Consolidated Financial Statements of

CERVUS EQUIPMENT CORPORATION

For the years ended December 31, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Cervus Equipment Corporation

Opinion

We have audited the consolidated financial statements of Cervus Equipment Corporation, (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2018 and 2017
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2018 Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

Information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2018 Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

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Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

The engagement partner on the audit resulting in this auditors' report is Shane Doig.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
March 14, 2019

CERVUS EQUIPMENT CORPORATION
Consolidated Statements of Financial Position
As at December 31, 2018 and 2017

($ thousands)	Note	December 31, 2018	December 31, 2017
Assets			
Current assets			
Cash and cash equivalents		**$ 6,106**	$ 14,502
Trade and other accounts receivable	6	**71,969**	53,529
Inventories	7	**330,627**	290,524
Assets held for sale	8	**-**	26,280
Total current assets		**408,702**	384,835
Non-current assets			
Other long-term assets	9	**9,375**	8,423
Property and equipment	10	**58,328**	62,175
Intangible assets	11	**42,640**	39,742
Goodwill	11	**21,624**	18,880
Total non-current assets		**131,967**	129,220
Total assets		**$ 540,669**	$ 514,055
Liabilities			
Current liabilities			
Trade and other liabilities	12	**$ 82,122**	$ 87,317
Floor plan payables	13	**157,615**	125,573
Current portion of term debt	13	**13,964**	11,122
Liabilities directly associated with assets held for sale	8	**-**	12,250
Total current liabilities		**253,701**	236,262
Non-current liabilities			
Term debt	13	**25,123**	32,170
Finance lease obligation	14	**7,501**	10,416
Deferred income tax liability	15	**8,843**	9,954
Total non-current liabilities		**41,467**	52,540
Total liabilities		**295,168**	288,802
Equity			
Shareholders' capital	17	**86,540**	88,163
Deferred share plan	21	**8,693**	7,455
Other reserves		**5,195**	5,195
Accumulated other comprehensive (loss) income		**506**	191
Retained earnings		**144,567**	124,249
Total equity		**245,501**	225,253
Total liabilities and equity		**$ 540,669**	$ 514,055

Approved by the Board:
"Peter Lacey" Director "Angela Lekatsas" Director

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

CERVUS EQUIPMENT CORPORATION
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2018 and 2017

($ thousands)	Note	2018	2017
Revenue			
Equipment sales		**$ 1,041,835**	$ 911,781
Parts		**206,128**	208,863
Service		**86,502**	84,464
Rentals		**15,572**	16,177
Total revenue		**1,350,037**	1,221,285
Cost of sales		**(1,138,517)**	(1,011,857)
Gross profit		**211,520**	209,428
Other income	19	**3,443**	1,112
Selling, general and administrative expense	20	**(173,045)**	(176,199)
Income from operating activities		**41,918**	34,341
Finance income		**854**	484
Finance costs		**(6,352)**	(5,863)
Net finance costs	22	**(5,498)**	(5,379)
Share of profit of equity accounted investees, net of income tax		**124**	(4)
Income before income tax expense		**36,544**	28,958
Income tax expense	15	**(9,965)**	(9,046)
Income for the year		**26,579**	19,912
Other comprehensive income:			
Foreign currency translation differences for foreign operations, net of tax		**315**	(1,028)
Total comprehensive income for the year		**26,894**	18,884
Income attributable to:			
Shareholders of the Company		**26,579**	19,917
Non-controlling interest		**-**	(5)
Income for the year		**26,579**	19,912
Total comprehensive income attributable to:			
Shareholders of the Company		**26,894**	18,889
Non-controlling interest		**-**	(5)
Total comprehensive income for the year		**$ 26,894**	$ 18,884
Net income per share attributable to shareholders of the Company:			
Basic	23	**$** 1.70	$ 1.27
Diluted	23	**$** 1.62	$ 1.20

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

CERVUS EQUIPMENT CORPORATION

Consolidated Statements of Changes in Equity

For the Years Ended December 31, 2018 and 2017

Attributable to Equity Holders of the Company										
($ thousands)	Note	Share capital	Deferred share plan	Other reserves	Cumulative translation account	Retained earnings	Total	Non-controlling interest	Total equity
Balance December 31, 2016		**$ 89,863**	**$ 7,520**	**$ 5,195**	**$ 1,219**	**$ 108,731**	**$ 212,528**	**$ 1,311**	**$ 213,839**
Comprehensive income for the year									
Profit		-	-	-	-	19,917	19,917	(5)	19,912
Other comprehensive income									
Foreign currency translation adjustments, net of tax		-	-	-	(1,028)	-	(1,028)	-	(1,028)
Total comprehensive income for the year		-	-	-	(1,028)	19,917	18,889	(5)	18,884
Transactions with owners, recorded directly in equity									
Dividends to equity holders		-	-	-	-	(4,399)	(4,399)	(1,306)	(5,705)
Shares issued through DRIP		778	-	-	-	-	778	-	778
Shares issued through deferred share plan		757	(757)	-	-	-	-	-	-
Share-based payment transactions		-	692	-	-	-	692	-	692
Common shares repurchased		(3,235)	-	-	-	-	(3,235)	-	(3,235)
Transactions with owners		(1,700)	(65)	-	-	(4,399)	(6,164)	(1,306)	(7,470)
Balance December 31, 2017		**$ 88,163**	**$ 7,455**	**$ 5,195**	**$ 191**	**$ 124,249**	**$ 225,253**	**- $**	**225,253**
Comprehensive income for the year									
Profit		-	-	-	-	26,579	26,579	-	26,579
Other comprehensive income									
Foreign currency translation adjustments, net of tax		-	-	-	315	-	315	-	315
Total comprehensive income for the year		-	-	-	315	26,579	26,894	-	26,894
Transactions with owners, recorded directly in equity									
Dividends to equity holders	17	-	-	-	-	(6,261)	(6,261)	-	(6,261)
Shares issued through DRIP	17	710	-	-	-	-	710	-	710
Shares issued through deferred share plan	17	276	(276)	-	-	-	-	-	-
Share-based payment transactions	21	-	1,514	-	-	-	1,514	-	1,514
Common shares repurchased	17	(2,609)	-	-	-	-	(2,609)	-	(2,609)
Transactions with owners		(1,623)	1,238	-	-	(6,261)	(6,646)	-	(6,646)
Balance December 31, 2018		**$ 86,540**	**$ 8,693**	**$ 5,195**	**$ 506**	**$ 144,567**	**$ 245,501**	**- $**	**245,501**

