. In addition, our VCCI Facilities require the VW and Audi dealerships to maintain minimum cash and equity, which also restricts our ability to transfer funds up.

Off Balance Sheet Arrangements

The Company has operating lease commitments, with varying terms through 2037, to lease premises and equipment used for business purposes. The Company leases the majority of the lands and buildings used in its franchised automobile dealership operations from related parties and other third parties.

The minimum lease payments over the upcoming fiscal years will be as follows:

(in thousands of dollars)	$
2016	20,012
2017	18,723
2018	16,232
2019	14,233
2020	12,279
Thereafter	134,015
Total	215,494

Information regarding our contractual obligations with respect to long-term debt, capital lease obligations and other long-term obligations is included in the Liquidity Risk section of Note 25 of the Company's annual consolidated financial statements.

Related Party Transactions

Note 34 of the annual consolidated financial statements of the Company for the year ended December 31, 2015 summarizes the transactions between the Company and its related parties.

Administrative support fees

The Company currently earns administrative support fees from companies controlled by the Executive Chair of AutoCanada. The administrative support fees consist of a portion of human resource and fixed costs associated with providing technological and accounting support to these companies. The Company believes that providing support services to these companies provides value to both the companies supported and AutoCanada. By providing support, AutoCanada is able to reduce its overall fixed costs associated with accounting and information technology.

Related party transactions are measured based on the proportionate allocation of actual costs incurred multiplied by the number of resources and/or hours provided to or used by the related party. There are no ongoing or continuing obligations of the Company to provide these services or for the related parties to utilize these services.

Loans to related parties

The Company structured the loan to PPH with the associated terms and conditions in order to satisfy the requirements of the manufacturer. It is the Company's belief that this loan investment will provide future opportunities to finance further acquisitions thereby acquiring additional revenue and income streams from this manufacturer.

10. BUSINESS COMBINATION UNDER COMMON CONTROL

On July 11, 2014, the Company completed a business combination under common control, resulting in the consolidation of the financial results of the Company's investments in associates as further described in Notes 14 and 15 of the annual audited consolidated financial statements for the year ended December 31, 2014. The Company has provided a reconciliation below of its consolidated Statement of Comprehensive Income for the year ended December 31, 2015 to its financial results had the results from its investments in associates not been consolidated as at December 31, 2015.

(in thousands of dollars)	For the year ended December 31, 2015 (Including GM)	Effects of GM Consolidation	For the year ended December 31, 2015 (excluding GM)
Revenue	2,903,803	(550,691)	2,353,112
Cost of sales	(2,416,094)	448,989	(1,967,105)
Gross Profit	487,709	(101,702)	386,007
Operating expenses	(395,877)	75,373	(320,504)
Operating profit before other income (expenses)	91,832	(26,329)	65,503
Lease and other income, net	5,546	(1,510)	4,036
Gain on disposal of assets, net	249	(2)	247
Impairment of intangible assets	(18,757)	2,293	(16,464)
Income from investments in associates	–	9,474	9,474
Income from loan to associate	49	–	49
Operating Profit	78,919	(16,074)	62,845
Finance costs	(36,106)	7,196	(28,910)
Finance income	2,292	(277)	2,015
Net income for the year before taxation	45,105	(9,155)	35,950
Income taxes	17,791	(4,902)	12,889
Net and comprehensive income for the year	27,314	(4,253)	23,061
Net and comprehensive income attributable to:			
AutoCanada shareholders	22,821	(354)	22,467
Non–controlling interests	4,493	(3,899)	594
	27,314	(4,253)	23,061
Earnings per share			
Basic	0.93	–	0.93
Diluted	0.92	–	0.92
Weighted average shares			
Basic	24,574,022	–	24,574,022
Diluted	26,674,083	–	26,674,083

11. OUTSTANDING SHARES

As at December 31, 2015, the Company had 27,459,683 common shares outstanding. Basic and diluted weighted average number of shares outstanding for the year ended December 31, 2015 were 24,574,022 and 26,674,083, respectively. As at December 31, 2015, the value of the shares held in trust was $1.3 million (2014 – $3.3 million) which was comprised of 70,933 in shares (2014 - 100,027) with a nil aggregate cost (2014 - nil). As at March 17, 2016, there were 27,459,683 shares issued and outstanding.

12. DIVIDENDS

Management reviews the Company's financial results on a monthly basis. The Board of Directors reviews the financial results periodically to determine whether a dividend shall be paid based on a number of factors.

The following table summarizes the dividends declared by the Company in 2015:

Record date	Payment date	Per Share $	Total $
February 28, 2015	March 16, 2015	0.25	6,102
May 31, 2015	June 15, 2015	0.25	6,111
August 31, 2015	September 15, 2015	0.25	6,110
November 30, 2015	December 15, 2015	0.25	6,109
		1.00	24,432

On February 19, 2016, the Board declared a quarterly eligible dividend of $0.25 per common share on AutoCanada's outstanding Class A shares, payable on March 15, 2016 to shareholders of record at the close of business on February 29, 2016.

As per the terms of the HSBC facility, we are restricted from declaring dividends and distributing cash if we are in breach of financial covenants or our available margin and facility limits or if such dividend would result in a breach of our covenants or our available margin and facility limits. At this time, the Company is within its covenants.

13. FREE CASH FLOW

The Company has defined free cash flow to be cash flows provided by operating activities (including changes in non-cash operating working capital) less capital expenditures (excluding capital assets acquired by acquisitions or purchases of real estate).

(in thousands of dollars, except unit and per unit amounts)	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Cash provided by operating activities	12,420	20,139	21,004	(810)	42,276	9,093	10,918	8,850
Deduct:								
Purchase of property and equipment	(3,354)	(5,144)	(3,228)	(2,352)	(2,454)	(2,834)	(1,057)	(1,069)
Free cash flow[1]	9,066	14,995	17,776	(3,162)	39,822	6,259	9,861	7,781
Weighted average shares outstanding at end of period	25,016,637	24,440,080	24,424,598	24,409,574	24,410,169	24,103,670	21,832,777	21,685,876
Free cash flow per share	0.36	0.61	0.73	(0.13)	1.63	0.26	0.45	0.36
Free cash flow - 12 month trailing	38,675	69,431	60,695	52,780	63,723	32,256	33,137	36,762

1 *This financial measure is identified and defined under the section "NON-GAAP MEASURES."*

Management believes that the free cash flow can fluctuate significantly as a result of historical fluctuations in our business operations that occur on a quarterly basis as well as the resulting fluctuations in our trade receivables and inventory levels and the timing of the payments of trade payables and revolving floorplan facilities.

Changes in non-cash working capital consist of fluctuations in the balances of trade and other receivables, inventories, finance lease receivables, other current assets, trade and other payables, vehicle repurchase obligations 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 (decrease) in cash due to changes in non-cash working capital for the years ended December 31, 2015 and December 31, 2014.

(in thousands of dollars)	January 1, 2015 to December 31, 2015	January 1, 2014 to December 31, 2014
Trade and other receivables	1,939	(2,735)
Inventories	(3,584)	(45,065)
Finance lease receivables	3,271	(4,587)
Other current assets	(1,761)	(1,317)
Trade and other payables	3,959	8,179
Vehicle repurchase obligations	307	126
Revolving floorplan facilities	(2,867)	49,738
	1,264	4,339

Adjusted Free Cash Flow

The Company has defined adjusted free cash flow to be cash flows provided by operating activities (before changes in non-cash operating working capital) less non-growth capital expenditures.

(in thousands of dollars, except unit and per unit amounts)	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Cash provided by operating activities before changes in non-cash working capital	11,242	23,082	22,386	(5,221)	19,125	23,192	16,497	7,984
Deduct:								
Purchase of non-growth property and equipment	(3,164)	(4,131)	(3,199)	(2,199)	(2,003)	(1,079)	(996)	(638)
Adjusted free cash flow[1]	8,078	18,951	19,187	(7,420)	17,122	22,113	15,501	7,346
Weighted average shares outstanding at end of period	25,016,637	24,440,080	24,424,598	24,409,574	24,410,169	24,103,670	21,832,777	21,685,876
Adjusted free cash flow per share	0.32	0.78	0.79	(0.30)	0.70	0.92	0.71	0.34
Adjusted free cash flow - 12 month trailing	38,796	47,840	51,002	47,316	62,082	56,891	49,404	47,269

[1] *This financial measure is identified and defined under the section "NON-GAAP MEASURES."*

Management believes that non-growth property and equipment is necessary to maintain and sustain the current productive capacity of the Company's operations and cash available for growth. Management believes that maintenance capital expenditures should be funded by cash flow provided by operating activities. Capital spending for the expansion of sales and service capacity is expected to improve future free cash and as such, is not deducted from cash flow provided by operating activities before changes in non-cash working capital in arriving at adjusted free cash flow. Adjusted free cash flow is a measure used by Management in forecasting and determining the Company's available resources for future capital expenditure, repayment of debt, funding the future growth of the Company and dividends to Shareholders.

In the year ending December 31, 2015, the Company paid approximately $36.0 million in corporate income taxes and tax installments. Accordingly, this reduced our adjusted free cash flow by this amount. The Company expects the payment of corporate income taxes to have a more significant negative affect on free cash flow and adjusted free cash flow. See "RESULTS FROM OPERATIONS – Income Taxes" for further detail regarding the impact of corporate income taxes on cash flow.

Adjusted Return on Capital Employed

The Company has defined Adjusted Return on Capital Employed to be EBIT (EBITDA, as defined in "NON-GAAP MEASURES", less depreciation and amortization) divided by Average Capital Employed in the Company (average of shareholders' equity and interest bearing debt, excluding floorplan financing, for the period, less the comparative adjustment defined below). Calculations below represent the results on a quarterly basis, except for the adjusted return on capital employed – 12 month trailing which incorporates the results based on the trailing 12 months for the periods presented.

(in thousands of dollars, except unit and per unit amounts)	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
EBITDA[1,2]	23,524	29,487	30,730	13,890	26,043	31,895	21,702	14,453
Deduct:								
Depreciation of property and equipment	(5,176)	(5,063)	(4,461)	(4,160)	(4,423)	(4,139)	(2,550)	(2,512)
EBIT[1,2]	18,348	24,424	26,269	9,730	21,620	27,756	19,152	11,941
Average long-term debt	312,471	314,443	277,571	239,251	204,514	240,799	211,903	107,265
Average shareholder's equity	481,112	447,774	439,711	436,262	440,513	326,410	205,613	196,608
Average capital employed[1]	793,583	762,217	717,282	675,513	645,027	567,209	417,516	303,873
Return on capital	2.3%	3.2%	3.7%	1.4%	3.4%	4.9%	4.6%	3.9%
Comparative adjustment[3]	(13,191)	(17,264)	(17,264)	(17,264)	(17,264)	(15,951)	(15,951)	(15,951)
Adjusted average capital employed[1]	778,354	744,953	700,018	658,249	628,418	551,258	401,565	287,922
Adjusted return on capital employed[1]	2.4%	3.3%	3.8%	1.5%	3.4%	5.0%	4.8%	4.1%
Adjusted return on capital employed - 12 month trailing	11.2%	12.7%	15.5%	16.5%	18.6%	19.3%	20.7%	25.1%

1 *These financial measures are identified and defined under the section "NON-GAAP MEASURES."*

2 *EBITDA and EBIT used in the calculation of Adjusted Return on Capital Employed is calculated using the financial results including non-controlling interests.*

3 *A comparative adjustment has been made in order to adjust for impairments and reversals of impairments of intangible assets. Due to the increased frequency of impairments and reversals of impairments, Management has provided an adjustment in order to freeze intangible assets at the pre-IFRS amount of $43,700. As a result, all differences from January 1, 2010 forward under IFRS have been adjusted at the post-tax rate at the time the adjustment to the intangible asset carrying amount was made. Management believes that the adjusted return on capital employed provides more useful information about the return on capital employed.*

Management believes that Adjusted Return on Capital Employed (see "NON-GAAP MEASURES") is a good measure to evaluate the profitability of our invested capital. As a corporation, Management of AutoCanada may use this measure to compare potential acquisitions and other capital investments against our internally computed cost of capital to determine whether the investment shall create value for our shareholders. Management may also use this measure to look at past acquisitions, capital investments and the Company as a whole in order to ensure shareholder value is being achieved by these capital investments. The decrease in adjusted return on capital employed - 12 month trailing is caused by the volume of acquisitions over the past two years, compounded by the reduced economic activity in 2015. Management expects this measure to return to normal as the economy improves and the acquisitions are further integrated.

14. CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICY DEVELOPMENTS

A complete listing of critical accounting policies, estimates, judgments and measurement uncertainty can be found in Notes 3 and 5 of the annual consolidated financial statements for the year ended December 31, 2015.

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 yet effective for the period ended December 31, 2015. A listing of the standards issued which are applicable to the Company can be found in Note 4 of the annual consolidated financial statements for the year ended December 31, 2015.

15. DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure Controls & Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in reports filed with securities regulatory authorities is recorded, processed, summarized, and reported on a timely basis, and is accumulated and communicated to the Company's management, including the Chief Executive Office ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure.

As of December 31, 2015, the Company's management, with participation of the CEO and CFO, evaluated the effectiveness of the design and operation of its disclosure controls and procedures, as defined in National Instrument 52-109 of the Canadian Securities Administrators, and have concluded that the Company's disclosure controls and procedures are effective.

Internal Controls over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal controls over financial reporting. These controls include policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

All control systems contain inherent limitations, no matter how well designed. As a result, the Company's management acknowledges that its internal controls over financial reporting will not prevent or detect all misstatements due to error or fraud. In addition, management's evaluation of controls can provide only reasonable, not absolute, assurance that all control issues that may result in material misstatements, if any, have been detected.

Management, under the supervision of and with the participation of the Company's CEO and CFO, evaluated the effectiveness of the Corporation's internal controls over financial reporting (as defined under national Instrument 52–109 - Certification of Disclosure in Issuers' Annual and Interim Filings). In making this evaluation, management used the criteria set forth by the *Committee of Sponsoring Organizations of the Treadway Commissions* ("COSO") in *Internal Control – Integrated Framework (2013)*. Based on that evaluation, management and the CEO and CFO have concluded that, as at December 31, 2014, the Corporation's internal controls over financial reporting were effective. This evaluation took into consideration the Corporation's Corporate Disclosure Policy and the functioning of its Disclosure Policy Committee.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting during the year ended December 31, 2015.

16. RISK FACTORS

We face a number of business risks that could cause our actual results to differ materially from those disclosed in this MD&A (See "FORWARD LOOKING STATEMENTS"). Investors and the public should carefully consider our business risks, other uncertainties and potential events as well as the inherent uncertainty of forward looking statements when making investment decisions with respect to AutoCanada. If any of the business risks identified by AutoCanada were to occur, our business, financial condition, results of operations, cash flows or prospects could be materially adversely affected. In such case, the trading price of our shares could decline. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also adversely affect our business and operations. A comprehensive discussion of the known risk factors of AutoCanada and additional business risks is available in our 2015 Annual Information Form dated March 17, 2016, available on the SEDAR website at www.sedar.com.

17. FORWARD LOOKING STATEMENTS

Certain statements contained in the MD&A are forward-looking statements and information (collectively "forward-looking statements"), within the meaning of the applicable Canadian securities legislation. We hereby provide cautionary statements identifying important factors that could cause our actual results to differ materially from those projected in these forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "will likely result", "are expected to", "will continue", "is anticipated", "projection", "vision", "goals", "objective", "target", "schedules", "outlook", "anticipate", "expect", "estimate", "could", "should", "plan", "seek", "may", "intend", "likely", "will", "believe" and similar expressions are not historical facts and are forward-looking and may involve estimates and assumptions and are subject to risks, uncertainties and other factors some of which are beyond our control and difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. Therefore, any such forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this document.