CERVUS EQUIPMENT CORPORATION
Consolidated Statement of Cash Flows
For the years ended December 31, 2018 and 2017

($ thousands)	Note	2018	2017
Income for the year		**$ 26,579**	$ 19,912
Adjustments for:			
Income tax expense	15	**9,965**	9,046
Depreciation	10	**10,856**	12,355
Amortization of intangibles	11	**4,255**	5,302
Equity-settled share-based payment transactions		**1,514**	692
Net finance costs	22	**6,661**	6,805
Unrealized foreign exchange loss (gain)	19	**1,199**	(890)
Non-cash write-down of inventories	7	**11,513**	5,624
(Gain) on sale of property and equipment	19	**(644)**	(1,680)
(Gain) on sale of Commercial operations	8	**(480)**	-
(Gain) on de-recognition of Rosthern capital assets	19	**(765)**	-
Share of (profit) of equity accounted investees, net of tax		**(124)**	4
Distributions from equity investments		**-**	148
Change in non-cash working capital	25	**(38,874)**	(6,264)
Cash generated from operating activities		**31,655**	51,054
Cash taxes paid		**(11,454)**	(10,593)
Interest paid		**(7,512)**	(6,868)
Net cash provided from operating activities		**12,689**	33,593
Cash flows from investing activities			
Interest received		**854**	484
Business acquisitions (net of cash received)	5	**(12,595)**	-
Purchase of property and equipment	10	**(12,854)**	(8,181)
Payments for intangible assets	11	**(622)**	(451)
Insurance proceeds for property and equipment		**1,971**	-
Proceeds from disposal of property and equipment		**4,911**	10,604
Proceeds from sale of Commercial operations	8	**14,218**	-
Proceeds from dissolution of Deerstar Systems Inc.		**-**	1,179
Net cash (used in) provided from investing activities		**(4,117)**	3,635
Cash flows from financing activities			
Net (repayments) proceeds of term debt		**(4,355)**	7,692
Dividends paid	17	**(5,093)**	(3,626)
Payment of finance lease liabilities		**(5,249)**	(4,373)
(Payment) receipt of deposits with manufacturers		**(447)**	521
Repayment of debenture payable		**-**	(34,500)
Purchase of common shares	17	**(2,609)**	(3,235)
Net cash (used in) financing activities		**(17,753)**	(37,521)
Net decrease in cash and cash equivalents		**(9,181)**	(293)
Effect of foreign currency translation on cash		**785**	253
Cash and cash equivalents, beginning of year		**14,502**	14,542
Cash and cash equivalents, end of year		**$ 6,106**	$ 14,502

1. Reporting Entity

Cervus Equipment Corporation ("Cervus" or the "Company") is an incorporated entity under the Canada Business Corporations Act and is domiciled in Canada. The registered office of the Company is situated at 5201 – 333, 96th Avenue N.E., Calgary, Alberta, Canada, T3K 0S3. The consolidated financial statements of the Company as at and for the year ended December 31, 2018, comprise the Company and its subsidiaries ("the Group"). The Company is primarily involved in the sale, after-sale service and maintenance of agricultural, transportation, and industrial equipment. The Company also provides equipment rental, primarily in the transportation, and industrial equipment segments. The Company wholly owns and operates 63 dealerships in Canada, New Zealand, and Australia. The primary equipment brands represented by Cervus include John Deere agricultural equipment; Peterbilt transportation equipment; and Clark, Sellick, Doosan, JLG, and Baumann material handling equipment. The common shares of Cervus are listed on the Toronto Stock Exchange and trade under the symbol "CERV".

2. Basis of Preparation

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB").

The Board of Directors authorized the issue of these consolidated financial statements on March 14, 2019.

Basis of Measurement

The consolidated financial statements have been prepared under a going concern assumption on a historical cost basis, with the exception of items that IFRS requires to be measured at fair value.

Presentation Currency

These consolidated financial statements are presented in Canadian dollars. All financial information has been rounded to the nearest thousand except for per share amounts.

Basis of Consolidation

These consolidated financial statements include the accounts of the parent company Cervus Equipment Corporation and its subsidiaries, all of which are wholly owned.

Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

2. Basis of Preparation (continued)

Details of the Company's subsidiaries at December 31, 2018 and December 31, 2017 are as follows:

Proportion of Ownership Interest and Voting Power Held	2018	2017
Cervus AG Equipment LP	**100%**	100%
Cervus AG Equipment Ltd	**100%**	100%
Evergreen Equipment Ltd.	**100%**	100%
Cervus Collision Center LP	**100%**	100%
Cervus Contractors Equipment LP	**100%**	100%
Cervus Contractors Equipment Ltd	**100%**	100%
Cervus Equipment NZ Ltd.	**100%**	100%
101169185 Saskatchewan Ltd	**100%**	100%
520781 Alberta Ltd	**100%**	100%
Cervus Equipment Holdings Australia Pty Ltd.	**100%**	100%
Cervus Equipment Australia Pty Ltd.	**100%**	100%

Use of Judgements and Estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, revenues and expenses. By their very nature, estimates may differ from actual future results and the impact of such changes could be material.

Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions to accounting estimates recognized prospectively.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in these consolidated financial statements are:

- Classification of a lease arrangement as an operating or finance lease; judgement is required to determine whether substantially all of the significant risks and rewards of ownership are transferred to the customer or remain with the Company; or where the Company is the lessee, whether substantially all the significant risks and rewards of ownership are transferred to the Company or remain with the lessor. (Note 14 & 24)
- Impairment tests; judgement is used in identifying impairment triggers and the cash generating unit or group of cash generating units at which goodwill, intangible assets, and property and equipment are monitored for internal management purposes and identifying an appropriate discount rate for these calculations. (Note 11)

Assumptions and Estimation Uncertainties

Information about assumptions and estimation uncertainties which could have a significant effect on the carrying amounts of assets and liabilities within the next fiscal year are included in the following notes:

- Recoverability of inventories and key assumptions regarding the net realizable value of inventory. (Note 7)
  Impairment tests (including intangible assets and goodwill); estimates on key assumptions related to the future operating results and cash generating ability of the assets. (Note 11)

2. Basis of Preparation (continued)

- Depreciation and amortization expense; assumptions on the useful lives of property and equipment and intangible assets. (Note 10 and 11)

Determination of Fair Values

A number of the group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods outlined below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, Plant and Equipment

The fair value of property, plant and equipment recognized as a result of a business combination or when determined in an impairment test is the estimated amount for which a property could be exchanged on the measurement date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

Intangible Assets

The fair value of dealership distribution agreements and trade names acquired in a business combination is based on the incremental discounted estimated cash flows realized post acquisition, or expenditures avoided, as a result of owning the intangible assets. The fair value of customer lists acquired in a business combination is determined using income-based approaches, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows. The fair value of other intangible assets including non-competition agreements is based on the discounted cash flows expected to be derived from the use and any residual value of the assets.

Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and costs related to sale of the inventories

Trade and Other Receivables

The fair value of trade and other receivables is estimated at the present value of the future cash flows, discounted at the market rate of interest at the reporting date. The fair value is determined for disclosure purposes or when such assets are acquired in a business combination.

Other Non-Derivative Financial Liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Derivative Financial Instruments

The fair value of foreign currency derivative financial instruments is calculated based on a market comparison technique. The fair value is based on similar contracts in an active market and based on quotes using the prevailing foreign exchange translation rate from the Bank of Canada or similar sources.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently by all the Group's entities and to all years presented in these consolidated financial statements.

Business Segments

The Company operates three distinct business segments: Agricultural, Transportation and Industrial, based on the industry which they serve. These segments are managed separately and strategic decisions are made on the basis of their respective operating results.

The Agricultural equipment segment consists of John Deere dealership locations in Alberta, Saskatchewan, British Columbia, New Zealand, and Australia. The Transportation equipment segment consists of Peterbilt dealership locations in Saskatchewan and Ontario. The Industrial equipment segment consists of Clark, Sellick, Doosan, and JLG dealership locations in Alberta, Saskatchewan, and Manitoba.

Each of these business segment operations are supported by a single corporate head office. Certain corporate head office expenses are allocated to the business segments according to both specific identification and metrics to estimate usage. The corporate head office also incurs certain costs which are not considered directly related to store level operations, such as interest cost on general corporate borrowings, corporate personnel costs, and public company costs. These corporate costs are allocated to the segments based on the gross profit of the segments.

Business Combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities and contingent liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Transaction costs are expensed as incurred. Goodwill arising on acquisitions is recognized as an asset and initially measured at cost, being the excess of the consideration of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

Foreign Currency Translation

Foreign Currency Transactions

The individual financial statements of each subsidiary are stated in the currency of the primary economic environment in which it operates (its functional currency). Transactions in currencies other than companies' functional currency are recorded at the rate of exchange at the date of the transaction. At the statement of financial position date, monetary assets and liabilities denominated in a currency other than subsidiaries' functional currency, are translated into the subsidiaries' functional currency at the rates of exchange prevailing at that date. Foreign currency differences are recognized in profit or loss.

Foreign Operations

For the purpose of presenting consolidated financial statements, the results of entities denominated in currencies other than Canadian dollars are translated at the average rate of exchange for the period and their assets and liabilities at the rates in effect at the statement of financial position date. Foreign exchange differences are recognized in other comprehensive income and accumulated in the cumulative translation account.

3. Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks, and short-term deposits with original maturities of three months or less.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the specific identification method for new and used equipment, average cost for parts and a specific job basis for work-in-progress. Net realizable value approximates the estimated selling price less all estimated cost of completion and necessary cost to complete the sale. Previous write-downs of inventory are reversed when economic changes support an increased value. Where a previous write-down is reversed, the reversal is limited to the amount of the original write-down, so that the new carrying amount is the lower of the cost and the revised net realizable value.

Property and Equipment

Items of property and equipment are recorded at cost, less any accumulated depreciation and accumulated impairment losses. Properties under construction are measured at cost less any accumulated impairment. Assets are moved from the construction phase and begin depreciation when the asset is available for use. Assets under finance leases are measured initially at an amount equal to the lower of their fair value and the present value of minimum lease payments.

Any gain or loss arising on the disposal or retirement of an item of property and equipment is recognized in profit or loss.

Depreciation is provided for using both the declining balance and straight-line methods at annual rates intended to depreciate the cost of each significant component of an asset, less its residual values over its estimated useful lives. Assets under finance leases are depreciated on the same basis as owned assets, or where shorter, the term of the lease. Land is not depreciated.