In particular, material forward-looking statements in the MD&A include:

- the belief that, as the Company continues to grow, operating expenses as a percentage of gross profit should improve as the Company achieves greater economies of scale;
- the impact of an increase or decrease of one new retail vehicle sold on estimated free cash flow;
- expectations to incur additional selling and administrative costs in the future to successfully integrate new dealerships;
- the belief that, if the Company can perform well, it will be able to build upon its current brand portfolios and hopefully gain the acceptance of other new manufacturers over time;
- commitments regarding future investments in additional GM dealerships;
- expectations to incur additional selling, general, and administrative costs in the future to facilitate the growth anticipated by the Company due to increased acquisition activity;
- estimates, intentions, and expectations regarding the capital plan, potential relocation of certain dealerships, dealership expansion needs, and Open Point opportunities;
- our belief that relocation of certain dealerships may provide incremental long-term earnings growth and better align some of our dealerships with the growth expectations of our manufacturer partners;
- the impact of dealership real estate relocations and purchases and its impact on liquidity, financial performance and the Company's capital requirements;
- our belief that under a high growth scenario, cash from operating activities may not be sufficient to meet future capital needs and the potential need to seek additional capital in the form of debt or equity;
- our belief that our available liquidity is sufficient to complete our current capital expenditure commitments and to execute on additional dealership acquisitions;
- the impact of a significant decline in sales as a result of the inability to procure adequate supply of vehicles and/or lower consumer demand on cash flows from operations and our ability to fund capital expenditures;
- our expectation to incur annual non-growth capital expenditures in an amount approximating our amortization of property and equipment reported in each period;
- our expectation that growth expenditures will provide additional future cash flows and future benefit;

- our expectation to increase annual capital expenditures and the reasons for this expected increase;
- the impact of working capital requirements and its impact on future liquidity;
- the belief that a restriction from declaring dividends is not likely in the foreseeable future;
- our belief that free cash flow can fluctuate significantly and the impact of these fluctuations on our operations and performance;
- our belief that maintenance capital expenditures should be funded by cash flow provided by operating activities;
- our potential use of Adjusted Return on Capital Employed as a measure for comparison and analysis;
- guidance with respect to future acquisition and Open Point opportunities;
- our assumption on the amount of time it may take for an acquisition or Open Point to achieve normal operating results;
- expectations and estimates regarding income taxes and their effect on cash flow and dividends;
- assumptions over non-GAAP measures and their impact on the Company;
- management's assumptions and expectations over the future economic and general outlook;
- the impact of economic stress on our compensation costs;
- belief that the recession experienced during fiscal 2008 and 2009 should not be used as a proxy to forecast an impact in 2016;
- the impact of economic uncertainty on the Company's acquisition opportunities;
- the impact of seasonality on financial performance;
- outlook regarding vehicle sales in Canada in 2016;
- the impact of the decline in the exchange rate of the Canadian dollar to the US dollar;
- expectations of capital costs related to currently awarded Open Points;
- expectations that re-imaging will attract more customers to its dealerships;
- our belief that improvements in technology and process in its parts and service departments will continue to produce increasingly positive results;
- estimates regarding additional legal and administration expense for each acquisition; and
- the impact on the Company as a result of the lower oil prices and any related expectations.

Although we believe that the expectations reflected by the forward-looking statements presented in this release are reasonable, our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about ourselves and the businesses in which we operate. Information used in developing forward-looking statements has been acquired from various sources including third-party consultants, suppliers, regulators, and other sources. In some instances, material assumptions are disclosed elsewhere in this release in respect of forward-looking statements. We caution the reader that the following list of assumptions is not exhaustive. The material factors and assumptions used to develop the forward-looking statements include but are not limited to:

- no significant adverse changes to the automotive market, competitive conditions, the supply and demand of vehicles, parts and service, and finance and insurance products;
- no significant construction delays that may adversely affect the timing of dealership relocations and renovations;
- no significant disruption of our operations such as may result from harsh weather, natural disaster, accident, civil unrest, or other calamitous event;

- no significant unexpected technological event or commercial difficulties that adversely affect our operations;
- continuing availability of economical capital resources; demand for our products and our cost of operations;
- no significant adverse legislative and regulatory changes;
- stability of general domestic economic, market, and business conditions;
- assumptions regarding other automobile manufacturer agreements; and
- assumptions regarding provincial government regulations.

Because actual results or outcomes could differ materially from those expressed in any forward-looking statements, investors should not place undue reliance on any such forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes will not occur. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- rapid appreciation or depreciation of the Canadian dollar relative to the U.S. dollar;
- a sustained downturn in consumer demand and economic conditions in key geographic markets;
- adverse conditions affecting one or more of our automobile manufacturers;
- the ability of consumers to access automotive loans and leases;
- competitive actions of other companies and generally within the automotive industry;
- our dependence on sales of new vehicles to achieve sustained profitability;
- levels of unemployment in our markets and other macroeconomic factors;
- our suppliers' ability to provide a desirable mix of popular new vehicles;
- the ability to continue financing inventory under similar interest rates;
- our suppliers' ability to continue to provide manufacturer incentive programs;
- the loss of key personnel and limited management and personnel resources;
- the ability to refinance credit agreements in the future;
- changes in applicable environmental, taxation and other laws and regulations as well as how such laws and regulations are interpreted and enforced;
- risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations; and
- the ability to obtain automotive manufacturers' approval for acquisitions.

The Company's most recent Annual Information Form and other documents filed with securities regulatory authorities (accessible through the SEDAR website www.sedar.com) describe the risks, material assumptions and other factors that could influence actual results and which are incorporated herein by reference.

Further, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for Management to predict all of such factors and to assess in advance the impact of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

18. NON-GAAP MEASURES

Our MD&A contains certain financial measures that do not have any standardized meaning prescribed by Canadian GAAP. Therefore, these financial measures may not be comparable to similar measures presented by other issuers. Investors are cautioned these measures should not be construed as an alternative to net earnings (loss) or to cash provided by (used in) operating, investing, and financing activities determined in accordance with Canadian GAAP, as indicators of our performance. We provide these measures to assist investors in determining our ability to generate earnings and cash provided by (used in) operating activities and to provide additional information on how these cash resources are used. We list and define these "NON-GAAP MEASURES" below:

EBITDA

EBITDA is a measure commonly reported and widely used by investors as an indicator of a company's operating performance and ability to incur and service debt, and as a valuation metric. The Company believes EBITDA assists investors in comparing a company's performance on a consistent basis without regard to depreciation and amortization and asset impairment charges which are non-cash in nature and can vary significantly depending upon accounting methods or non-operating factors such as historical cost. References to "EBITDA" are to earnings before interest expense (other than interest expense on floorplan financing and other interest), income taxes, depreciation, amortization and asset impairment charges.

Adjusted EBITDA

Adjusted EBITDA is an indicator of a company's operating performance and ability to incur and service debt. The portion of share-based compensation related to changes in the share price and its impact on the Company's cash-settled portions of its share-based compensation programs, the revaluation of redemption liabilities, and the unrealized gain or loss on embedded derivatives are added back to EBITDA to get to adjusted EBITDA. The Company considers share-based compensation related to changes in the share price to be non-cash in nature as we maintain a share purchase trust in which we purchase shares on the open market as these units are granted to reduce the cash flow risk associated with fluctuations in the share price. Share-based compensation, a component of employee remuneration, can vary significantly with changes in the price of the Company's common shares. The revaluation of redemption liabilities, as well as the unrealized gain or loss on embedded derivatives, are also non-cash in nature. The Company believes adjusted EBITDA provides improved continuity with respect to the comparison of our operating results over a period of time.

Adjusted net earnings and Adjusted net earnings per share

Adjusted net earnings and adjusted net earnings per share are measures of our profitability. Adjusted net earnings is calculated by adding back the after-tax effect of impairment or reversals of impairment of intangible assets, impairments of goodwill, the revaluation of redemption liabilities, the unrealized gain or loss on embedded derivatives, and the portion of share-based compensation related to changes in the share price and its impact on the Company's cash-settled portions of its share-based compensation programs. The Company considers this expense to be non-cash in nature as we maintain a share purchase trust in which we purchase shares on the open market as these units are granted to reduce the cash flow risk associated with fluctuations in the share price. Share-based compensation, a component of employee remuneration, can vary significantly with changes in the price of the Company's common shares. Adding back these amounts to net earnings allows Management to assess the net earnings of the Company from ongoing operations. Adjusted net earnings per share is calculated by dividing adjusted net earnings by the weighted-average number of shares outstanding.

EBIT

EBIT is a measure used by Management in the calculation of Return on capital employed (defined below). Management's calculation of EBIT is EBITDA (calculated above) less depreciation and amortization.

Adjusted pre-tax earnings

Adjusted pre-tax earnings are calculated by adding back the impairment or reversals of impairment of intangible assets and impairments of goodwill. Adding back these non-cash charges to pre-tax net earnings allows Management to assess the pre-tax net earnings of the Company from ongoing operations.

Free Cash Flow

Free cash flow is a measure used by Management to evaluate its performance. While the closest Canadian GAAP measure is cash provided by operating activities, free cash flow is considered relevant because it provides an indication of how much cash generated by operations is available after capital expenditures. It shall be noted that although we consider this measure to be free cash flow, financial and non-financial covenants in our credit facilities and dealer agreements may restrict cash from being available for distributions, re-investment in the Company, potential acquisitions, or other purposes. Investors should be cautioned that free cash flow may not actually be available for growth or distribution of the Company. References to "Free cash flow" are to cash provided by (used in) operating activities (including the net change in non-cash working capital balances) less capital expenditure (not including acquisitions of dealerships and dealership facilities).

Adjusted Free Cash Flow

Adjusted free cash flow is a measure used by Management to evaluate its performance. Adjusted free cash flow is considered relevant because it provides an indication of how much cash generated by operations before changes in non-cash working capital is available after deducting expenditures for non-growth capital assets. It shall be noted that although we consider this measure to be adjusted free cash flow, financial and non-financial covenants in our credit facilities and dealer agreements may restrict cash from being available for distributions, re-investment in the Company, potential acquisitions, or other purposes. Investors should be cautioned that adjusted free cash flow may not actually be available for growth or distribution of the Company. References to "Adjusted free cash flow" are to cash provided by (used in) operating activities (before changes in non-cash working capital balances) less non-growth capital expenditures.

Absorption Rate

Absorption rate is an operating measure commonly used in the retail automotive industry as an indicator of the performance of the parts, service and collision repair operations of a franchised automobile dealership. Absorption rate is not a measure recognized by GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, absorption rate may not be comparable to similar measures presented by other issuers that operate in the retail automotive industry. References to ''absorption rate'' are to the extent to which the gross profits of a franchised automobile dealership from parts, service and collision repair cover the costs of these departments plus the fixed costs of operating the dealership, but does not include expenses pertaining to our head office. For this purpose, fixed operating costs include fixed salaries and benefits, administration costs, occupancy costs, insurance expense, utilities expense and interest expense (other than interest expense relating to floor plan financing) of the dealerships only.

Average Capital Employed

Average capital employed is a measure used by Management to determine the amount of capital invested in AutoCanada and is used in the measure of Return on Capital Employed (described below). Average capital employed is calculated as the average balance of interest bearing debt for the period (including current portion of long term debt, excluding revolving floorplan facilities) and the average balance of shareholders equity for the period. Management does not include future income tax, non-interest bearing debt, or revolving floorplan facilities in the calculation of average capital employed as it does not consider these items to be capital, but rather debt incurred to finance the operating activities of the Company.

Adjusted Average Capital Employed

Adjusted average capital employed is a measure used by Management to determine the amount of capital invested in AutoCanada and is used in the measure of Adjusted Return on Capital Employed (described below). Adjusted average capital employed is calculated as the average balance of interest bearing debt for the period (including current portion of long term debt, excluding revolving floorplan facilities) and the average balance of shareholders equity for the period, adjusted for impairments of intangible assets, net of deferred tax. Management does not include future income tax, non-interest bearing debt, or revolving floorplan facilities in the calculation of adjusted average capital employed as it does not consider these items to be capital, but rather debt incurred to finance the operating activities of the Company.

Return on Capital Employed

Return on capital employed is a measure used by Management to evaluate the profitability of our invested capital. As a corporation, Management of AutoCanada may use this measure to compare potential acquisitions and other capital investments against our internally computed cost of capital to determine whether the investment shall create value for our shareholders. Management may also use this measure to look at past acquisitions, capital investments and the Company as a whole in order to ensure shareholder value is being achieved by these capital investments. Return on capital employed is calculated as EBIT (defined above) divided by Average Capital Employed (defined above).

Adjusted Return on Capital Employed

Adjusted return on capital employed is a measure used by Management to evaluate the profitability of our invested capital. As a corporation, management of AutoCanada may use this measure to compare potential acquisitions and other capital investments against our internally computed cost of capital to determine whether the investment shall create value for our shareholders. Management may also use this measure to look at past acquisitions, capital investments and the Company as a whole in order to ensure shareholder value is being achieved by these capital investments. Adjusted return on capital employed is calculated as EBIT (defined above) divided by Adjusted Average Capital Employed (defined above).

Cautionary Note Regarding Non-GAAP Measures

EBITDA, EBIT, Free Cash Flow, Absorption Rate, Average Capital Employed, Return on Capital Employed, Adjusted Average Capital Employed and Adjusted Return on Capital Employed are not earnings measures recognized by GAAP and do not have standardized meanings prescribed by GAAP. Investors are cautioned that these non-GAAP measures should not replace net earnings or loss (as determined in accordance with GAAP) as an indicator of the Company’s performance, of its cash flows from operating, investing and financing activities or as a measure of its liquidity and cash flows. The Company’s methods of calculating EBITDA, EBIT, Free Cash Flow, Absorption Rate, Average Capital Employed, Return on Capital Employed. Adjusted Average Capital Employed and Adjusted Return on Capital Employed may differ from the methods used by other issuers. Therefore, the Company’s EBITDA, EBIT, Free Cash Flow, Absorption Rate, Average Capital Employed, Return on Capital Employed, Adjusted Average Capital Employed and Adjusted Return on Capital Employed may not be comparable to similar measures presented by other issuers.

2015 CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015

AutoCanada

Independent Auditor's Report

To the Shareholders of
AutoCanada Inc.

We have audited the accompanying consolidated financial statements of AutoCanada Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of AutoCanada Inc. and its subsidiaries as at December 31, 2015 and 2014 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants
March 17, 2016
Edmonton, Canada

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, 2015 $	December 31, 2014 $
Revenue (Note 7)	2,903,803	2,214,778
Cost of sales (Note 8)	(2,416,094)	(1,841,629)
Gross profit	487,709	373,149
Operating expenses (Note 9)	(395,877)	(290,904)
Operating profit before other income (expense)	91,832	82,245
Lease and other income, net	5,546	5,524
Gain (loss) on disposal of assets, net	249	(183)
(Impairment) recovery of intangible assets, net (Note 24)	(18,757)	1,767
Income from investments in associates (Note 15)	–	3,490
Income from loan to associate (Note 16)	49	–
Operating profit	78,919	92,843
Finance costs (Note 11)	(36,106)	(20,363)
Finance income (Note 11)	2,292	2,147
Net income for the year before taxation	45,105	74,627
Income taxes (Note 12)	17,791	18,335
Net and comprehensive income for the year	27,314	56,292
Net and comprehensive income for the year attributable to:		
AutoCanada shareholders	22,821	53,132
Non-controlling interests	4,493	3,160
	27,314	56,292
Net earnings per share attributable to AutoCanada shareholders (Note 32)		
Basic	0.93	2.31
Diluted	0.92	2.30
Weighted average shares (Note 32)		
Basic	24,574,022	23,018,588
Diluted	24,674,083	23,139,403

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

Approved on behalf of the Company:

Gordon R. Barefoot, Director

Barry L. James, Director

AutoCanada Inc.

Consolidated Statements of Financial Position

(in thousands of Canadian dollars)

	December 31, 2015 $	December 31, 2014 $
ASSETS		
Current assets		
Cash and cash equivalents (Note 18)	62,274	72,462
Trade and other receivables (Note 19)	90,821	92,138
Inventories (Note 20)	596,542	563,277
Current tax recoverable	6,920	–
Current portion of finance lease receivables (Note 21)	4,012	3,537
Other current assets	4,760	5,166
Assets held for sale (Note 23)	27,482	–
	792,811	736,580
Restricted cash (Note 18)	6,288	–
Property and equipment (Note 22)	278,385	214,938
Loan to associate (Note 16)	8,470	–
Long-term portion of finance lease receivables (Note 21)	6,546	10,292
Intangible assets (Note 24)	399,648	356,612
Goodwill (Note 24)	32,956	32,852
Other long-term assets (Note 26)	7,078	6,713
	1,532,182	1,357,987
LIABILITIES		
Current liabilities		
Bank indebtedness (Note 18)	898	2,181
Trade and other payables (Note 27)	86,284	82,670
Revolving floorplan facilities (Note 28)	548,322	527,780
Current tax payable	–	9,708
Vehicle repurchase obligations (Note 29)	1,846	1,539
Current indebtedness (Note 28)	11,484	4,651
Current portion of redemption liabilities (Note 17)	6,338	7,665
Liabilities held for sale (Note 23)	14,493	–
	669,665	636,194
Long-term indebtedness (Note 28)	285,759	223,009
Deferred income tax (Note 12)	25,838	28,195
Redemption liabilities (Note 17)	40,891	34,133
	1,022,153	921,531
EQUITY		
Attributable to AutoCanada shareholders	451,945	381,428
Attributable to Non-controlling interests	58,084	55,028
	510,029	436,456
	1,532,182	1,357,987

Commitments and contingencies (Note 30)

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

AutoCanada Inc.