The estimated useful lives, residual values and depreciation methods are reviewed at each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The following methods and rates are used in the calculation of depreciation:

Assets	Method	Estimated Useful Life
Buildings	Straight-line	15 to 40 years
Leasehold improvements	Straight-line	Over period of lease
Short-term rental equipment	Straight-line	5 to 10 years
Automotive and trucks and computers	Declining balance	30%
Furniture and fixtures, parts and shop equipment	Declining balance	20%

3. Significant Accounting Policies (continued)

Intangible Assets

Intangible Assets

Intangible assets include software, dealership distribution agreements, customer lists and non-competition agreements and are recorded at cost less accumulated amortization and any accumulated impairment losses. Software costs under development are measured at cost less any accumulated impairment, software moves from the development phase and amortization commences when the asset is available for use.

Costs of internally generated intangible assets are capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to complete development to use the asset. Otherwise, it is recognized in profit or loss as incurred.

The estimated useful life and amortization method are reviewed at the end of each period, with the effect of any changes in estimate being accounted for on a prospective basis.

The following are the typical useful lives that are used in the calculation of amortization for each intangible asset.

Dealership distribution agreements	20 years
Customer lists and non-competition agreements	5 years
Software costs	5 years

Goodwill

Goodwill is the excess of the consideration of a business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. Goodwill is measured at cost less accumulated impairment.

3. Significant Accounting Policies (continued)

Assets Held for Sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale when it is highly probable that an asset or disposal group in its present condition will be recovered principally through sale instead of its continued use. Assets held for sale are measured at the lower of the carrying amount and fair value less costs to sell. Once classified as held-for-sale, plant and equipment are no longer depreciated.

Lease Arrangements

At the inception of an arrangement, the Company considers whether the arrangement, is or contains, a lease. The Company must determine whether the fulfilment of the arrangement is dependent on the use of a specific asset and if the arrangement conveys the right to use the asset. Where it is determined that the arrangement contains a lease, the Company classifies the lease as either an operating or finance lease dependent on whether substantially all of the risks or rewards of ownership of the asset have been transferred.

a) The Company as the Lessee

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

At the inception of a finance lease, the asset and finance lease liability is recorded at the lower of its fair value and the present value of minimum lease payments. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense 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) The Company as the Lessor

An operating lease effectively establishes that the lessor shall retain the rewards and associated risks of ownership of that asset for a period of time or use. Where the Company's equipment rentals and leases to customers are classified as operating leases, the payments received are included in revenue on a straight-line basis over the term of the lease.

Revenue related to lease arrangements accounted for as finance leases are recognized using an approach for a constant rate of return on the net investment in the lease. The net investment in the finance lease is the aggregate of net minimum lease payments and unearned finance income discounted at the interest rate implicit in the lease. Unearned finance income is deferred and recognized in net income over the lease term.

3. Significant Accounting Policies (continued)

Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax. Current income taxes are recorded based on the estimated income taxes payable on taxable income for the year and any adjustment to tax payable in respect of previous years. The Company's liability for current tax is calculated using tax rates that have been substantively enacted by the end of the reporting period.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognized if it is more likely than not to be realized. The effect of a change in tax rates on deferred income tax assets and liabilities is recorded in the period in which the change occurs.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and measured reliably.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities, including derivatives, are recognized on the consolidated statement of financial position at the time the Company becomes a party to the contractual provisions.

The Company adopted IFRS 9 Financial Instruments effective January 1, 2018. IFRS 9 relates to the accounting and presentation of financial instruments and applies a principal-based approach to the classification and measurement of financial assets and financial liabilities, including an expected credit loss model for calculating impairment, and includes new requirements for hedge accounting.

The adoption of IFRS 9 has not had a significant impact on the amounts reported in the financial statements.

Classification and Measurement of Financial Assets and Financial Liabilities

A financial asset is classified and is measured at: amortised cost; fair value through other comprehensive income (OCI); or fair value through profit or loss. The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

3. Significant Accounting Policies (continued)

Classification and Measurement of Financial Assets and Financial Liabilities (continued)

Trade receivables without a significant financing component are initially measured at the transaction price. Otherwise, a financial asset is initially measured at:

- Fair value; or
- Fair value, plus transaction costs that are directly attributable to its acquisition, for items not at fair value through profit or loss.

Subsequent measurement of financial assets is described below.

Financial assets at fair value through profit or loss	These assets are subsequently measured at fair value. Gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at fair value through OCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at fair value through OCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

For the Company, the effect of adopting IFRS 9 on the carrying amounts of financial assets at January 1, 2018 relates solely to the new impairment requirements, as described further below.

3. Significant Accounting Policies (continued)

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and liabilities as at January 1, 2018. There are no changes in the carrying amounts under IAS 39 and IFRS 9.

($ thousands)	Original Classification Under IAS 39	New Classification Under IFRS 9
Financial Assets		
Cash and cash equivalents	Loans and receivable	Amortised cost
Trade and other accounts receivable	Loans and receivable	Amortised cost
Derivative financial instruments	Held-for-trading	Fair value through profit and loss
Other investments	Available for sale	Fair value through profit and loss
Other long-term assets	Loans and receivable	Amortised cost
Finance lease receivables	Loans and receivable	Amortised cost
Financial Liabilities		
Trade and other liabilities	Other liabilities	Other liabilities
Floor plan payables	Other liabilities	Other liabilities
Term debt	Other liabilities	Other liabilities
Derivative financial liability	Held-for-trading	Held-for-trading
Finance lease obligation	Other liabilities	Other liabilities

Impairment

Financial Assets (Including Receivables)

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

ECLs are a probability weighted estimate of credit losses the Company expects to incur. Under the expected credit loss model, the Company calculates the allowance for credit losses by determining, on a discounted basis, the cash shortfalls it would incur in various probability-weighted default scenarios for prescribed future periods and multiplying these shortfalls by the probability of each scenario occurring. The allowance is the sum of these probability weighted outcomes.