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

	Attributable to AutoCanada shareholders					
	Share capital $	Contributed surplus $	Accumulated deficit $	Total $	Non-controlling interests $	Total Equity $
Balance, January 1, 2015	434,572	4,721	(57,865)	381,428	55,028	436,456
Net and comprehensive income	–	–	22,821	22,821	4,493	27,314
Dividends declared on common shares (Note 32)	–	–	(24,432)	(24,432)	–	(24,432)
Non-controlling interests arising on acquisitions (Note 13)	–	–	–	–	5,847	5,847
Recognition of redemption liability granted to non-controlling interests (Note 13)	–	–	(1,102)	(1,102)	–	(1,102)
Distributions by subsidiaries to non-controlling interests (Note 17)	–	–	–	–	(7,284)	(7,284)
Common shares issued (Note 32)	72,702	–	–	72,702	–	72,702
Treasury shares acquired (Note 32)	(89)	–	–	(89)	–	(89)
Shares settled from treasury (Note 32)	1,052	(1,052)	–	–	–	–
Share-based compensation	–	617	–	617	–	617
Balance, December 31, 2015	508,237	4,286	(60,578)	451,945	58,084	510,029

	Attributable to AutoCanada shareholders					
	Share capital $	Contributed surplus $	Accumulated deficit $	Total capital $	Non-controlling interests $	Equity $
Balance, January 1, 2014	232,938	4,758	(47,454)	190,242	–	190,242
Net and comprehensive income	–	–	53,132	53,132	3,160	56,292
Dividends declared on common shares (Note 32)	–	–	(21,745)	(21,745)	–	(21,745)
Non-controlling interests arising on business combinations and acquisitions (Notes 13 & 14)	–	–	–	–	52,309	52,309
Recognition of redemption liability granted to non-controlling interests (Notes 13 & 14)	–	–	(41,798)	(41,798)	–	(41,798)
Distributions by subsidiaries to non-controlling interests (Note 17)	–	–	–	–	(441)	(441)
Common shares issued (Note 32)	203,655	–	–	203,655	–	203,655
Treasury shares acquired (Note 32)	(2,776)	–	–	(2,776)	–	(2,776)
Shares settled from treasury (Note 32)	755	(760)	–	(5)	–	(5)
Share-based compensation	–	723	–	723	–	723
Balance, December 31, 2014	434,572	4,721	(57,865)	381,428	55,028	436,456

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, 2015 $	December 31, 2014 $
Cash provided by (used in):		
Operating activities		
Net and comprehensive income	27,314	56,292
Income taxes (Note 12)	17,791	18,335
Amortization of prepaid rent	452	452
Depreciation of property and equipment (Note 22)	18,860	13,624
(Gain) loss on disposal of assets	(249)	183
Impairment (recovery) of intangible assets (Note 24)	18,757	(1,767)
Share-based compensation – equity-settled	617	723
Share-based compensation – cash-settled	(490)	(487)
Income from investment in associates (Note 15)	–	(3,490)
Income taxes paid	(35,999)	(16,824)
Gain on embedded derivative (Note 11)	(42)	(243)
Revaluation of redemption liability (Note 17)	4,329	–
Revaluation of contingent consideration (Note 36)	149	–
Net change in non-cash working capital (Note 35)	1,264	4,339
	52,753	71,137
Investing activities		
Business acquisitions, net of cash acquired (Note 13)	(76,480)	(269,983)
Investments in associates (Note 15)	–	(43,900)
Dividends received from investments in associates (Note 15)	–	1,458
Combination of entities under common control (Note 14)	–	4,699
Purchases of property and equipment (Note 22)	(74,606)	(23,441)
Proceeds on sale of property and equipment	143	32
Loan to associate (Note 16)	(8,470)	–
Additions to restricted cash	(6,288)	–
	(165,701)	(331,135)
Financing activities		
Proceeds from long-term indebtedness	338,730	770,449
Repayment of long-term indebtedness	(274,670)	(787,945)
Common shares repurchased (Note 32)	(89)	(2,776)
Dividends paid (Note 32)	(24,432)	(21,745)
Dividends paid to non-controlling interests by subsidiaries (Note 17)	(7,284)	(441)
Proceeds from issuance of common shares (Note 32)	71,788	191,262
Proceeds from senior unsecured notes (Note 28)	–	146,362
	104,043	295,166
Net (decrease) increase in cash and cash equivalents	(8,905)	35,168
Cash and cash equivalents at beginning of year (Note 18)	70,281	35,113
Cash and cash equivalents at end of year (Note 18)	61,376	70,281

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

AutoCanada Inc.

Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014
(in thousands of Canadian dollars except for share and per share amounts)

1 General Information

AutoCanada Inc. (“AutoCanada” or the “Company”) is incorporated in Alberta, Canada with common shares listed on the Toronto Stock Exchange (“TSX”) under the symbol of “ACQ”. The business of AutoCanada, held in its subsidiaries, is the operation of franchised automobile dealerships in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia and New Brunswick. The Company offers a diversified range of automotive products and services, including new vehicles, used vehicles, vehicle leasing, vehicle parts, vehicle maintenance and collision repair services, extended service contracts, vehicle protection products and other after-market products. The Company also arranges financing and insurance for vehicle purchases by its customers through third-party finance and insurance sources. The address of its registered office is 200, 15511 123 Avenue NW, Edmonton, Alberta, Canada, T5V 0C3.

2 Basis of Presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by International Accounting Standards Board (“IASB”) and Canadian Generally Accepted Accounting Principles (“GAAP”) as set out in the CPA Canada Handbook – Accounting (“CPA Handbook”).

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are described in Note 5.

These financial statements were approved for issue by the Board of Directors on March 17, 2016.

3 Significant Accounting Policies

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value, including derivative instruments, redemption liabilities and liabilities for cash-settled share-based payment arrangements.

Principles of consolidation

The consolidated financial statements comprise the financial statements of AutoCanada and its subsidiaries. Subsidiaries are all entities over which the Company has control. For accounting purposes, control is established by an investor when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are no longer consolidated on the date control ceases.

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity.

Intercompany transactions, balances, income and expenses, and gains or losses on transactions are eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Company.

Business combinations

Business combinations are accounted for using the acquisition method of accounting. This involves recognizing identifiable assets (including intangible assets not previously recognised by the acquiree) and liabilities (including contingent liabilities) of acquired businesses at fair value at the acquisition date. The excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill. If the acquisition cost is less than the fair value of the net assets acquired, the fair value of the net assets is re-assessed and any remaining difference is recognized directly in the consolidated statement of comprehensive income. Transaction costs are expensed as incurred. Any subsequent change to the fair value of contingent consideration liabilities is recognized in the consolidated statement of comprehensive income.

Investments in associates

An associate is an entity over which the Company has significant influence, but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights, but with considerations over the relationships between the investors and the investees.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Company's investment in associates includes goodwill identified on acquisition.

Loans to associates are accounted for using the effective interest method as outlined in the financial instruments policy note.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss, where appropriate.

The Company's share of post-acquisition profit or loss is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Company determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to its share of profit or loss of the associate in the consolidated statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Company and its associate are recognized in the Company's financial statements only to the extent of unrelated investors' interests in the associate. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company. Dilution gains and losses arising from the investment in the associate are recognized in the consolidated statement of comprehensive income.

Revenue recognition

(a) Vehicles, parts, service and collision repair

Revenue from the sale of goods and services is measured at the fair value of the consideration receivable, net of rebates. It excludes sales related taxes and intercompany transactions.

Revenue is recognized when the risks and rewards of ownership have been transferred to the customer, the revenue and costs can be reliably measured and it is probable that economic benefits will flow to the Company. In practice, this means that revenue is recognized when vehicles are invoiced and physically delivered to the customer and payment has been received or credit approval has been obtained by the customer. Revenue for parts, service and collision repair is recognized when the service has been performed.

(b) Finance and insurance

The Company arranges financing for customers through various financial institutions and receives a commission from the lender based on the difference between the interest rate charged to the customer and the interest rate set by the financing institution, or a flat fee.

The Company also receives commissions for facilitating the sale of third-party insurance products to customers, including credit and life insurance policies and extended service contracts. These commissions are recorded as revenue at the time the customer enters into the contract and the Company is entitled to the commission. The Company is not the obligor under any of these contracts. In the case of finance contracts, a customer may prepay or 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. The revenue the Company records relating to commissions is net of an estimate of the amount of chargebacks the Company will be required to pay. This estimate is based upon historical chargeback experience arising from similar contracts, including the impact of refinance and default rates on retail finance contracts and cancellation rates on extended service contracts and other insurance products.

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 statement 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 recognized for all taxable temporary differences; and
- are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets:

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized; and
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

(b) Current tax

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Manufacturer incentives and other rebates

Various incentives from manufacturers are received based on achieving certain objectives, such as specified sales volume targets. These incentives are typically based upon units sold to retail or fleet customers. These manufacturer incentives are recognized as a reduction of new vehicle cost of sales when earned, generally at the latter of the time the related vehicles are sold or upon attainment of the particular program goals.

Manufacturer rebates to our dealerships and assistance for floorplan interest are reflected as a reduction in the carrying value of each vehicle purchased by us. 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 Statement of Comprehensive Income.

Financial instruments

Financial assets and financial liabilities are recognized on the consolidated Statement of Financial Position when the Company becomes a party to the contractual provisions of the financial instrument. All financial instruments are required to be measured at fair value on initial recognition. The Company's own credit risk and the credit risk of the counter-party are taken into consideration in determining the fair value of financial assets and financial liabilities.

Financial assets are recognized on the settlement date, which is the date on which the asset is delivered to or by the Company. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or were transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company's financial assets, including cash and cash equivalents, trade and other receivables and loans to associates, are classified as loans and receivables at the time of initial recognition. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents include amounts on deposit with financial institutions and amounts with the Bank of Nova Scotia ("Scotiabank") that are readily available to the Company (See Note 25 – Financial instruments – Credit risk for explanation of credit risk associated with amounts held with Scotiabank).

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, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated Statement of Comprehensive Income within operating expenses.

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

Inventories

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

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

Assets held for sale

Non-current assets and associated liabilities are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction, rather than continuing use, and a sale is highly probable.

Assets designated as held for sale are held at the lower of carrying amount at designation and fair value less costs to sell.

Depreciation is not charged against property, plant and equipment classified as held for sale.

Property and equipment

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

Machinery and equipment	20%
Furniture, fixtures and other	20%
Company & lease vehicles	30%
Computer hardware	30%

Buildings are depreciated on a straight-line basis over the estimated useful lives of the buildings. Useful lives are determined based on independent appraisals.

The useful life of leasehold improvements is determined to be the lesser of the lease term or the estimated useful life of the improvement. Leasehold improvements are depreciated using the straight-line method over the useful life of the asset.

Depreciation of leased vehicles is based on a straight line depreciation of the difference between the cost and the estimated residual value at the end of the lease over the term of the lease. Leased vehicle residual values are regularly reviewed to determine whether depreciation rates are reasonable.

Intangible assets and goodwill

(a) Intangible assets

Intangible assets consist of rights under franchise agreements with automobile manufacturers ("dealer agreements"). The Company has determined that dealer agreements will continue to contribute to cash flows indefinitely and, therefore, have indefinite lives due to the following reasons:

- Certain of our dealer agreements continue indefinitely by their terms; and
- Certain of our dealer agreements have limited terms, but are routinely renewed without substantial cost to the Company.

Intangible assets are carried at cost less accumulated impairment losses. When acquired in a business combination, the cost is determined in connection with the purchase price allocation based on their respective fair values at the acquisition date. When market value is not readily determinable, cost is determined using generally accepted valuation methods based on revenues, costs or other appropriate criteria.

(b) Goodwill

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets of the acquired subsidiary at the date of acquisition, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of a cash-generating unit ("CGU") include the carrying amount of goodwill relating to the CGU sold.

Impairment

Impairments are recorded when the recoverable amount of assets are less than their carrying amounts. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. Impairment losses, other than those relating to goodwill, are evaluated for potential reversals of impairment when events or changes in circumstances warrant such consideration.

(a) Non-financial assets

The carrying values of non-financial assets with finite lives, such as property and equipment, 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 at the lowest levels for which there are separately identifiable cash flows.

(b) Intangible assets and goodwill

The carrying values of all intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Additionally, the carrying values of identifiable intangible assets with indefinite lives and goodwill are tested annually for impairment. Specifically:

- Our dealer agreements with indefinite lives are subject to an annual impairment assessment. For purposes of impairment testing, the fair value of our 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 cash-generating units ("CGU") based on the level at which management monitors it, which is not higher than an operating segment before aggregation. Goodwill is allocated to those CGU's that are expected to benefit from the business combination in which the goodwill arose.

Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost, and are classified as current liabilities if payment is due within one year or less.

Provisions represent liabilities for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provision due to passage of time is recognized as interest expense.

Leases

Lease obligations are classified as either operating or finance, based on the substance of the transaction at inception of the lease. Classification is re-assessed if the terms of the lease are changed.

(a) Finance leases

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

The Company as a lessor:

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

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

The Company as a lessee:

Assets meeting finance lease criteria are capitalized at the lower of the present value of the related lease payments or the fair value of the leased asset at the inception of the lease. Minimum lease payments are apportioned between the finance charge and the liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(b) Operating leases

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

The Company as a lessor:

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. Lease income on operating leases is recognised over the term of the lease on a straight-line basis.

The Company as a lessee:

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

Redemption liabilities

The potential cash payments related to put options issued by the Company over the equity of subsidiary companies are accounted for as financial liabilities when such options may only be settled other than by exchange of a fixed amount of cash, or another financial asset, or for a fixed number of shares in the subsidiary. The amount that may become payable under the option on exercise is initially recognised at fair value within redemption liabilities with a corresponding charge directly to equity attributable to AutoCanada shareholders. Subsequently, if the Company revises its estimates, the carrying amount of the redemption liability is adjusted and the adjustment will be recognised as income or expenses in the consolidated Statement of Comprehensive Income. Options that are not exercisable for at least one year from the balance sheet date are presented as non-current liabilities.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's shareholders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's shareholders.

Dividends

Dividends on common shares are recognized in the Company's consolidated financial statements in the period the dividends are declared by the Company's Board of Directors.

Earnings per share

Basic earnings per share is computed based on the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the treasury stock method, which assumes that the cash that would be received on the exercise of options is applied to purchase shares at the average price during the period and that the difference between the number of shares issued on the exercise of options and the number of shares obtainable under this computation, on a weighted average basis, is added to the number of shares outstanding. Antidilutive options are not considered in computing diluted earnings per share.

4 Accounting standards and amendments issued but not yet adopted

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 yet effective for the financial year ended December 31, 2015. The standards issued that are applicable to the Company are as follows:

- IFRS 9, *Financial Instruments* – the new standard will ultimately replace IAS 39, *Financial Instruments: Recognition and Measurement*. The replacement of IAS 39 is a multi-phase project with the objective of improving and simplifying the reporting for financial instruments and the issuance of IFRS 9 is part of the first phase. This standard becomes effective on January 1, 2018, with earlier adoption permitted.
- IFRS 15, *Revenue from Contracts with Customers* – in May 2014, the IASB issued IFRS 15, which supersedes IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single model to determine how and when an entity should recognize revenue, as well as requiring entities to provide more informative, relevant disclosures in respect of its revenue recognition criteria. IFRS 15 is to be applied prospectively and is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.
- IFRS 16, *Leases* – in January 2016, the IASB issued IFRS 16, which replaces IAS 17, *Leases*, and its associate interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15.

The Company is in the process of evaluating the impact that the new standards may have on the financial statements.

5 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 estimates and assumptions in determining the value of assets and liabilities:

Intangible assets and goodwill

Intangible assets and goodwill generally arise from business combinations. The Company applies the acquisition method of accounting to these transactions, which involves the allocation of the cost of an acquisition to the underlying net assets acquired based on their respective estimated fair values. As part of this allocation process, the Company must identify and attribute values to the intangible assets acquired. These determinations involve significant estimates and assumptions regarding cash flow projections, economic risk and weighted average cost of capital.

These estimates and assumptions determine the amount allocated to intangible assets and goodwill. If future events or results differ significantly from these estimates and assumptions, the Company may record impairment charges in the future.

The Company tests, at least annually, whether intangible assets and goodwill have suffered impairment, in accordance with its accounting policies. The recoverable amounts of CGU's have been estimated based on the greater of fair value less costs to dispose and value-in-use calculations (see Note 24).

Inventories

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

Redemption liabilities

Redemption liabilities arise during business combinations where non-controlling interest shareholders have the right to require the Company to redeem their equity interests in certain non-wholly owned subsidiaries (See Note 17). The redemption amounts are determined with reference to the future profitability generated by those subsidiaries and their operating businesses. The Company will initially recognise a financial liability at the present value of the estimated redemption amount, and at the end of each subsequent reporting period, the Company will revisit its estimates. If the Company revises its estimates, the Company will adjust the carrying amount of the financial liability to reflect revised estimated profitability and the adjustments will be recognised as income or expenses in the consolidated statement of comprehensive income.