Under IFRS 9, loss allowances are measured on either of the following bases:

a) *12-month expected credit losses:* These are expected credit losses that could result from possible default events within the 12 months after the reporting date; and

b) *Lifetime expected credit losses:* These are expected credit losses that could result from all possible default events over the expected life of a financial instrument.

3. Significant Accounting Policies (continued)
Impairment (continued)

Non-Financial Assets

Property and equipment, intangible assets and goodwill are reviewed at each reporting period to identify if there are indicators of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The carrying values of intangible assets and goodwill with indefinite lives must be tested at least annually. We have selected December 31st as our annual impairment test date, although impairment tests are conducted more frequently if indicators of impairment are present at dates other than December 31st.

When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. The CGU corresponds to the smallest identifiable group of assets whose continuing use generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The Company has determined that its CGUs comprise groups of stores which provide the same or similar product within a geographic market.

Goodwill acquired in a business combination is allocated to the CGU which it relates. Intangible assets with indefinite useful lives and assets held at the parent level are allocated to the CGU to which they relate.

Impairment losses are recognized in profit or loss. Any impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro rata based on the carrying amount of each asset in the CGU. An impairment loss is recognized when the carrying amount of an asset, or of the CGU to which it belongs, exceeds the recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Reversals of Previously Recognized Impairments

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3. Significant Accounting Policies (continued)

Revenue Recognition

The Company adopted IFRS 15 Revenue from Contracts with Customers effective January 1, 2018. Revenue from Contracts with Customers, was issued in May 2014 and replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services.

The Company has adopted IFRS 15 using the cumulative effective method (without practical expedients), with the effect of initially applying this standard recognized at the date of initial application (i.e. January 1, 2018). Accordingly, the information presented for 2017 has not been restated.

The application of IFRS 15 has not had any significant impact on the recognition of revenue in 2018.

Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control, whether at a point in time or over time, requires judgment.

Type of product/ service	**Nature, timing and satisfaction of performance obligations, significant payment terms**
Equipment Revenue	Revenue is recognized when the customer obtains control of the equipment product. Revenue is not recognized before there are indicators that control has passed, including the customer having: a present obligation to pay, physical possession or legal title, risks and rewards of ownership and accepted the asset. The Company considers a customer has accepted the asset and risks and rewards of ownership when delivery has occurred, required deposits have been received, and a formal contract is signed. For bill-and-hold arrangements, revenue is recognized before delivery when the customer obtains control of the equipment, and Cervus has received payment. Control is transferred to the customer when the reason for the bill-and-hold arrangement is substantive, the Company cannot sell the equipment to another customer, the equipment can be identified separately and is ready for physical transfer to the customer. Invoices are usually payable when financing has been agreed upon along with the signed bill of sale, or within 30 days from the invoice date.
Parts Revenue	Parts revenue is recognized when the customer receives the part. Payment is due upon receipt of the invoice, or net 30 days from the invoice date for the Industrial segment.
Service Revenue	Service revenue is recognized upon completion of the service work. Payment is due upon receipt of the invoice, or net 30 days from the invoice date for the Industrial segment.
Rentals and Operating Lease Revenue	Rentals and operating lease revenue are recorded at the time the service is provided, recognized evenly over the term of the rental or lease agreement with the customer. Payment is due when the rental contract is signed at the beginning of each month, and within 30 days for the Industrial segment.

3. Significant Accounting Policies (continued)

Finance Income and Finance Costs

Finance income comprises interest income on funds invested.

Finance costs comprise interest expense on borrowings and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the construction, acquisition or production of a qualifying asset are recognized in profit or loss as incurred.

Changes in the fair value of financial assets at fair value through profit or loss are included in Other Income or Loss.

Per Share Amounts

Basic per share amounts are computed by dividing earnings (loss) by the weighted average number of shares outstanding for the period. Diluted earnings per share are calculated giving effect to the potential dilution that would occur if share options or other dilutive instruments were exercised or converted to shares. The treasury stock method is used to determine the dilutive effect of share options and other similar dilutive instruments. This method assumes that any proceeds upon the exercise or conversion of dilutive instruments, for which market prices exceed exercise price, would be used to purchase shares at the average market price of the shares during the period. Diluted earnings per share may include the number of shares that were issuable on conversion of the debentures, if determined to be dilutive. The net earnings are adjusted for the after-tax interest expense that would not have been incurred had the debentures been converted at the beginning of the period.

Short-Term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Share-Based Payment Transactions

The grant date fair value as determined by the Black-Scholes model for share option awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. Amounts for share option payment transactions are recognized in contributed surplus as they vest, which is captured in other reserves.

4. Standards Issued But Not Yet Effective

Certain new or amended standards or interpretations have been issued by the IASB or IFRIC that are required to be adopted in the future periods. The new standards and amendments to existing standards which have not been applied in preparing these consolidated financial statements are:

IFRS 16 Leases

The Company is required to adopt IFRS 16 *Leases* from January 1, 2019, onwards. The Company has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on January 1, 2019, may change because:

- The new accounting policies are subject to change until the Company presents its first financial statements that include the date of initial application.
- New leases may be entered into or lease terms modified after the date in which the assessment was completed for year-end disclosure, and before the date of the first interim financial statements that report under the new standard.
- Actual foreign currency translation on Australia and New Zealand leases will vary from what was calculated using year-end spot rates at the time of assessment.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e., lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing lease guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

i. Leases in which the Company is Lessee

<u>Currently treated as Operating Leases</u>

The Company will recognize new assets and liabilities for its operating leases of buildings, vehicles, and office equipment. The nature of expenses related to those leases will now change because the Company will recognize a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Company recognized operating lease expense on a straight-line basis over the term of the lease, and recognized assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognized.

Based on the information available, the Company estimates that it will recognize additional lease liabilities and additional lease assets of approximately $82 million, on initial adoption of IFRS 16 as at January 1, 2019.

<u>Currently treated as Finance leases</u>

No significant impact is expected for the Company's existing finance leases.

4. Standards Issued But Not Yet Effective (continued)

II. Leases in which the Company is Lessor

The Company will reassess the classification of sub-leases in which the Company is lessor. Based on the information currently available, the Company expects that it will reclassify certain sub-leases as finance leases, resulting in the recognition of a finance lease receivable of approximately $6 million, the derecognition of approximately $5 million in lease assets, with the difference recorded as an adjustment to opening retained earnings.

No significant impact is expected for other leases in which the Company is lessor.

III. Transition

The Company plans to apply IFRS 16 initially on January 1, 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings on January 1, 2019, with no restatement of comparative information.

The Company plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019, and previously identified as leases in accordance with IAS 17 and IFRIC 4.

5. Business Combinations

Deermart Equipment Sales Ltd.

Effective December 3, 2018, the Company acquired certain business assets and assumed certain business liabilities of Deermart Equipment Sales Ltd. ("Deermart") for consideration of $12,595 thousand. The consideration on closing was $12,595 thousand, paid in cash drawn from the Company's existing credit facilities.

Deermart owns and operates one John Deere dealership located in Red Deer, Alberta which sells new and used John Deere agricultural equipment and offers equipment parts and servicing. The addition of the Deermart location represents a strategic opportunity to expand in geography adjacent to existing Cervus locations in Western Canada. The following table summarizes the preliminary purchase price paid for the net assets of Deermart.

($ thousands)	
Recognized amounts of acquired assets and liabilities:	
Inventory	**$ 10,175**
Property and equipment	**289**
Accounts receivable	**6**
Identifiable intangible assets	**6,620**
Goodwill	**2,722**
Deposits with manufacturers	**282**
Accounts payable and accrued liabilities	**(7,350)**
Term debt	**(149)**
Purchase Price	**$ 12,595**
Considerations:	
Cash	**$ 12,595**
Total consideration	**$ 12,595**

The Company incurred acquisition-related costs of $87 thousand in the year-ended December 31, 2018, which have been recorded to selling, general and administrative expense.

The Company's preliminary estimates of the fair value of acquired intangible assets is based on significant management judgments and as in a business combination, it generally takes time to obtain the information necessary to measure the fair values of assets acquired and liabilities assumed and the resulting goodwill, if any. Changes to the provisional measurements of assets and liabilities acquired and resulting goodwill may be retrospectively adjusted when new information is obtained until the final measurements are determined.

6. Trade and Other Accounts Receivable

($ thousands)	2018	2017
Trade receivables	$ 54,939	$ 41,454
Allowance for doubtful debts[(a)]	(1,078)	(1,579)
Trade receivables, net	53,861	39,875
Prepaid expenses	17,576	12,959
Other receivables	532	695
Total trade and other accounts receivable	$ 71,969	$ 53,529

(a) Changes in allowance for doubtful debts during the year has been recorded in selling, general and administrative expense, the details of which are disclosed in Note 26.

7. Inventories

($ thousands)	2018	2017
New equipment	$ 114,667	$ 116,016
Used equipment	164,144	128,188
Parts and accessories	50,285	45,188
Work-in-progress	1,531	1,132
Total inventories	$ 330,627	$ 290,524

During the year ended December 31, 2018, inventories included in costs of sales were $1,078 million (2017 - $955 million). The total inventory write-downs recorded during the year ended December 31, 2018, and included in cost of goods sold was $11,513 thousand (2017 - $5,624 thousand). The Company's inventory has been pledged as security for floor plan payables under terms of the floorplan agreements and for long-term debt under general security agreements.

8. Disposal of Assets Held for Sale

At December 31, 2017, the Company had entered into a definitive agreement to sell its four construction dealerships within the Commercial and Industrial segment, along with the land and building of one dealership location. The Commercial disposal group was classified as held for sale and stated at carrying value at December 31, 2017.

The sale of the Commercial group closed on March 16, 2018, with gross proceeds of $14,218 thousand resulting in a gain on sale of $480 thousand.

The Company reclassified $2,883 thousand of inventory, originally included in assets held for sale at December 31, 2017, to inventory at March 31, 2018, as a result of an amending agreement where certain inventories were retained by the Company.

9. Other Long-Term Assets

($ thousands)	2018	2017
Long-term receivables	**$ 748**	$ 746
Deposits with manufacturers	**2,913**	2,201
Other investments [(a)]	**5,714**	5,476
Other long-term assets	**$ 9,375**	$ 8,423

(a) In 2016, the Company purchased units in Skyline Commercial REIT as a deposit on long-term leases. The units have been classified as other investments measured at fair value through profit and loss.

Deposits with Manufacturers

John Deere Credit Inc. (“Deere Credit”) provides and administers customer financing for retail purchases and customer leases of new and used equipment. Under the financing and lease plans, Deere Credit retains the security interest in the financed equipment. The Company is liable for a portion of the deficiency in the event that the customer defaults on their lease obligation. Deere Credit retains 1% of the face amount of the finance or lease contract for amounts that the Company may have to pay Deere Credit under this arrangement. The deposits are capped at 3% of the total dollar amount of the lease finance contracts outstanding.

The maximum liability that may arise related to these arrangements is limited to the deposits of $2,913 thousand (December 31, 2017 - $2,201 thousand). Deere Credit reviews the deposit account balances quarterly and if the balances exceed the minimum requirements, Deere Credit refunds the difference to the Company.