Loan to associate

The loan to associate is carried at amortized cost using the effective interest method. This method applies the effective interest rate to the estimated future cash flows in order to calculate the carrying value of the loan each period. The effective interest rate is calculated at inception of the loan using an estimate of future cash flows. The cash flows related to the loan are tied to both the base interest rate as well as the related licensing fees, and the licensing fees are determined based on gross margins of the associate.

Key estimates and assumptions involved in determining the effective interest rate and the carrying value are the cash flow projections, specifically the gross margins of the associate.

Refer to Note 36 for further information about methods and assumptions used in determining the carrying value.

Critical judgments in applying accounting policies:

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.

(a) Loan to associate

AutoCanada has provided a loan to PPH Holdings Ltd. ("PPH") for which the voting interests are held 100% by Mr. Patrick Priestner ("Priestner"), the Executive Chair of the Company, (as described in Note 16). When assessing whether the Company has control of PPH, management has considered the nature of the loan, the Company's relationship with Priestner and whether the Company has the ability to direct decision-making rights of Priestner pertaining to its loan to PPH. In making this assessment, the prevailing consideration is that the loan to PPH is repayable at any time without recourse, and which grants the Company no power to control PPH. AutoCanada's returns from PPH are derived from interest on the loan and license fees based on gross profit, as such, operating decisions made by Priestner impacting operating profit or net income will impact his returns but will not affect AutoCanada's returns.

Priestner is not considered to be a de facto agent of AutoCanada as it relates to PPH. The following facts were also considered to assess the relationship between AutoCanada and Priestner as it relates to PPH:

- Regardless of employment at AutoCanada, Priestner's interest in PPH would remain with full ability to control decisions as they pertain to PPH;
- The loan agreement stipulates that the loan's performance, repayment or prepayment will not in any way have any consequences in relation to the employment of Priestner at AutoCanada;
- Priestner has not relied on any financial support from AutoCanada in making his investment in PPH, and therefore the risk of loss and reward to Priestner personally is significant;
- There are no contractual rights providing AutoCanada with decision making power over Priestner, additionally AutoCanada is not involved in the operational decision making of PPH.
- Priestner's level of expertise and knowledge in operating PPH;
- Priestner has the ability to prepay or repay the loan at any time and no ability of AutoCanada to block such a transaction; and,

When combining these considerations with the fact that Priestner is the sole director of the Board of PPH, and therefore governs relevant activities of the investee, management has concluded that AutoCanada does not have power over PPH, and therefore has not consolidated this associate.

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

(b) Investments in associates

On July 11, 2014, Canada One Auto Group Ltd. ("COAG"), a company controlled by Priestner, completed a secondary offering of shares in AutoCanada held by COAG and its subsidiaries. As a result of the transaction, COAG reduced its ownership interest in AutoCanada to 9.6% of the outstanding common voting shares. On December 14, 2015, the Company completed a public offering of common shares further reducing the ownership interest to 8.6% (Note 34). The reduction in ownership caused the Company to re-evaluate its significant judgment dealing with the accounting for its investments in associates (the "investees"). Since the Company does not hold voting shares in the investees, the Company evaluated whether it exercised power over the investees through a de facto agency relationship with its Executive Chair in respect of these investments.

The following facts were considered to assess the relationship between AutoCanada and its Executive Chair:

- The Company has contractual rights to participate in any issuance or sale of securities that would impact its proportionate interest in the investees, as well as a right of first refusal to purchase Priestner's shares in applicable circumstances;

- The Company has the ability to control the decision making of the Executive Chair by virtue of the employment agreement with the Executive Chair. Should the Executive Chair no longer be employed by the Company, this assessment would need to be further evaluated;
- The directors and officers of the investees are related parties to the Company; and
- The Company is involved in the operational decision making of its investees.

Prior to the secondary offering, the Executive Chair was considered to have de facto control over AutoCanada, which was considered an overarching factor in concluding that he also controlled the investees. The loss of de facto control over AutoCanada changed the Company's assessment with respect to a number of factors, including those listed above. As a result of its assessment, management concluded that, as of July 11, 2014, the Company has power over its investees, and has consolidated the results of its investees on a common control basis using the predecessor values method. (See Note 14)

Effective January 1, 2015, Priestner transitioned out of the role of CEO and into the role of Executive Chair and remains an employee of the Company. The Company has assessed that this change does not change the nature of his relationship with the Company. Should the nature of the relationship and/or the relevant agreements between Priestner and the Company change in the future, this assessment would need to be further evaluated.

Combinations with entities under common control

There is currently no guidance in IFRS on the accounting treatment for business combinations among entities under common control. As such, the Company has elected to consolidate the assets and liabilities of the investees using the predecessor values method on a prospective basis. The application of this method applies the concept of IAS 8 *Accounting Policies, Changes in Estimates, and Errors* whereby if no applicable standard or interpretation exists, then management must develop a policy that is relevant to the decision-making needs of the users, and that is reliable.

6 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"), the Company's CEO, who is responsible for allocating resources and assessing performance of the operating segment. The Company has identified one reportable business segment since the Company is operated and managed on a dealership basis. Dealerships operate a number of business streams such as new and used vehicle sales, parts, service and collision repair and finance and insurance products. Management is organized based on the dealership operations as a whole rather than the specific business streams.

These dealerships are considered to have similar economic characteristics and offer similar products and services which appeal to a similar customer base. Additionally, these dealerships have similar expected long-term growth rates and similar average gross margins. As such, the results of each dealership have been aggregated to form one reportable business segment. The CODM assesses the performance of the operating segment based on a measure of both revenue and gross profit.

7 Revenue

	2015 $	2014 $
New vehicles	1,668,237	1,342,346
Used vehicles	704,569	495,352
Finance, insurance and other	143,383	121,373
Parts, service and collision repair	387,614	255,707
	2,903,803	2,214,778

8 Cost of sales

	2015 $	2014 $
New vehicles	1,545,829	1,236,344
Used vehicles	663,940	465,851
Finance, insurance and other	12,579	12,293
Parts, service and collision repair	193,746	127,141
	2,416,094	1,841,629

9 Operating expenses

	2015 $	2014 $
Employee costs (Note 10)	245,703	186,161
Administrative costs[1]	109,593	77,478
Facility lease costs	21,721	13,641
Depreciation of property and equipment (Note 22)	18,860	13,624
	395,877	290,904

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

10 Employees

Operating expenses incurred in respect of employees were:

	2015 $	2014 $
Wages, salaries and commissions	221,723	170,804
Withholding taxes and insurance	13,112	8,040
Employee benefits	10,854	6,677
Other benefits	14	640
	245,703	186,161

11 Finance costs and finance income

	2015 $	2014 $
Finance costs:		
Interest on long-term indebtedness	14,909	7,850
Unrealized gain on embedded derivative (Note 28)	(42)	(243)
Revaluation of redemption liabilities (Note 17)	4,329	–
Revaluation of contingent consideration	149	–
Floorplan financing	13,160	10,452
Other interest expense	3,601	2,304
	36,106	20,363
Finance income:		
Short-term bank deposits	(2,292)	(2,147)

Cash interest paid during the year ended December 31, 2015 was $31,463 (2014 – $20,605).

12 Taxation

Components of income tax expense were as follows:

	2015 $	2014 $
Current tax	19,290	21,610
Deferred tax	(1,499)	(3,275)
Total income tax expense	17,791	18,335

Factors affecting tax expense for the year:

	2015 $	2014 $
Comprehensive income before taxes	45,105	74,627
Comprehensive income before tax multiplied by the standard rate of Canadian corporate tax of 28.2% (2014 – 25.8%)	12,719	19,276
Effects of:		
Impact of non-deductible (non-taxable) items	2,646	(259)
Change in deferred tax rate	1,933	60
Difference between future and current tax rate	(657)	16
Adjustment to deferred taxes not previously recognized	934	–
Reversal of deferred tax on outside basis of equity investments	–	(754)
Other, net	216	(4)
Income tax expense	17,791	18,335

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

Deferred tax assets (liabilities)	Deferred income from partnerships $	Property and equipment $	Goodwill and intangible assets $	Lease receivables $	Restricted partnership losses $	Other $	Total $
January 1, 2014	(9,290)	(725)	(11,101)	–	(321)	(43)	(21,480)
Benefit (expense) to consolidated statement of comprehensive income	2,702	2,886	(2,473)	–	321	(161)	3,275
Deferred tax acquired on acquisition	–	–	(5,090)	–	–	–	(5,090)
Deferred tax acquired on combination of entities under common control	–	–	(5,920)	(3,532)	–	300	(9,152)
Measurement period adjustment	–	–	2,416	–	–	–	2,416
Deferred tax on share issuance costs	–	–	–	–	–	1,820	1,820
Other	–	–	–	–	–	16	16
December 31, 2014	(6,588)	2,161	(22,168)	(3,532)	–	1,932	(28,195)
Benefit (expense) to consolidated statement of comprehensive income	5,383	48	(4,457)	696	–	(171)	1,499
Deferred tax on share issuance costs	–	–	–	–	–	914	914
Other	–	–	–	–	–	(56)	(56)
December 31, 2015	(1,205)	2,209	(26,625)	(2,836)	–	2,619	(25,838)

Income tax expense is recognized based on the weighted average annual income tax rate. The blended annual statutory rate used for the year ended December 31, 2015 was 28.2% (December 31, 2014, 25.8%). During the period, the Government of Alberta enacted an increase in the corporate income tax rate from 10% to 12%. As a result, the Company increased its current and deferred income tax rates with a corresponding increase to current and deferred income tax expense. The increase in the tax rate has reduced net and comprehensive income for the year ended December 31, 2015 by $983.

Changes in the deferred income tax components are adjusted through deferred tax expense. Of the above components of deferred income taxes, $2,288 of the deferred tax liabilities are expected to be expensed within 12 months.

In the course of preparing the 2015 consolidated financial statements, it was determined that goodwill and deferred income tax liabilities pertaining to the July 11, 2014 common control business combination were understated by $3,232. This adjustment has been reflected in the comparative financial statements.

13 Business acquisitions

During the year ended December 31, 2015, the Company completed five business acquisitions comprising six automotive dealerships, representing six franchises. All acquisitions have been accounted for using the acquisition method. Acquisitions completed during this period are as follows:

Airdrie Chrysler

On May 11, 2015, the Company purchased substantially all of the operating and fixed assets of North Hill Motors (1975) Ltd. ("Airdrie Chrysler"), in Airdrie, Alberta, for total cash consideration of $21,595 and contingent consideration with a fair value of $3,608. The acquisition was financed by drawing on the Company's revolving term facility.

The contingent consideration arrangement requires the Company to pay, in cash, to the former owners of Airdrie Chrysler, an amount up to $4,000 based on the achievement of certain targets. The full amount will be paid if either the cumulative net income before tax exceeds a predefined level or if cumulative Chrysler new vehicle sales in Alberta exceeds a specified threshold. If neither target is met the amount paid is reduced by the lesser of the equivalent percentage to the percentage shortfall of each target.

The potential undiscounted amount of all future payments that the Company could be required to make under this arrangement is between $0 and $4,000. The maximum amount of future payments has been put into a trust account to be paid out upon achievement or cancellation of the contingent consideration arrangement. This amount is recorded as restricted cash (see Note 18).

The fair value of the contingent consideration arrangement of $3,608 was estimated by assessing the probability of the above targets being met and the potential percentage shortfall. This is a level 3 fair value measurement (Note 36).

Don Folk Chevrolet

On September 14, 2015, the Company, through an 80% owned subsidiary, DFC Holdings Inc., purchased substantially all of the operating and fixed assets of Don Folk Chevrolet Inc., a Chevrolet dealership, and 399573 B.C. Ltd., an auto body shop, (together "Don Folk Chevrolet"), located in Kelowna, British Columbia, for total cash consideration of $9,175. The acquisition was financed by drawing on the Company's revolving term facility. To comply with GM Canada's approval, Priestner, the Executive Chair of the Company, is required to have 100% voting control of Don Folk Chevrolet.

In accordance with the terms of the ownership structure for GM dealerships approved by GM Canada, the Company holds an 80% non-voting equity interest in Don Folk Chevrolet, with Priestner, being named Dealer Operator, personally holding a 15% equity interest and 100% voting control of Don Folk Chevrolet. The remaining 5% equity interest is held by minority shareholders. The transaction was reviewed and approved by the Company's independent members of its Board of Directors.

The Company also purchased the land and facilities through a wholly-owned subsidiary, DFC Properties Inc., for $13,250.

Grove Dodge

On October 5, 2015, the Company, through GRV C Holdings LP, purchased substantially all of the operating and fixed assets of Grove Dodge Chrysler Jeep Ltd. ("Grove Dodge"), in Spruce Grove, Alberta, for total cash consideration of $19,083 and contingent consideration with a fair value of $1,808. The acquisition was financed by drawing on the Company's revolving term facility.

As part of the transaction, the Company entered into an agreement with a former minority owner of Grove Dodge, whereby he acquired a 10% ownership interest in GRV C Holdings LP from the Company for cash consideration of $2,088.

The contingent consideration arrangement requires GRV C Holdings LP to pay, in cash, to the former owners of Grove Dodge, an amount up to $2,500, based on the achievement of certain targets. The full amount will be paid if the cumulative net income before tax exceeds a predefined level. If the target is not met, the amount paid is reduced by the equivalent percentage to the percentage of the shortfall of the target.

The potential undiscounted amount of all future payments that the Company could be required to make under this arrangement is between $0 and $2,500. The maximum amount of future payments has been put into a trust account to be paid out upon achievement or cancellation of the contingent consideration arrangement. The Company's share of this amount is $2,250 and is recorded as restricted cash (Note 18).

The fair value of the continent consideration arrangement of $1,808 was estimated by assessing the probability of the above targets being met and the potential percentage shortfall. This is a level 3 fair value measurement (Note 36).

Hunt Club Nissan and Ottawa Open Point

On November 1, 2015, the Company, through AutoCanada HCN Holdings Inc., purchased substantially all of the operating and fixed assets of Hunt Club Nissan Ltd. ("Hunt Club Nissan"), in Ottawa, Ontario, for total cash consideration of $13,725. In addition, the Company purchased the exclusive right to build and operate a Nissan motor vehicle franchise on a designated property in southwest Ottawa for total cash consideration of $100. The acquisitions were financed by drawing on the Company's revolving term facility.

As part of the transaction, the Company entered into an agreement with the former owner of Hunt Club Nissan, whereby he acquired a 10% ownership interest in AutoCanada HCN Holdings Inc. from the Company for cash consideration of $1,383.

417 Nissan and 417 Infiniti

On December 7, 2015, the Company, through a 90% owned subsidiary, AutoCanada HCN Holdings Inc., purchased substantially all of the operating and fixed assets of 417 Infiniti Nissan Limited ("417 Nissan and 417 Infiniti"), in Ottawa, Ontario, for total cash consideration of $5,408. The acquisition was financed by drawing on the Company's revolving term facility.

Recognition of redemption liabilities

During the year ended December 31, 2015, $1,102 of redemption liabilities were recognized in connection with the business acquisitions completed. These liabilities relate to put options held by certain non-controlling interests.

The business acquisitions completed during the year ended December 31, 2015 are summarized as follows:

	Airdrie Chrysler $	Don Folk Chevrolet $	Grove Dodge $	Hunt Club Nissan $	417 Nissan and 417 Infiniti $	Total $
Current assets						
Cash and cash equivalents	2	1	1	4	1	9
Trade and other receivables	313	201	398	113	1,597	2,622
Inventories	20,074	962	9,930	7,890	6,123	44,979
Other current assets	6	56	59	15	53	189
	20,395	1,220	10,388	8,022	7,774	47,799
Long term assets						
Property and equipment	642	14,074	360	404	207	15,687
Intangible assets	18,196	7,395	17,298	9,353	3,464	55,706
Total assets	39,233	22,689	28,046	17,779	11,445	119,192
Current liabilities						
Trade and other payables	20	269	277	196	398	1,160
Revolving floorplan facility	17,672	–	9,535	4,005	5,675	36,887
	17,692	269	9,812	4,201	6,073	38,047
Long term liabilities						
Deferred income tax	–	–	–	137	–	137
Total liabilities	17,692	269	9,812	4,338	6,073	38,184
Net assets acquired	21,541	22,420	18,234	13,441	5,372	81,008
Goodwill	3,662	5	2,657	384	36	6,744
Non-controlling interests	–	(1,835)	(2,088)	(1,383)	(541)	(5,847)
Total net assets acquired	25,203	20,590	18,803	12,442	4,867	81,905
Cash consideration	21,595	20,590	16,995	12,442	4,867	76,489
Contingent consideration	3,608	–	1,808	–	–	5,416
Total consideration	25,203	20,590	18,803	12,442	4,867	81,905

Acquisitions completed during the year ended December 31, 2015 generated revenue and net earnings of $83,320 and $1,354, respectively, since the time of acquisition. The purchase prices allocated, as presented above, are estimates and subject to change due to finalization of the associated allocations. Acquisition related costs of $474 have been charged to administrative expenses in the consolidated statement of comprehensive income for the year ended December 31, 2015. The full amount of acquired receivables is expected to be collected.