10. Property and Equipment

($ thousands) Cost	Land and Buildings	Short-term Rental Equipment	Automotive and Trucks	Furniture and Fixtures	Parts and Shop Equipment	Computers and Software	Leasehold Improvements	Total
Balance at January 1, 2017	**28,994**	**43,575**	**20,976**	**7,228**	**8,367**	**3,071**	**3,918**	**116,129**
Additions	696	2,623	2,440	282	499	1,166	475	8,181
Additions for finance lease	-	4,925	-	-	-	-	-	4,925
Disposals	(4,014)	(7,471)	(1,516)	(381)	(599)	(21)	(211)	(14,213)
Assets held for sale (Note 8)	(3,187)	(910)	(1,239)	(280)	(539)	(108)	(751)	(7,014)
Transfers	-	(1,821)	-	-	112	-	-	(1,709)
Effect of movements in exchange rates	193	(468)	(29)	(18)	(45)	(43)	(11)	(421)
Balance at December 31, 2017	**22,682**	**40,453**	**20,632**	**6,831**	**7,795**	**4,065**	**3,420**	**105,878**
Additions	878	4,855	4,015	447	776	1,347	536	12,854
Additions for finance lease	-	742	-	-	-	-	-	742
Disposals [(a)]	(2,254)	(5,326)	(1,937)	(157)	(313)	(142)	(5)	(10,134)
Transfers	-	(3,805)	27	1	194	-	-	(3,583)
Effect of movements in exchange rates	-	254	25	-	18	32	9	338
Balance at December 31, 2018	**21,306**	**37,173**	**22,762**	**7,122**	**8,470**	**5,302**	**3,960**	**$ 106,095**

($ thousands) Accumulated Depreciation and Impairment	Land and Buildings	Short-term Rental Equipment	Automotive and Trucks	Furniture and Fixtures	Parts and Shop Equipment	Computers and Software	Leasehold Improvements	Total
Balance at January 1, 2017	**3,309**	**10,848**	**12,640**	**4,525**	**5,414**	**2,072**	**1,823**	**40,631**
Depreciation expense	648	6,890	2,326	690	805	521	475	12,355
Disposals	(189)	(3,028)	(1,077)	(333)	(502)	(17)	(143)	(5,289)
Assets held for sale (Note 8)	(517)	(336)	(1,003)	(250)	(451)	(75)	(689)	(3,321)
Transfers	-	(329)	-	-	-	(1)	-	(330)
Effects of movements in exchange rates	3	(187)	(71)	(10)	(39)	(36)	(3)	(343)
Balance at December 31, 2017	**3,254**	**13,858**	**12,815**	**4,622**	**5,227**	**2,464**	**1,463**	**43,703**
Depreciation expense	516	5,179	2,530	644	825	741	421	10,856
Disposals [(a)]	(227)	(2,414)	(1,500)	(118)	(269)	(96)	(3)	(4,627)
Transfers	-	(2,271)	11	-	-	-	-	(2,260)
Effects of movements in exchange rates	-	37	13	1	17	25	2	95
Balance at December 31, 2018	**3,543**	**14,389**	**13,869**	**5,149**	**5,800**	**3,134**	**1,883**	**$ 47,767**

10. Property and Equipment (continued)

($ thousands) Carrying Value	Land and Buildings	Short-term Rental Equipment	Automotive and Trucks	Furniture and Fixtures	Parts and Shop Equipment	Computers and Software	Leasehold Improvements	Total
Balance at December 31, 2017	19,428	26,595	7,817	2,209	2,568	1,601	1,957	$ 62,175
Balance at December 31, 2018	**17,763**	**22,784**	**8,893**	**1,973**	**2,670**	**2,168**	**2,077**	$ **58,328**

(a) Included in total disposals for the year ended December 31, 2018 were capital assets damaged by the fire in the Company's agriculture dealership in Rosthern, for a total net book value of $1.2 million.

Depreciation expense related to rental and lease fleets have been recorded in cost of sales in the amount of $5,227 thousand (2017 - $4,388 thousand) and selling, general and administrative expenses of $5,629 thousand (2017 - $5,435 thousand). Prior year depreciation expense includes amounts related to certain assets in the Transportation segment in the amount of $2,532 thousand, which have been recorded in 2017 other expenses (Note 19). Included in total additions were amounts for short-term rental equipment relating to additions for lease arrangements classified as finance lease of $742 thousand (2017 – $4,925 thousand). The Company's property and equipment has been pledged as security for its long-term debt.

11. Intangible Assets and Goodwill

Intangible Assets

Intangible assets are comprised of the following:

Cost	Dealership Distribution Agreements	Customer Lists	Non-Competition Agreements	Software Costs	Total
Balance at January 1, 2017	**52,062**	**15,940**	**3,505**	**3,315**	**74,822**
Additions	-	-	-	451	451
Effect of movements in exchange rates	39	17	3	-	59
Assets held for sale (Note 8)	(5,200)	(1,100)	(900)	-	(7,200)
Balance at December 31, 2017	**46,901**	**14,857**	**2,608**	**3,766**	**68,132**
Additions	-	-	-	622	622
Additions through business acquisition (Note 5)	4,470	1,840	310	-	6,620
Effect of movements in exchange rates	(108)	16	3	-	(89)
Balance at December 31, 2018	**51,263**	**16,713**	**2,921**	**4,388 $**	**75,285**

Accumulated Depreciation	Dealership Distribution Agreements	Customer Lists	Non-Competition Agreements	Software Costs	Total
Balance at January 1, 2017	**12,716**	**12,238**	**2,677**	**677**	**28,308**
Amortization expense	2,055	2,005	345	828	5,233
Assets held for sale (Note 8)	(3,151)	(1,100)	(900)	-	(5,151)
Balance at December 31, 2017	**11,620**	**13,143**	**2,122**	**1,505**	**28,390**
Amortization expense	2,381	971	284	619	4,255
Balance at December 31, 2018	**14,001**	**14,114**	**2,406**	**2,124 $**	**32,645**

Carrying Value	Dealership Distribution Agreements	Customer Lists	Non-Competition Agreements	Software Costs	Total
Balance at December 31, 2017	35,281	1,714	486	2,261 $	39,742
Balance at December 31, 2018	**37,262**	**2,599**	**515**	**2,264 $**	**42,640**

Amortization expense of $4,255 thousand (2017 - $5,233 thousand) has been recorded in selling, general and administrative expense.