Goodwill arose on these acquisitions due to the potential future revenue growth and synergies expected to occur. The Company used the fair value method to measure the non-controlling interest, resulting in goodwill including both the non-controlling interests' share and the parent's share of goodwill.

Prior year business acquisitions

During the year ended December 31, 2014, the Company completed eight business acquisitions comprising thirteen automotive dealerships, including fifteen franchises. All acquisitions have been accounted for using the acquisition method. Acquisitions completed during this period are as follows:

BMW Canbec and MINI Mont Royal

On June 1, 2014, the Company purchased 100% of the voting shares of Automobile Canbec Inc. (“BMW Canbec”), which owns and operates a BMW franchise and a MINI franchise, both located in Montreal, Quebec, for total cash consideration of $27,000. The acquisition was funded by drawing on the Company’s revolving term facility.

Dodge City

On June 16, 2014, the Company purchased substantially all of the operating and fixed assets of Dodge City Auto 1984 Ltd. (“Dodge City”), in Saskatoon, Saskatchewan, for total cash consideration of $34,229. The acquisition was financed by drawing on the Company’s revolving term facility.

Hyatt Group of Dealerships

Between the period of June 23, 2014 and July 1, 2014, the Company purchased all of the operating and fixed assets of 678938 Alberta Ltd. (“Calgary Hyundai”), 1446691 Alberta Ltd. (“Crowfoot Hyundai”), 998699 Alberta Ltd. (“Hyatt Mitsubishi”), 588338 Alberta Ltd. (“Northland Volkswagen”), 969642 Alberta Ltd. (“Fish Creek Nissan”), and 1791109 Alberta Ltd. (“Hyatt Infiniti”), herein referred to as (the “Hyatt Group”), located in Calgary, Alberta, for total cash consideration of $91,389. The initial purchase price of the Hyatt Group was financed by drawing on the Company’s revolving term facility. In addition, the Company issued 18,753 common shares at a deemed price of $79.99 per share (for total consideration of $1,500) on July 1, 2014 as consideration for the purchase of the exclusive right to build and operate a Nissan motor vehicle franchise on a designated property in southeast Calgary.

Tower Chrysler

On August 18, 2014, the Company purchased substantially all of the operating and fixed assets of Tower Chrysler Plymouth Ltd. (“Tower Chrysler”), in Calgary, Alberta, for total cash consideration of $20,438. The acquisition was financed by drawing on the Company’s revolving term facility.

Lakewood Chevrolet

On September 2, 2014, the Company purchased a 75% non-voting equity interest in the shares of Lakewood Chevrolet (“Lakewood”), a Chevrolet dealership located in Edmonton, Alberta, for total cash consideration of $19,800. The acquisition was financed with cash from operations. To comply with GM Canada’s approval, Priestner is required to have 100% voting control of Lakewood.

In accordance with the terms of the ownership structure for GM dealerships approved by GM Canada, the Company purchased a 75% non-voting equity interest, with Priestner being named Dealer Operator, personally holding a 15% equity interest and 100% voting control of the dealership. The remaining 10% equity interest is held by the dealership’s general manager. The transaction was reviewed and approved by the Company’s independent members of its Board of Directors.

As part of the acquisition agreement, the non-controlling interest has an option to put the shares back to Lakewood at any time following the expiry of 36 months from the acquisition date. As a result, this interest has been recorded as a liability carried at fair value.

The Company also purchased the dealership land and facility through a wholly-owned subsidiary, Lakewood Properties Inc., for $19,000. Of the $1,200 goodwill purchased on the acquisition of the land and building, 17%, or $204, was purchased by Priestner.

Toronto Chrysler

On October 20, 2014, the Company purchased substantially all of the operating and fixed assets of Toronto Dodge Chrysler Ltd. (“Toronto Chrysler”), in Toronto, Ontario, for total cash consideration of $2,159. The acquisition was financed with cash from operations.

Bridges Chevrolet

On November 24, 2014, the Company, through an 80% owned subsidiary, NBFG Holdings Inc. (“NBFG”), purchased the assets of Bridges Chevrolet Buick GMC Ltd. (“Bridges Chevrolet”), a Chevrolet dealership located in North Battleford, Saskatchewan, for total cash consideration of $4,577. The acquisition was financed with cash from operations. To comply with GM Canada’s approval, Priestner is required to have 100% voting control of Bridges Chevrolet.

In accordance with the terms of the ownership structure for GM dealerships approved by GM Canada, the Company purchased an 80% non-voting equity interest, with Priestner, being named Dealer Operator, personally holding a 15% equity interest and 100% voting control of the dealership. The remaining 5% equity interest is held by minority shareholders. The transaction was reviewed and approved by the Company’s independent members of its Board of Directors.

The Company also purchased the dealership land and facility through a wholly-owned subsidiary, NBFG Properties Inc., for $3,000.

BMW Laval and MINI Laval

On December 15, 2014, the Company, through an 85% owned subsidiary, AutoCanada B Holdings Inc., purchased the assets of Auto Boulevard St. Martin Inc. (“BMW Laval”) which owns and operates a BMW franchise and a MINI franchise, both located in Laval, Quebec, for total cash consideration of $22,516 and contingent consideration with a present value of $2,353. The acquisition was financed with cash from operations.

As part of the transaction, the Company entered into an agreement with the former majority owner of BMW Laval, whereby he retained the remaining ownership interest in the two Laval franchises as well as acquired a 15% ownership interest in BMW Canbec from the Company for cash consideration. The non-controlling interest in BMW Canbec at the date of the transaction was equal to $2,729.

In addition to the business, the Company also purchased the land and a building used for business operations through a wholly-owned subsidiary, LMB Properties Inc., for $31,233.

Recognition of redemption liabilities

During the year ended December 31, 2014, $8,687 of redemption liabilities were recognized in connection with the business acquisitions completed. These liabilities relate to put options held by certain non-controlling interests.

The business acquisitions completed during the year ended December 31, 2014 are summarized as follows:

	BMW Canbec $	Dodge City $	Hyatt Group $	Tower Chrysler $	Lakewood Chevrolet $	Toronto Chrysler $	Bridges Chevrolet $	BMW Laval $	Total $
Current assets									
Cash and cash equivalents	–	3	2	2	2,350	–	1	2	2,360
Trade and other receivables	6,715	512	693	120	2,187	64	71	3,729	14,091
Inventories	25,504	16,075	48,448	16,175	12,216	2,031	1,576	36,386	158,411
Other current assets	312	121	223	37	53	67	12	14	839
	32,531	16,711	49,366	16,334	16,806	2,162	1,660	40,131	175,701
Long term assets									
Property and equipment	4,096	6,489	1,439	2,344	18,115	148	3,236	32,890	68,757
Intangible assets	15,078	24,494	82,415	14,659	25,417	1,643	3,625	18,042	185,373
Other long-term assets	12	–	–	–	–	–	–	423	435
Total assets	51,717	47,694	133,220	33,337	60,338	3,953	8,521	91,486	430,266
Current liabilities									
Bank indebtedness	1,435	–	–	–	–	–	–	–	1,435
Trade and other payables	2,113	658	348	318	2,887	–	175	3,112	9,611
Revolving floorplan facility	22,092	13,313	44,569	14,095	11,460	1,867	–	31,191	138,587
	25,640	13,971	44,917	14,413	14,347	1,867	175	34,303	149,633
Long term liabilities									
Long-term indebtedness	–	–	–	–	–	–	–	415	415
Deferred income tax	1,776	–	–	–	3,314	–	–	–	5,090
Total liabilities	27,416	13,971	44,917	14,413	17,661	1,867	175	34,718	155,138
Net assets acquired	24,301	33,723	88,303	18,924	42,677	2,086	8,346	56,768	275,128
Goodwill	2,699	506	3,086	1,514	2,723	73	375	3,724	14,700
Non-controlling interest	–	–	–	–	(6,804)	–	(1,144)	(4,390)	(12,338)
Total net assets acquired	27,000	34,229	91,389	20,438	38,596	2,159	7,577	56,102	277,490
Cash consideration	27,000	34,229	89,889	20,438	38,596	2,159	7,577	53,749	273,637
Equity instruments	–	–	1,500	–	–	–	–	–	1,500
Contingent consideration	–	–	–	–	–	–	–	2,353	2,353
Total consideration	27,000	34,229	91,389	20,438	38,596	2,159	7,577	56,102	277,490

Acquisitions completed during the year ended December 31, 2014 generated revenue and net earnings of $329,775 and $11,270, respectively, during the year of acquisition. The purchase prices allocated, as presented above, are the original estimates and subject to change due to finalization of the associated allocations. Acquisition related costs of $1,629 were charged to administrative expenses in the consolidated statement of comprehensive income for the year ended December 31, 2014.

Goodwill arose on these acquisitions due to the potential future revenue growth and synergies expected to occur. Goodwill generated on the acquisitions of BMW Canbec and Lakewood Chevrolet is not deductible for tax purposes. The Company used the fair value method to measure the non-controlling interest, resulting in goodwill including both the non-controlling interests' share and the parent's share of goodwill.

14 Business combination under common control

Subsequent to the secondary offering completed on July 11, 2014 (see Note 32), the Company has consolidated its investments in associates, comprising six automotive dealerships (see Note 15), as a common control business combination using the predecessor values method (see Note 5).

The combining entities are ultimately controlled by the same parties prior and subsequent to the business combination, which is considered a transaction under common control. The Company elected to apply predecessor accounting to the transaction and, as such, all assets and liabilities are incorporated by the Company at their predecessor carrying values and no fair value adjustments are recorded. No goodwill arose as a result of the transaction. The combination was applied on a prospective basis. The Company used the fair value method to measure the non-controlling interests, as a result goodwill recorded includes both the non-controlling interests' share and the parent's share of the goodwill which was created on the date of the initial investment.

The business combination under common control as at July 11, 2014 is summarized as follows:

	Total $
Current assets	
Cash and cash equivalents	4,699
Trade and other receivables	17,541
Inventories	82,454
Other current assets	700
	105,394
Long term assets	
Property and equipment	12,920
Intangible assets	72,487
Finance lease receivables	9,242
Goodwill	13,896
Other long-term assets	640
Total assets	214,579
Current liabilities	
Trade and other payables	11,966
Revolving floorplan facility	75,277
Due to related parties	2,968
	90,211
Long term liabilities	
Long-term indebtedness	9,823
Provisions and other non-current liabilities	15
Deferred income tax	9,152
Total liabilities	109,201
Net assets acquired	105,378
Non-controlling interest	(37,242)
Total net assets acquired	68,136

Business combinations under common control during the year ended December 31, 2014 generated revenue and net earnings of $250,866 and $10,273, respectively, during the year then ended.

Recognition of redemption liabilities

During the year ended December 31, 2014, $33,111 of redemption liabilities were recognized in connection with the business combination under common control. These liabilities relate to put options held by certain non-controlling interests.

15 Investments in associates

Prior to the business combination under common control that occurred on July 11, 2014, the Company's investments in associates were as follows:

Dealer Holdings Ltd.

During 2012, the Company acquired a 60.8% participating, non-voting common share interest in Dealer Holdings Ltd. ("DHL"). DHL is an entity formed between a subsidiary of AutoCanada and Priestner. DHL was formed to acquire 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 DHL and its interests, based on the percentage of ownership. The investment in DHL was reviewed and approved by the independent members of AutoCanada's Board of Directors. DHL's principal place of business is Alberta, Canada.

During 2012, DHL acquired a 51% voting equity interest in Nicholson Chevrolet (now operating as Sherwood Park Chevrolet) and a 51% voting equity interest in Petersen Buick GMC (now operating as Sherwood Buick GMC), both dealerships are located in Sherwood Park, Alberta. As part of the acquisition agreement, the non-controlling interest has an option to put the shares back to Sherwood Park Chevrolet, Sherwood Park GMC commencing January 1, 2017. As a result of DHL's investments, the Company indirectly acquired a 31% interest in Sherwood Park Chevrolet and a 31% interest in Sherwood Park GMC.

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 Priestner. Green Isle was formed to acquire 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. The investment in Green Isle was reviewed and approved by the independent members of AutoCanada's Board of Directors. Green Isle's principal place of business is British Columbia, Canada.

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

Prairie Auto Holdings Ltd.

On March 10, 2014, the Company invested a total of $41,651, consisting of $32,578 in cash and 205,000 common shares of AutoCanada issued (at a value of $9,073) to acquire an 82.353% equity interest in Prairie Auto Holdings Ltd. ("PAH"). PAH is an entity formed between a subsidiary of AutoCanada and Priestner. PAH was formed to acquire 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 PAH and its interests, based on the percentage of ownership. The investment in PAH was reviewed and approved by the independent members of AutoCanada's Board of Directors. PAH's principal place of business is Saskatchewan, Canada.

On March 10, 2014, PAH acquired an 85% equity interest in the shares of Saskatoon Motor Products Ltd. ("SMP"), a Chevrolet dealership in Saskatoon, Saskatchewan, and Mann-Northway Auto Source ("MNAS"), a Chevrolet Buick GMC Cadillac dealership in Prince Albert, Saskatchewan. As part of the acquisition agreement, the non-controlling interest has an option to put the shares back to SMP and MNAS at any time following the expiry of 36 months from the acquisition date. To comply with GM Canada's approval, Priestner is required to have 100% voting control of PAH.

Waverley BG Holdings Ltd.

On April 1, 2014, the Company invested a total of $11,322 to acquire an 80.0% participating, non-voting common share interest in Waverley BG Holdings Inc. ("WBG"). WBG is an entity formed between a subsidiary of AutoCanada and Priestner. WBG was formed to acquire 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 WBG and its interests, based on the percentage of ownership. The investment in WBG was reviewed and approved by the independent members of AutoCanada's Board of Directors. WBG's principal place of business is Manitoba, Canada.

On April 1, 2014, WBG acquired 100% of the operating assets of McNaught Buick Cadillac GMC ("McNaught") in Winnipeg, Manitoba.

Carrying value of Investments in Associates

The following table summarizes the Company's consolidated carrying value of its investments in associates:

	DHL $	Green Isle $	PAH $	WBG $	Total $
Balance, January 1, 2014	5,361	7,770	–	–	13,131
Investments during the year	–	–	41,651	11,322	52,973
Income from investments in associates	835	892	1,317	446	3,490
Dividends received	(458)	(1,000)	–	–	(1,458)
Combination of entities under common control (Note 14)	(5,738)	(7,662)	(42,968)	(11,768)	(68,136)
Balance, December 31, 2014	–	–	–	–	–
Balance, December 31, 2015	–	–	–	–	–

16 Loan to associate

PPH Holdings Ltd.

On November 30, 2015, the Company loaned $8,421 to PPH. The Company holds no ownership interest in PPH, which is a company controlled, and formed, by Priestner. The loan was used by PPH to acquire Whitby Oshawa Honda ('Whitby"). The Company has no participation in the equity of PPH or Whitby. PPH's principal place of business is Alberta, Canada.

Although the Company holds no voting rights in PPH the Company exercises significant influence by virtue of the existence of its loan and the provision of essential technical information required for operations, as well as through the relationship with Priestner, as AutoCanada's Executive Chair. However, the Company does not have the power to make or block key decisions under the terms of the underlying agreements. As a result, the Company has accounted for its loan to PPH under the effective interest method and it is carried at amortized cost. Refer to Note 34 for disclosure over related parties.

Summarized financial information – PPH Holdings Ltd.

The following table summarizes the consolidated financial information of PPH as at December 31, 2015:

	Carrying amount $
Current assets	10,199
Non-current assets	9,667
Current liabilities	7,336
Non-current liabilities	9,409

For the year ended December 31, 2015, on a consolidated basis, PPH generated revenue of $5,601 and total net comprehensive income of $61. For the year ended December 2015, on a consolidated basis, income relating to the company's loan to PPH are as follows:

	$
Interest Income	35
Licensing Fees	14
Income from loan to associate	49

17 Interests in subsidiaries

The Company owns 100% of most subsidiaries, but also has a controlling interest in certain subsidiaries that also have non-controlling interests 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	Distributions paid to non-controlling interests 2015 $	Distributions paid to non-controlling interests 2014 $
Dealer Holdings Ltd.	Alberta	69%	100%	3,485	385
Green Isle G Auto Holdings Inc.	British Columbia	20%	100%	300	56
Prairie Auto Holdings Ltd.	Saskatchewan	30%	100%	1,950	–
Waverley BG Holdings Inc.	Manitoba	20%	100%	359	–
LWD Holdings Ltd.	Alberta	25%	100%	275	–
NBFG Holdings Inc.	Saskatchewan	20%	100%	165	–
AutoCanada B Holdings Inc.	Quebec	15%	15%	750	–
AutoCanada HCN Holdings Inc.	Ontario	10%	10%	–	–
				7,284	441

DHL, Green Isle, WBG, NBFG and AutoCanada B Holdings Inc. also have put options whereby the non-controlling shareholders are able to sell their shares back to the Company. These put options are recognized as redemption liabilities and measured at their fair value on the statement of financial position as $47,229 (2014 – $41,798). The change in fair value of $4,329 is recorded in finance costs on the statement of comprehensive income (Note 11). The fair value is determined based on the dealership equity value of the related subsidiary (Note 36). Those options eligible to be executed during fiscal 2016 are presented as current liabilities.

The underlying nature of the subsidiaries are holding companies which hold automotive dealerships. For purposes of disclosures, 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 subsidiaires are similar in nature and risk based on assessment of the interest and industry classification.

18 Cash and cash equivalents

	December 31, 2015 $	December 31, 2014 $
Cash at bank and on hand	52,936	65,244
Short-term deposits	9,338	7,218
Cash and cash equivalents (excluding bank indebtedness)	62,274	72,462
Bank indebtedness	(898)	(2,181)
Cash and cash equivalents	61,376	70,281
Restricted cash (Note 13)	6,288	–
Cash and cash equivalents and restricted cash	67,664	70,281

Short-term deposits includes cash held with Scotiabank. The Company's revolving floorplan facility agreements allow the Company to hold excess cash in accounts with Scotiabank, which is used to offset our finance costs on revolving floorplan facilities. The Company has immediate access to this cash unless we are in default of our facilities, in which case the cash may be used by Scotiabank in repayment of our facilities. See Note 25 for further detail regarding cash balances held with Scotiabank. The remaining short-term deposits are term deposits that bear interest at 0.55%. Restricted cash is held in a trust account and earns interest at 0.95-2.06%. Interest included in restricted cash is $38.

19 Trade and other receivables

	December 31, 2015 $	December 31, 2014 $
Trade receivables	83,166	87,336
Less: Allowance for doubtful accounts	(1,885)	(968)
Net trade receivables	81,281	86,368
Other receivables	9,540	5,770
Trade and other receivables	90,821	92,138

The aging of trade and other receivables at each reporting date was as follows:

	December 31, 2015 $	December 31, 2014 $
Current	78,889	78,266
Past due 31 – 60 days	7,117	8,421
Past due 61 – 90 days	2,919	3,679
Past due 91 – 120 days	962	623
Past due > 120 days	934	1,149
	90,821	92,138

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.

20 Inventories

	December 31, 2015 $	December 31, 2014 $
New vehicles	441,764	427,341
Demonstrator vehicles	35,830	26,452
Used vehicles	91,144	84,349
Parts and accessories	27,804	25,135
	596,542	563,277

During the year ended December 31, 2015, $2,403,515 of inventory (2014 – $1,829,337) was expensed as cost of sales which included write-downs on used vehicles of $2,250 (2014 – $901). As at December 31, 2015, the Company had recorded reserves for inventory write downs of $6,786 (2014 – $4,896). During the year ended December 31, 2015, $5,795 of demonstrator expense (2014 – $3,176) was included in administrative costs. During the year ended December 31, 2015, demonstrator reserves decreased by $428 (2014 – increased by $1,984).

21 Finance lease receivables

	December 31, 2015 $	December 31, 2014 $
Current portion of finance lease receivables		
Finance lease receivables	4,556	4,308
Unearned finance income – current	(544)	(771)
	4,012	3,537
Long-term portion of finance lease receivables		
Finance lease receivables	7,081	11,153
Unearned finance income – long-term	(535)	(861)
	6,546	10,292
Gross receivables from finance leases:		
No later than 1 year	4,556	4,308
Later than 1 year and no later than 5 years	7,081	11,153
Later than 5 years	–	–
	11,637	15,461
Unearned future finance income on finance leases	(1,079)	(1,632)
Net investment in finance leases	10,558	13,829
Net investment in finance lease:		
No later than 1 year	4,012	3,537
Later than 1 year and no later than 5 years	6,546	10,292
Later than 5 years	–	–
	10,558	13,829

22 Property and equipment

	Company & lease vehicles $	Leasehold Improvements $	Machinery & Equipment $	Land & buildings $	Furniture, fixtures & other $	Computer hardware $	Total $
Cost:							
January 1, 2014	10,819	7,240	14,395	103,785	6,024	4,827	147,090
Capital expenditures	280	2,084	1,709	–	953	1,591	6,617
Acquisitions of dealership assets	18,926	13,317	10,069	53,533	4,030	3,768	103,643
Acquisitions of real estate	–	–	–	16,824	–	–	16,824
Disposals	–	(35)	(209)	–	(294)	(245)	(783)
Transfers to inventory, net	(4,825)	–	–	–	–	–	(4,825)
December 31, 2014	25,200	22,606	25,964	174,142	10,713	9,941	268,566
Capital expenditures	34	7,238	2,435	–	2,165	2,234	14,106
Acquisitions of dealership assets	509	202	965	13,250	479	282	15,687
Acquisitions of real estate	–	–	–	60,500	–	–	60,500
Disposals	–	(646)	(555)	–	(228)	(577)	(2,006)
Transfers to assets held for sale	(26)	–	(116)	(11,130)	(70)	(172)	(11,514)
Transfers to inventory, net	(3,083)	–	–	–	–	–	(3,083)
December 31, 2015	22,634	29,400	28,693	236,762	13,059	11,708	342,256
Accumulated depreciation:							
January 1, 2014	(1,900)	(2,651)	(8,363)	(4,404)	(3,606)	(3,251)	(24,175)
Acquisitions of dealership assets	(6,285)	(5,550)	(5,635)	–	(2,005)	(2,491)	(21,966)
Depreciation	(4,168)	(1,310)	(1,735)	(4,852)	(733)	(826)	(13,624)
Disposals	–	34	189	–	259	265	747
Transfers to inventory, net	5,390	–	–	–	–	–	5,390
December 31, 2014	(6,963)	(9,477)	(15,544)	(9,256)	(6,085)	(6,303)	(53,628)
Depreciation	(4,405)	(2,204)	(2,449)	(7,076)	(1,179)	(1,547)	(18,860)
Disposals	–	637	421	–	170	548	1,776
Transfers to assets held for sale	5	–	79	1,435	40	135	1,694
Transfers to inventory, net	5,147	–	–	–	–	–	5,147
December 31, 2015	(6,216)	(11,044)	(17,493)	(14,897)	(7,054)	(7,167)	(63,871)
Carrying amount:							
December 31, 2014	18,237	13,129	10,420	164,886	4,628	3,638	214,938
December 31, 2015	16,418	18,356	11,200	221,865	6,005	4,541	278,385

Fully depreciated assets are retained in cost and accumulated depreciation accounts until such assets are removed from service. Proceeds from disposals are netted against the related assets and the accumulated depreciation and included in the statement of operations and comprehensive income.

Land and buildings with a carrying value of $51,495 (2014 – $42,575) are pledged as collateral against bank borrowings.

23 Assets held for sale

Land

During the year, the Company committed to a plan to sell a parcel of land held in Winnipeg, Manitoba. The carrying cost of the land is $1,556 at December 31, 2015. No decommissioning liability exists on the land. Efforts to sell the land have commenced and the sale is expected to be completed during fiscal 2016.

The Company has also committed to a plan to sell a parcel of land in Newmarket, Ontario with a carrying amount of $3,485. No decommissioning liability exists on the land. Efforts to sell the land have commenced and the sale is expected to be completed during fiscal 2016.

Newmarket Transaction

On December 19, 2015, the Company entered into an agreement to sell substantially all of the operating and fixed assets of Newmarket Infiniti Nissan located in Newmarket, Ontario for net proceeds of $11,262, resulting in a pre-tax gain on sale of $4,359. The sale transaction closed on February 25, 2016 (Note 37).

	December 31, 2015 $
Property, plant and equipment	4,779
Trade and other receivables	2,001
Inventory	13,569
Intangible assets	2,053
Other current assets	39
Total Assets	22,441
Trade and other payables	1,015
Revolving floorplan facilities	13,478
Total Liabilities	14,493
Net Assets	7,948

24 Intangible assets and goodwill

Intangible assets consist of rights under franchise agreements with automobile manufacturers ("dealer agreements").

	Intangible assets $	Goodwill $	Total $
Cost:			
January 1, 2014	102,197	6,672	108,869
Acquisitions (Note 13)	185,373	14,700	200,073
Business combination under common control	72,487	13,896	86,383
Measurement period adjustment	–	(2,416)	(2,416)
December 31, 2014	360,057	32,852	392,909
Acquisitions (Note 13)	55,706	6,744	62,450
Measurement period adjustment	–	1,500	1,500
Transfer to assets held for sale	(2,053)	–	(2,053)
December 31, 2015	413,710	41,096	454,806
Accumulated impairment:			
January 1, 2014	5,212	–	5,212
Recovery of impairment	(1,767)	–	(1,767)
December 31, 2014	3,445	–	3,445
Impairment, net of recovery of impairment	10,617	8,140	18,757
December 31, 2015	14,062	8,140	22,202
Carrying amount:			
December 31, 2014	356,612	32,852	389,464
December 31, 2015	399,648	32,956	432,604

Cash generating units have been determined to be individual dealerships. The following table shows the carrying amount of indefinite-lived identifiable intangible assets and goodwill by cash generating unit:

	December 31, 2015 $			December 31, 2014 $		
Cash Generating Unit	**Intangibles**	**Goodwill**	**Total**	**Intangibles**	**Goodwill**	**Total**
AJ	27,807	6,135	33,942	27,807	6,135	33,942
AE	22,802	–	22,802	25,733	967	26,700
AN	25,417	381	25,798	25,417	2,722	28,139
Y	24,494	506	25,000	24,494	506	25,000
AI	21,809	428	22,237	21,809	1,580	23,389
AS	18,196	1,669	19,865	–	–	–
AQ	18,044	3,724	21,768	18,044	3,724	21,768
A	21,687	–	21,687	21,687	–	21,687
AF	20,384	992	21,376	20,384	617	21,001
AV	17,298	2,657	19,955	–	–	–
Z	15,078	2,699	17,777	15,078	2,699	17,777
AM	14,659	1,514	16,173	14,659	1,514	16,173
V	15,520	236	15,756	15,520	236	15,756
AC	12,496	941	13,437	12,496	705	13,201
U	8,602	3,441	12,043	8,602	3,441	12,043
AG	9,263	950	10,213	9,263	950	10,213
AT	9,253	384	9,637	–	–	–
D	9,626	–	9,626	9,626	–	9,626
B	9,431	–	9,431	9,431	–	9,431
E	8,497	–	8,497	8,497	–	8,497
AL	5,273	2,176	7,449	5,273	2,176	7,449
AU	7,395	5	7,400	–	–	–
AH	6,591	409	7,000	6,591	409	7,000
AA	5,369	–	5,369	11,431	570	12,001
W	5,799	201	6,000	5,799	201	6,000
C	5,828	–	5,828	4,635	–	4,635
AB	4,619	–	4,619	8,824	177	9,001
Other CGUs less than $5,000	28,411	3,508	31,919	25,512	3,253	29,035
	399,648	32,956	432,604	356,612	32,852	389,464

The following table shows the impairments (recoveries of impairment) of indefinite-lived identifiable intangible assets and goodwill by cash generating unit.

Cash Generating Unit	December 31, 2015 $ Intangibles	Goodwill	Total	December 31, 2014 $ Intangibles	Goodwill	Total
C	(1,193)	–	(1,193)	(1,215)	–	(1,215)
J	(2,053)	–	(2,053)	–	–	–
R	–	–	–	(531)	–	(531)
X	–	–	–	(21)	–	(21)
AA	6,061	784	6,845	–	–	–
AB	4,205	337	4,542	–	–	–
AD	666	89	755	–	–	–
AE	2,931	1,444	4,375	–	–	–
AI	–	1,152	1,152	–	–	–
AN	–	2,341	2,341	–	–	–
AS	–	1,993	1,993	–	–	–
Net impairment (recovery)	10,617	8,140	18,757	(1,767)	–	(1,767)

The valuation methodology used to assess the recoverable value of the CGUs uses level 2 inputs, indirectly derived from the market, where possible, for key assumptions such as the discount rate. Where level 2 inputs are not available, as is the case with the growth rate, the Company uses level 3 inputs, which are unobservable to the market, but reflect management's best estimates from historical performance and expectations for the future. The following table shows the recoverable amounts of CGUs with impairments or recoveries of impairments recorded in either the current year or prior year:

Cash Generating Unit	December 31, 2015 $	December 31, 2014 $
C	6,736	5,302
J	2,053	–
R	2,339	1,678
X	2,361	3,769
AA	6,682	9,512
AB	5,550	8,586
AD	2,104	1,800
AE	25,778	23,874
AI	25,200	25,807
AN	32,421	34,285
AS	20,036	–

Impairment test of indefinite life intangible assets

The Company performed its annual test for impairment at December 31, 2015. As a result of the test performed, the Company recorded an impairment in the amount of $18,757 for the year ended December 31, 2015 (2014 – recovery of impairment of $1,767).

The valuation techniques, significant 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 since the impairment test on transition to IFRS. The recoverable amount of each CGU was based on the greater of fair value less cost to sell and value in use.

Value in Use

Value in use ("VIU") is predicated upon the value of the future cash flows that a business will generate going forward. The discounted cash flow ("DCF") method was used which involves projecting cash flows and converting them into a present value equivalent through discounting. The discounting process uses a rate of return that is commensurate with the risk associated with the business or asset and the time value of money. This approach requires assumptions about revenue growth rates, operating margins, and discount rates.

Fair value less costs to dispose

Fair value less costs to dispose ("FVLCD") assumes that companies operating in the same industry will share similar characteristics and that Company values will correlate to those characteristics. Therefore, a comparison of a CGU to similar companies may provide a reasonable basis to estimate fair value. Under this approach, fair value is calculated based on EBITDA ("Earnings before interest, taxes, depreciation and amortization") multiples comparable to the businesses in each CGU. Data for EBITDA multiples was based on recent comparable transactions and management estimates. Multiples used in the test for impairment for each CGU were in the range of 5.5 to 11.0 times forecasted EBITDA.

Significant Assumptions for Value in Use

Growth

The assumptions used were based on the Company's internal budget which is approved by the Board of Directors. The Company projected revenue, gross margins and cash flows for a period of one year, and applied growth rates for years thereafter commensurate with Company and industry forecasts. Management applied a 2% terminal growth rate in its projections. In arriving at its forecasts, the Company considered past experience, economic trends and inflation as well as industry and market trends.

Discount Rate

The Company applied a discount rate in order to calculate the present value of its projected cash flows. The discount rate represented the Company's internally computed weighted average cost of capital ("WACC") for each CGU with appropriate adjustments for the risks associated with the CGU's in which intangible assets are allocated. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate. Determination of the discount rate requires separate analysis of the cost of equity and debt, and considers a risk premium based on an assessment of risks related to the projected cash flows of each CGU.

Significant Assumptions for Fair Value Less Costs to Dispose

EBITDA

The Company's assumptions for EBITDA were based on the Company's internal budget which is approved by the Board of Directors. The Company projected EBITDA for a period of one year and reduced the amount for allocation of corporate overhead based on a percentage of gross profit for each CGU as compared to gross profit of the Company. As noted above, data for EBITDA multiples was based on recent comparable transactions and management estimates.

Costs to dispose

Management applied a percentage of 1.0% of the estimated purchase price in developing an estimate of costs to dispose, based on historical transactions.

Additional Assumptions

Key assumptions used in performing the impairment test include discount rates, dealership growth rate, perpetual growth rate, expected gross margin percentage and operating expense levels.

The key assumptions used in performing the impairment test, by CGU, were as follows:

	Basis of Recoverable Amount	Discount Rate	Perpetual Growth Rate
A	FVLCD	11.99%	2.00
B	FVLCD	12.29%	2.00
C	VIU	11.69%	2.00
D	FVLCD	12.59%	2.00
E	FVLCD	12.59%	2.00
J	FVLCD	11.54%	2.00
L	FVLCD	12.44%	2.00
R	VIU	12.14%	2.00
U	FVLCD	11.39%	2.00
V	FVLCD	11.99%	2.00
W	FVLCD	11.69%	2.00
X	FVLCD	11.24%	2.00
Y	VIU	12.29%	2.00
Z	FVLCD	11.39%	2.00
AA	VIU	11.69%	2.00
AB	VIU	11.69%	2.00
AC	FVLCD	11.99%	2.00
AD	FVLCD	11.99%	2.00
AE	FVLCD	11.39%	2.00
AF	VIU	11.39%	2.00
AG	FVLCD	11.99%	2.00
AH	FVLCD	11.99%	2.00
AI	FVLCD	11.99%	2.00
AJ	FVLCD	11.99%	2.00
AL	FVLCD	12.29%	2.00
AM	FVLCD	12.29%	2.00
AN	VIU	12.29%	2.00
AQ	FVLCD	11.39%	2.00
AS	FVLCD	12.29%	2.00
AT	FVLCD	12.14%	2.00
AU	FVLCD	12.29%	2.00
AV	FVLCD	12.29%	2.00
CGUs less than 5,000, combined	FVLCD/VIU	11.24-14.44%	2.00

Sensitivity

The recoverable amount for the CGUs that were in excess of their carrying values was 272% of the carrying values of the applicable CGUs based on a weighted average. As there are CGUs that have intangible assets with original costs that exceed their current year carrying values, 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:

Cash Generating Unit	Increase in Discount Rate	Decrease in Growth Rate	Recoverable amount	Carrying amount	Recoverable amount exceeds carrying amount
Y	1.90%	1.50%	40,506	33,255	7,251
AF	2.20%	4.20%	29,306	21,729	7,577

CGUs, which use FVLCTD 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:

Cash Generating Unit	Decrease in Multiple	Recoverable amount	Carrying amount	Recoverable amount exceeds carrying amount
Z	2.7	29,542	24,713	4,829
E	1.7	29,306	10,932	18,374

25 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 recognised, in respect of each class of financial asset and financial liability are disclosed in the accounting policies. The Company's financial assets have been classified as loans and receivables. The Company's financial liabilities have been classified as other financial liabilities. The carrying values of financial instruments approximate their fair values, excluding the senior unsecured notes. The fair value of the senior unsecured notes is $139,125. Details of the carrying value of the Company's financial assets and financial liabilities are disclosed below:

	December 31, 2015 $	December 31, 2014 $
Financial assets		
Cash and cash equivalents	62,274	72,462
Trade and other receivables	90,821	92,138
Current portion of finance lease receivables	4,012	3,537
Loan to associate	8,470	–
Long-term portion of finance lease receivables	6,546	10,292
Restricted cash	6,288	–
Financial liabilities		
Bank indebtedness	898	2,181
Current indebtedness	11,484	4,651
Long-term indebtedness	285,759	223,009
Revolving floorplan facilities	548,322	527,780
Trade and other payables	86,284	82,670
Current portion of redemption liabilities	6,338	7,665
Redemption liabilities	40,891	34,133

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

Foreign currency risk arises from fluctuations in foreign exchange rates and the degree of volatility of these rates relative to the Canadian dollar. The Company is not significantly exposed to foreign currency risk with respect to its financial instruments as it engages in minimal transactions denominated in currencies other than the Canadian dollar.

Interest Rate Risk

The Company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note as well as the indebtedness note (see Note 28). The sensitivity analysis below has been determined based on the exposure to interest rates at the reporting date and stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. The amounts below represent the absolute change to the reported account, an increase in the basis point would result in a positive amount and a decrease in the basis point would result in a negative amount. A 100 basis point change and 200 basis point change is used when reporting interest risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

	+/- 200 Basis Point		+/- 100 Basis Point	
	2015 $	2014 $	2015 $	2014 $
Finance costs	13,295	11,544	6,647	5,772
Finance income	146	143	73	72

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 or its subsidiaries. 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 our customer base. Details of the aging of the Company's trade and other receivables is disclosed in Note 19.

The Company evaluates receivables for collectability based on the age of the receivable, the credit history of the customer and past collection experience. Allowances are provided for potential losses that have been incurred at the balance sheet date. The amounts disclosed on the balance sheet for accounts receivable are net of the allowance for doubtful accounts, details of which are disclosed in Note 19.

Concentration of cash and cash equivalents exists due to the significant amount of cash held with Scotiabank (see Note 18 for further discussion of the Company's concentration of cash held on deposit with Scotiabank). The syndicated revolving floorplan facility (see Note 28) allows our dealerships to hold excess cash (used to satisfy working capital requirements of our various OEM partners) in an account with Scotiabank which bears interest at 2.43% at December 31, 2015 (2014- 2.43%). These cash balances are fully accessible by our dealerships at any time, however in the event of a default by a dealership in its floorplan obligation; the cash may be used to offset unpaid balances under the facility. As a result, there is a concentration of cash balances risk to the Company in the event of a default under the facility.

Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due or can do so only at excessive cost. The Company's activity is financed through a combination of the cash flows from operations, borrowing under existing credit facilities and the issuance of equity. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through adequate amounts of committed credit facilities. One of management's primary goals is to maintain an optimal level of liquidity through the active management of the assets and liabilities as well as cash flows.

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. Contractual interest payable includes interest that will accrue to these liabilities.

	2016 $	2017 $	2018 $	2019 $	Thereafter $	Total $
December 31, 2015						
Bank indebtedness	898	–	–	–	–	898
Trade and other payables	86,284	–	–	–	–	86,284
Revolving floorplan facilities	548,322	–	–	–	–	548,322
Redemption liabilities	6,337	39,790	1,102	–	–	47,229
Senior unsecured notes	–	–	–	–	149,739	149,739
HSBC revolving term facility	–	–	103,591	–	–	103,591
Vehicle repurchase obligations	1,846	–	–	–	–	1,846
RBC lease financing	7,797	–	–	–	–	7,797
Scotiabank lease financing	435	456	24	–	–	915
BMO lease financing	346	–	–	–	–	346
Servus mortgage	239	248	258	269	4,543	5,557
VCCI mortgage	213	213	213	213	3,180	4,032
BMW mortgage	737	768	797	757	17,122	20,181
Other long-term debt	1,717	1,537	3,642	1,808	–	8,704
Contractual interest payable	14,593	14,370	11,466	9,390	25,358	75,177
	669,764	57,382	121,093	12,437	199,942	1,060,618

	2015 $	2016 $	2017 $	2018 $	Thereafter $	Total $
December 31, 2014						
Bank indebtedness	2,181	–	–	–	–	2,181
Trade and other payables	82,670	–	–	–	–	82,670
Revolving floorplan facilities	527,780	–	–	–	–	527,780
Redemption liabilities	7,665	–	34,133	–	–	41,798
Senior unsecured notes	–	–	–	–	149,739	149,739
HSBC revolving term facility	–	–	–	38,925	–	38,925
Vehicle repurchase obligations	1,539	–	–	–	–	1,539
RBC lease financing	2,690	2,690	2,690	2,454	–	10,524
Scotiabank lease financing	422	364	197	63	–	1,046
BMO lease financing	352	352	352	45	–	1,101
Servus mortgage	230	239	248	258	4,811	5,786
VCCI mortgage	56	56	56	56	869	1,093
BMW mortgage	742	737	768	797	17,879	20,923
Other long-term debt	159	1,556	1,439	16	–	3,170
Contractual interest payable	11,739	11,614	11,491	10,240	34,306	79,390
	638,225	17,608	51,374	52,854	207,604	967,665

26 Other long-term assets

	December 31, 2015 $	December 31, 2014 $
Prepaid rent	5,838	6,205
Other assets	1,240	508
	7,078	6,713

27 Trade and other payables

	December 31, 2015 $	December 31, 2014 $
Trade payables	46,443	42,378
Accruals and provisions	11,974	9,983
Sales tax payable	4,710	4,413
Wages and withholding taxes payable	23,157	25,896
	86,284	82,670

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

	Finance and insurance (a) $	Other $	Total $
January 1, 2014	1,548	967	2,515
Provisions arising during the year	1,374	228	1,602
Amounts expired or disbursed	(921)	(784)	(1,705)
December 31, 2014	2,001	411	2,412
Provisions arising during the year	1,245	257	1,502
Amounts expired or disbursed	(1,334)	(129)	(1,463)
December 31, 2015	1,912	539	2,451

(a) Represents an estimated chargeback reserve provided by the Company's third party underwriter of finance and insurance products.

28 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, see Note 25.

	December 31, 2015 $	December 31, 2014 $
Revolving floorplan facilities		
Revolving floorplan facilities – Syndicate (i)	348,840	340,829
Revolving floorplan facilities – VCCI (ii)	33,086	27,625
Revolving floorplan facilities – BMW Financial (iii)	72,111	66,017
Revolving floorplan facilities – RBC (iv)	70,790	78,431
Revolving floorplan facilities – Scotiabank (v)	23,495	14,878
	548,322	**527,780**
Indebtedness		
Senior unsecured notes (vi)		
Senior unsecured notes	149,739	149,739
Embedded derivative	(24)	18
Unamortized deferred financing costs	(2,907)	(3,444)
	146,808	146,313
HSBC revolving term facility (vii)		
HSBC revolving term facility	103,591	38,925
Unamortized deferred financing costs	(688)	(1,221)
	102,903	37,704
Other long-term debt:		
Lease financing – RBC (viii)	7,797	10,524
Lease financing – Scotiabank (ix)	915	1,046
Lease financing – BMO (x)	346	1,101
Servus mortgage (xi)	5,557	5,786
VCCI mortgages (xii)	4,032	1,093
BMW mortgage (xiii)	20,181	20,923
Other long-term debt	8,704	3,170
Total indebtedness	**297,243**	**227,660**
Current indebtedness	**11,484**	**4,651**
Long-term indebtedness	**285,759**	**223,009**

Terms and conditions of outstanding loans are as follows:

i The Company's syndicated floorplan credit facility (the "Facility") is provided by Scotiabank and the Canadian Imperial Bank of Commerce ("CIBC") with Scotiabank serving as administrative agent to the Facility. The availability of the Facility is $550,000 and bears a rate of Bankers' Acceptance plus 1.15% (2.17% as at December 31, 2015) 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.

ii The revolving floorplan facilities ("VCCI facilities") are available from VW Credit Canada, Inc. ("VCCI") to finance new, used and demo vehicles for all of the Volkswagen and Audi dealerships. The VCCI facilities bear interest at Royal Bank of Canada ("RBC") prime rate plus 0% – 0.75% for new and demo vehicles and RBC prime rate plus 0.25-1.25% for used vehicles

(RBC prime rate was 2.70% at December 31, 2015). The maximum amount of financing provided by the VCCI facilities is $46,930. 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 over the Volkswagen and Audi dealerships. The individual notes payable of the VCCI facilities are due when the related vehicle is sold.

iii The revolving floorplan facilities (the "BMW Facilities") are available from BMW Financial Services Canada ("BMW Financial"), a division of BMW Canada Inc., to finance new, used, demo and mobility vehicles for the BMW and MINI dealerships. The BMW Facilities have a current advance limit of $103,150. The BMW Facilities bear a variable interest rate of prime minus 0.40% per 360-day annum (2.30% at December 31, 2015). The BMW Facilities are collateralized by the dealerships' movable and immovable property.

iv The Royal Bank of Canada ("RBC") provides floorplan financing for new, used and demo vehicles for eight of the Company's dealerships (the "RBC Facilities"). The RBC Facilities bear interest rates of RBC's Cost of Funds Rate (1.63% as at December 31, 2015) plus 0.40%-1.35% and provide a maximum amount of financing of $136,500. The RBC Facilities are collateralized by the new, used, and demo inventory financed by RBC and a general security agreement from the General Motors dealerships financed by RBC.

v Scotiabank provides floorplan financing for new, used and demo vehicles for three of the Company's dealerships (the "Scotiabank Facilities"). The Scotiabank Facilities bear interest rates of Scotia Fixed Flooring Rate (0.93% at December 31, 2015) plus 0.93%-1.70% and provide a maximum amount of financing of $50,400. The Scotiabank Facilities are collateralized by the new, used, and demo inventory financed by Scotiabank and a general security agreement from the Company's General Motors dealerships financed by Scotiabank.

vi On May 22, 2014 the Company completed a private offering of $150,000 5.625% Senior Unsecured Notes due May 25, 2021 (the "Notes"). The Notes were issued at par. Interest is payable semi-annually on May 15 and November 15 of each year the Notes are outstanding. In connection with the issuance of the Notes, the Company incurred issue costs of $3,638 which were recorded as a deduction from the carrying amount of the long-term debt. The proceeds from the Notes were used to repay the Company's revolving term facility. The Notes agreement contains certain redemption options whereby the Company can redeem all or part of the Notes at prices set forth in the agreement from proceeds of equity offering or following certain dates specified in the agreement. In addition, the Note holders have the right to require the Company to redeem the Notes or a portion thereof, at the redemption prices set forth in the agreement in the event of change in control or in the event certain asset sale proceeds are not re-invested in the time and manner specified in the agreement. These redemption features constitute embedded derivatives that are required to be separated from the 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.

vii On November 18, 2015, the Company amended the existing Credit Agreement with HSBC Bank Canada ("HSBC") Alberta Treasury Branches ("ATB"), and RBC, with HSBC acting as administrative agent to the Credit Agreement.

The revised Credit Agreement provides the Company with a $250,000 revolving operating facility that may be used for general corporate purposes, including repayment of existing indebtedness, funding working capital requirements, capital expenditures and financing acquisitions.

Fees and interest on borrowings under the Credit Agreement are subject to a pricing grid whereby the pricing level is determined by the leverage ratio. Based on the Company's Leverage Ratio, as defined by the Lender, the interest rate on the loan ranges from HSBC's prime rate plus 0.75% to HSBC's prime rate plus 2.00%. As at December 31, 2015, the Company is in the first of five tiers of the pricing grid, with the first tier providing interest rates of HSBC's prime rate plus 2.00% (4.70% at December 31, 2015). Amounts drawn under the Credit Agreement as at December 31, 2015 are due May 22, 2018 and may be extended annually for an additional 364 days at the request of the Company and upon approval by the lenders. The Credit Agreement is collateralized by all of the present and future assets of AutoCanada Holdings Inc., a subsidiary of AutoCanada Inc., and all of its subsidiaries. As part of a priority agreement signed by HSBC, Scotiabank, VCCI, BMW Financial, and the Company, the collateral for the Credit Agreement excludes all new, used and demo inventory financed with Scotiabank, VCCI, RBC and BMW Financial revolving floorplan facilities.

viii RBC provides financing for the lease vehicles of two of the Company's GM dealerships (the "RBC lease financing"). The RBC lease financing bear interest rates of RBC's Costs of Funds Rate (1.63% at December 31, 2015) plus 0.90% - 1.50% and provide a maximum amount of financing of $15,000 repayable over the terms of the contract in varying amounts of principal. The RBC lease financing are collateralized by the lease vehicles under the related lease agreements. The RBC lease financing is due on demand.

ix Scotiabank provides financing for the lease vehicles of two of the Company's dealerships (the "Scotiabank lease financing"). The Scotiabank lease financing bear interest rates of Scotiabank's Cost of Funds Rate plus 1.25% (3.78% at December 31, 2015) and provide a maximum amount of financing of $2,500 repayable over the terms of the contract in varying amounts of principal. The Scotiabank lease financing is collateralized by the lease vehicles under the related lease agreement.

x The Bank of Montreal ("BMO") provides financing for the lease vehicles of one of the Company's GM dealerships (the "BMO lease financing"). The BMO lease financing bear interest rates of BMO's Dealership Finance Base Rate plus 1.65% (2.93%-3.59%, depending on term, at December 31, 2015) and provides financing of $346 repayable over the terms of the contract in varying amounts of principal. The BMO lease financing is collateralized by a general security agreement, a standard fixed rate prepayment agreement, and a priority agreement with General Motors Acceptance Corporation and other secured lenders. The BMO lease financing is due on demand.

xi 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 installments 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 December 31, 2015, the carrying amount of the property was $9,204.

xii VCCI provides the Company with mortgages (the "VCCI Mortgages"), which bear interest at a floating rate of interest per annum equal to the Royal Bank of Canada's prime rate plus 0.15%-0.50% (2.85%-3.20% at December 31, 2015). The VCCI Mortgages are repayable with fifty-nine equal blended monthly payments of $27 amortized over a twenty year period with term expiring in between April 2019 and February 2020. The VCCI Mortgages have certain reporting requirements and financial covenants and are collateralized by a general security agreement consisting of a first fixed charge over the properties. At December 31, 2015, the carrying amount of the properties was $11,268.

xiii BMW Financial provides the Company with a mortgage (the "BMW Mortgage"), which bears a fixed rate of interest per annum of

3.80%. The BMW Mortgage is repayable with sixty equal blended monthly payments of $124, amortized over a twenty year period with term expiring on December 31, 2019. The BMW Mortgage has certain reporting requirements and is collateralized by the property and any other present and future property, rights and assets, movable or immovable, and a general security agreement consisting of a first fixed charge over the property. At December 31, 2015, the carrying amount of the property was $31,023.

29 Vehicle repurchase obligations

The Company provides a corporate fleet customer with vehicles for individual terms not to exceed six months, at which time the Company has an obligation to repurchase each vehicle at a predetermined amount. The Company has determined that the transactions shall be treated as operating leases, whereby the Company acts as lessor. As a result, the Company has recorded the contractual repurchase amounts as outstanding vehicle repurchase obligations and have classified the liability as current due to the short term nature of the instruments.

30 Commitments and contingencies

Commitments

The Company has operating lease commitments, with varying terms through 2037, to lease premises used for business purposes. The Company leases certain lands and buildings used in its franchised automobile dealership operations from related parties (Note 34) and other third parties. The future aggregate minimum lease payments under non-cancelable operating leases are as follows:

	December 31, 2015 $
2016	20,012
2017	18,723
2018	16,232
2019	14,233
2020	12,279
Thereafter	134,015
	215,494

Lawsuits and legal claims

The Company's operations are subject to federal, provincial and local environmental laws and regulations in Canada. While the Company has not identified any costs likely to be incurred in the next several years, based on known information for environmental matters, the Company's ongoing efforts to identify potential environmental concerns in connection with the properties it leases may result in the identification of additional environmental costs and liabilities. The magnitude of such additional liabilities and the costs of complying with environmental laws or remediating contamination cannot be reasonably estimated at the balance sheet date due to lack of technical information, absence of third party claims, the potential for new or revised laws and regulations and the ability to recover costs from any third parties. Thus the likelihood of any such costs or whether such costs would be material cannot be determined at this time.

In addition to the matters described above, 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, including those described above, 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.

Letters of guarantee

The Company has outstanding letters of guarantee totaling $1,015 as at December 31, 2015 (2014 - $470) with various due dates. The Company will settle obligations as they arise for which these letters have been issued as security and it is not the Company's intent that draws will be made on these letters.

Capital Commitments

At December 31, 2015, the Company is committed to capital expenditure obligations in the amount of $35,484 (2014 - 39,691).

31 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 years ended:

	2015 Number of RSUs	2015 Amount $	2014 Number of RSUs	2014 Amount $
Outstanding, beginning of the year	84,772	3,772	107,680	4,941
Settled – equity	(31,558)	(1,211)	(26,222)	(1,345)
Settled – cash	(21,039)	(808)	(22,026)	(1,106)
Granted	30,452	1,302	23,823	1,207
Dividends reinvested	2,208	69	1,517	84
Impact of movements in share price	–	(1,558)	–	(9)
Outstanding, end of the year	64,835	1,566	84,772	3,772

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:

	2015 Number of DSUs	2015 Amount $	2014 Number of DSUs	2014 Amount $
Outstanding, beginning of the year	16,612	739	12,184	559
Settled	–	–	(838)	(37)
Granted	8,481	304	5,017	223
Dividends reinvested	566	19	249	11
Impact of movements in share price	–	(442)	–	(17)
Outstanding, end of the year	25,659	620	16,612	739

32 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 following table shows the common shares issued from January 1, 2015 to December 31, 2015:

		Number	$/share	Amount
Public offering[(a)]	December 14, 2015	2,950,000	25.50	72,702

(a) *Share issuance amount is net of issuance costs of $3,437 and future income tax on the issuance costs of $914.*

The following table shows the common shares issued from January 1, 2014 to December 31, 2014:

		Number	Deemed price per share	Amount
Acquisition of Prairie Auto Holdings Ltd. (Note 15)	March 10, 2014	205,000	44.26	9,073
Acquisition of Hyatt Group (Note 13)	July 1, 2014	18,753	79.99	1,500
Public offering[(b)]	July 11, 2014	2,565,000	78.00	193,082
		2,788,753	–	203,655

(b) *Share issuance amount is net of issuance costs of $8,808 and future income tax on the issuance costs of $1,820.*

Restricted Share Unit Trust

A trust ("Trust") was formed to hedge the risk of future share price increases from the time the RSUs and DSUs (see Note 31) are granted to when they are fully vested and can be exercised. The beneficiaries of the Trust are members of the Executive and Senior Management Team who participate in the long-term incentive compensation plan called the RSU Plan and independent members of the Board of Directors who participate in the DSU Plan. Under the Trust Agreement, the third party trustee will administer the distribution of cash and shares to the beneficiaries upon vesting, as directed by the Company. Dividends earned during the twelve month period ended December 31, 2015 on the shares held in trust of $89 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 December 31, 2015. As the Company controls the Trust, it has included the Trust in its consolidated financial statements for the year ended December 31, 2015.

The following table shows the change in shareholders' capital:

	2015 Number	2015 Amount $	2014 Number	2014 Amount $
Outstanding, beginning of the year	24,409,656	434,572	21,638,089	232,938
Common shares issued	2,950,000	72,702	2,788,753	203,655
Treasury shares acquired	–	–	(41,833)	(2,687)
Dividends reinvested	(2,463)	(89)	(1,574)	(89)
Treasury shares settled	31,557	1,052	26,221	755
Outstanding, end of the year	27,388,750	508,237	24,409,656	434,572

As at December 31, 2015, 70,933 (2014 – 100,027) common shares were held in trust for the Restricted Share Unit Plan, resulting in a total of 27,459,683 (2014 – 24,509,683) common shares issued.

Dividends

Dividends are discretionary and are determined based on a number of factors. Dividends are subject to approval of the Board of Directors. During the year ended December 31, 2015, eligible dividends totaling $1.00 per common share were declared and paid, resulting in total payments of $24,432 (2014 – $21,745).

Earnings per share

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

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

	2015 $	**2014 $**
Earnings attributable to common shares	22,821	53,132

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

	2015	**2014**
Basic	24,574,022	23,018,588
Adjustment for RSUs	100,061	120,815
Diluted	24,674,083	23,139,403

33 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 maximize the growth of the business, returns to shareholders, and benefits for other stakeholders. No specific targets or ratios are set by the Company. The Company views its capital as the combination of long-term indebtedness, long-term lease obligations and equity.

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

	December 31, 2015 $	**December 31, 2014 $**
Long-term indebtedness (Note 28)	285,759	223,009
Equity	510,029	436,456
	795,788	659,465

The Company manages its capital structure in accordance with changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may assume additional debt, refinance existing debt with different characteristics, sell assets to reduce debt, issue new shares or adjust the amount of dividends paid to its shareholders. The Company was in compliance with its debt covenants at December 31, 2015.

34 Related party transactions

Transactions with Companies Controlled by the Executive Chair of AutoCanada

During the year ended December 31, 2015, the Company had financial transactions with entities controlled by the Company's Executive Chair. Priestner is the controlling shareholder of Canada One Auto Company ("COAG") and its subsidiaries, which beneficially own approximately 8.6% of the Company's shares. In addition to COAG, Priestner is the controlling shareholder of other companies from 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 significant transactions between AutoCanada and companies controlled by Priestner are approved by the Company's independent members of the Board of Directors.

a Rent paid to companies with common directors

During the year ended December 31, 2015, total rent paid to companies controlled by Priestner amounted to $2,846 (2014 – $2,853). The Company currently leases two of its 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 at inception.

b Administrative support fees

During the year ended December 31, 2015, total administrative support fees received from companies controlled by Priestner amount to $977 (2014 – $848).

c Loans to related parties

During the year ended December 31, 2015, an interest only, unsecured loan of $8,421 was made to a company controlled by Priestner. The loan is due on November 30, 2035, can be prepaid at any time, and carries interest at a variable rate (2015 – 5%). The interest rate on the loan is adjusted annually by way of mutual agreement and is intended to approximate a market rate of interest available under an arms-length agreement. The loan agreement also provides licensing fees to the Company benchmarked to approximate a total return to the Company equal to 80% of PPH's net income. Total interest charged relating to the loan was $35 and the total licensing fee was $14. As at December 31, 2015 there was $35 interest receivable and $14 of licensing fees receivable related to the loan. (See Note 16)

Commitments with Companies controlled by the Executive Chair of AutoCanada

The Company has operating lease commitments, with varying terms through 2029, to lease the lands and buildings used in certain of its franchised automobile dealerships from COAG, a Company controlled by Priestner. The future aggregate minimum lease payments under non-cancelable operating leases with COAG are as follows:

	December 31, 2015 $
2016	2,458
2017	2,458
2018	2,458
2019	2,458
2020	2,458
Thereafter	20,261
	32,551

Key management personnel compensation

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

	2015 $	2014 $
Employee costs (including Directors)	3,106	4,451
Short-term employee benefits	222	209
Share-based payments	1,997	1,181
	5,325	5,841

Payable to related parties

Included in trade and other payables at December 31, 2015 is $465 (December 31, 2014 – $2,327) payable to non-controlling interests. Theses amounts are unsecured and non interest bearing.

35 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, vehicle repurchase obligations 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 years ended:

	December 31, 2015 $	December 31, 2014 $
Trade and other receivables	1,939	(2,735)
Inventories	(3,584)	(45,065)
Finance lease receivables	3,271	(4,587)
Other current assets	(1,761)	(1,317)
Trade and other payables	3,959	8,179
Vehicle repurchase obligations	307	126
Revolving floorplan facilities	(2,867)	49,738
	1,264	4,339

36 Fair value of financial instruments

The Company's financial instruments at December 31, 2015 are represented by cash and cash equivalents, trade and other receivables, loan to associate, finance lease receivables, trade and other payables, revolving floorplan facilities, vehicle repurchase obligations, long-term indebtedness and redemption liabilities.

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

The long-term indebtedness has a carrying value that approximates the fair value due to the floating rate nature of the debt, While there is a portion that has a fixed rate, the long-term indebtedness has a carrying value that is not materially different from its fair value. Senior unsecured notes have a fair value that is different than the carry value, refer to Note 25.

Embedded derivatives (Level 2) and redemption liabilities (Level 3) are remeasured at fair value each reporting period with the gain or loss being recognized through profit or loss.

The fair value of the loan to associate is estimated by discounting the future cash flows associated with the debt at market interest rates. (Level 3)

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

The fair value hierarchy categorizes fair value measurement into three levels based upon the inputs to valuation technique, which are defined as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

There were no transfers between the levels of the fair value hierarchy during the year.

	Redemption Liabilities $	Contingent Consideration $	Loan to Associate $	Total $
Opening balance January 1, 2014	–	–	–	–
Acquisitions (Note 13)	(8,687)	(2,353)	–	(11,040)
Business combination under common control (Note 14)	(33,111)	–	–	(33,111)
Closing balance December 31, 2014	(41,798)	(2,353)	–	(44,151)
Acquisitions (Note 13)	(1,102)	(5,416)	–	(6,518)
Loan to associate (Note 16)	–	–	8,421	8,421
Gain (loss) recognised in net income	(4,329)	(149)	49	(4,429)
Closing balance December 31, 2015	(47,229)	(7,918)	8,470	(46,677)

Loan to associate

Loan to associate are carried at amortized cost using the effective interest method and is categorized as Level 3 in the fair value hierarchy. At inception of the instrument the effective interest rate is calculated using an estimate of future cash flows. In each subsequent period the carrying value is recalculated by taking the revised expected future cash flows discounted using the effective interest rate. The resulting adjustment to the carrying amount is recorded within income from loan to associate in operating profit. The fair value of the loan is calculated by taking the expected future cash flows discounted using the market rate for the instrument.

The carrying value of the loan to associate at December 31, 2015, is $8,470 and the fair value of the loan to associate at December 31, 2015 is $8,470.

The significant unobservable input in the Level 3 valuation under the discounted cash flow method are the cash flows which are tied to both the base interest rate as well as the related licensing fees. The licensing fees are determined based on gross margins of the associate. The expected gross margins of the associate are supported by historical margins, existing contracts, brand market performance and other factors affecting the operations of the associate.

37 Subsequent events

Dividends

On February 19, 2016, the Board of Directors of the Company declared a quarterly eligible dividend of $0.25 per common share on the Company's outstanding Class A common shares, payable on March 15, 2016 to shareholders of record at the close of business on February 29, 2016.

Dealership divestiture

On February 25, 2016, the Company sold the operating assets of its Newmarket Infiniti Nissan dealership located in Newmarket, Ontario. Net cash proceeds of $11,262 resulted in a pre-tax gain on divestiture of $4,359. The break-down of the transaction was as follows:

Property, plant and equipment	4,832
Trade and other receivables	76
Inventory	9,858
Intangible assets	2,053
Total Assets	16,819
Trade and other payables	165
Revolving floorplan facilities	9,751
Total Liabilities	9,916
Net assets disposed of	6,903
Net proceeds on divestiture	11,262
Net gain on divestiture	4,359

CORPORATE INFORMATION

Shareholder Information

AutoCanada Inc.

Senior Management

Patrick Priestner,
Chair

Steven Landry,
Chief Executive Officer

Thomas Orysiuk,
President

Stephen Rose,
Chief Operating Officer

Christopher Burrows,
Chief Financial Officer

Erin Oor,
Vice-President Corporate Development and Administration

Board of Directors

Gordon Barefoot – Lead Director

Michael Ross

Dennis DesRosiers

Barry James

Maryann Keller

Patrick Priestner

Steven Landry

Thomas Orysiuk

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Auditors

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Legal Counsel

Borden Ladner Gervais LLP
Calgary, Alberta

Shares Listed

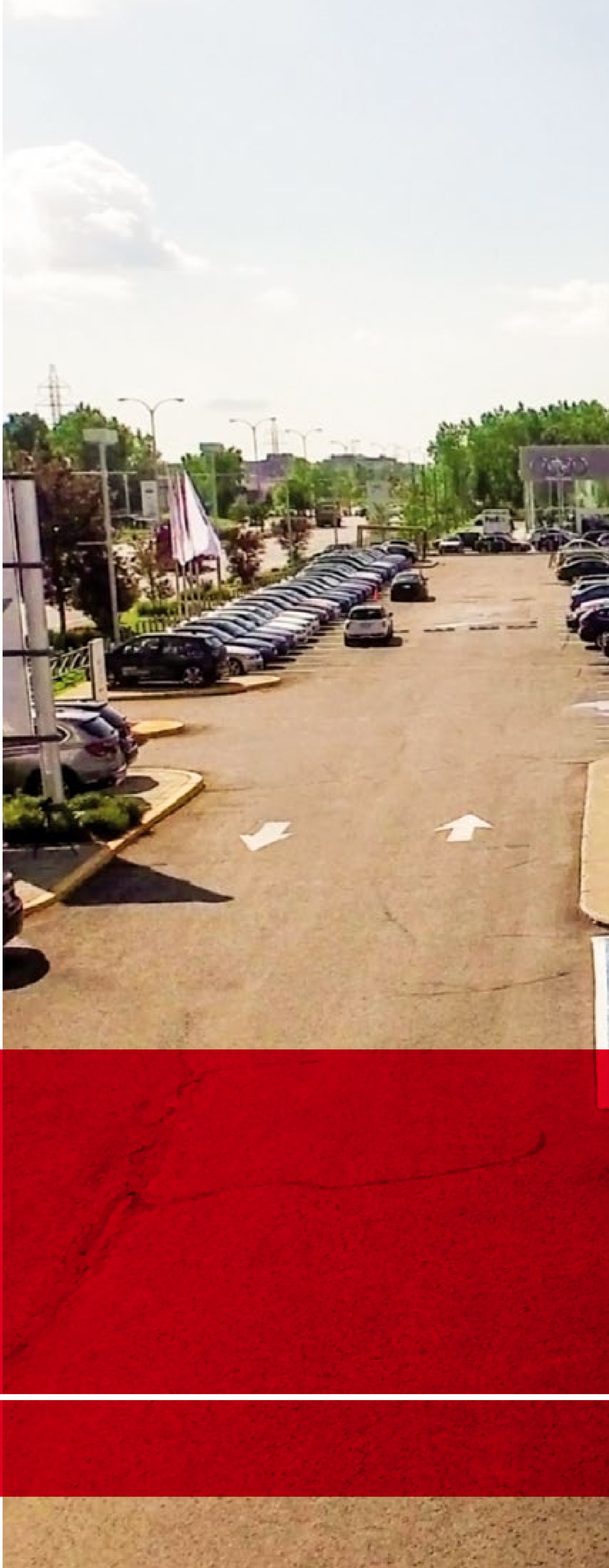
Toronto Stock Exchange
Trading Symbol: ACQ

Transfer Agent

Computershare

Annual General Meeting

Friday May 6, 2016
10:00 a.m. Mountain Time
Hilton Doubletree West Edmonton Hotel
Room SBCC5
16615-109 Avenue
Edmonton, Alberta



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