11. Intangible Assets and Goodwill (continued)

Goodwill

The continuity of the Company's goodwill is as follows:

($ thousands)	
Balance at January 1, 2017	$ 20,544
Impact of translation of goodwill held in foreign currencies	(68)
Disposal of goodwill	(69)
Assets held for sale (Note 8)	(1,527)
Balance at December 31, 2017	$ 18,880
Additions through business acquisition (Note 5)	2,722
Impact of translation of goodwill held in foreign currencies	22
Balance at December 31, 2018	**$ 21,624**

The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

($ thousands)	2018	2017
Agricultural Segment		
Agricultural - Alberta	**$ 14,710**	$ 11,988
Agricultural - Saskatchewan	**327**	327
Agricultural - New Zealand	**2,144**	2,098
Agricultural - Australia	**1,230**	1,254
Industrial Segment		
Industrial	**666**	666
Transportation Segment		
Transportation - Ontario	**2,547**	2,547
Carrying value of goodwill	**$ 21,624**	$ 18,880

Annual Impairment Test

The Company conducted the annual impairment test of goodwill at December 31, 2018 and 2017. The recoverable amount of the cash-generating units (CGUs) was determined using value in use calculations. Value in use was determined by discounting the future cash flow forecasts for a five-year period and applying after-tax discount rates ranging from 11.9% to 12.8% (2017 – 11.1% to 12.0%) based on the Company's post-tax weighted average cost of capital and risks specific to particular CGUs (pre-tax discount rate of 16.3% to 18.3% in 2018 (2017 – 15.2% to 17.1%)). Future cash flow estimates began with 2018 revenue, gross profit margin, and expenses, which were then adjusted through the forecast period for the outlook of the CGU at the date of impairment testing. In situations where 2018 performance diverged from demonstrated historical mid cycle performance, revenue in the five-year forecast period was based on mean convergence with historical mid cycle actual results for the CGU.

11. Intangible Assets and Goodwill (continued)

CGU revenue expectations within the forecast period were also assessed for reasonability against third party market expectations at the time of impairment testing. Further, forecasts were assessed for reasonability against the demonstrated historical performance of the CGUs. Revenues used in the forecast period did not exceed prior historical revenue levels of the CGU, other than the impact of assumed inflation. A growth rate was not applied in extrapolating the resulting cash flows beyond the fifth year of the forecast period.

CGU historical gross profit margin has generally increased in periods of increased revenue and decreased in periods of lower revenue. Therefore, gross profit margin in the forecast period was based on the CGU's historical gross profit at historical revenue levels corresponding with the annual revenues used in the forecast period. The expense forecasts for each CGU were set based on historical expenses as a percent of revenue. Cash requirements for working capital were benchmarked by CGU based on historical actual working capital requirements as a percent of annual historical revenue.

Sensitivity testing was conducted as part of the impairment test. Had the estimated cost of capital used in determining the post-tax discount rate been 1% higher than management's estimates the recoverable amount of the CGUs would continue to exceed their carrying amount. Alternatively, holding the post-tax discount rate unchanged from that utilized in the annual impairment tests, had the annual estimated cash flows of each CGU in the forecast and terminal period decreased by 19%, the recoverable amounts of each CGU would continue to exceed their carrying amounts. Any additional negative changes in the cash flow assumption would cause goodwill to be impaired, with such impairment loss recognized in net earnings.

The impairment calculations require the use of estimates related to the future operating results and cash generating ability of the assets. Judgment is also used in identifying the CGUs or group of CGUs at which goodwill, intangible assets and property and equipment are monitored for internal management purposes and identifying an appropriate discount rate for these calculations.

12. Trade and Other Liabilities

($ thousands)	2018	2017
Trade and other payables	**$ 39,548**	$ 49,290
Non-trade payables and accrued expenses	**28,982**	25,672
Customer deposits	**6,159**	3,086
Dividends payable (Note 17)	**1,556**	1,098
Income taxes payable	**2,031**	2,408
Foreign exchange contracts	**76**	402
Current portion of finance lease obligation (Note 14)	**3,770**	5,361
Total trade and other liabilities	**$ 82,122**	$ 87,317

13. Loans and Borrowings

Bank Indebtedness

At December 31, 2018, the Company has a revolving credit facility (the "Syndicated Facility"), with a syndicate of lenders. The principal amount available under this facility is $120 million. The facility was amended and extended on December 18, 2018. The facility is committed for a four year term, but may be extended on or before the anniversary date with the consent of the lenders. The facility contains an $80 million accordion which the Company may request as an increase to the total available facility, subject to lender approval. As at December 31, 2018, there was $20.5 million drawn on the facility and $2.4 million had been utilized for outstanding letters of credit to John Deere. The Company's credit facility bears interest at the lender's prime rate plus the Applicable Margin (currently 0%). Applicable Margin can range from 0% to 1.75% (2017 – 0% to 2.00%) and is based on a liabilities to income ratio.

Term Debt Borrowings

The Syndicated Facility is secured by a general security agreement, a priority agreement; trade accounts receivable, unencumbered inventories, assignment of fire insurance and guarantees from the Company's subsidiaries. As terms under the Syndicated Facility, the Company must maintain certain leverage, income coverage, and asset coverage ratios, which the Company has complied with throughout 2018, see Note 26 for further discussion on covenants. Costs directly attributable to the completion of the Syndicated Facility have been deferred and will be amortized over the four year term.

13. Loans and Borrowings (continued)

Outstanding Borrowings

($ thousands)	Year of Maturity	2018	2017
Operating and Other Bank Credit Facilities			
Revolving credit facility, lenders prime rate plus the Applicable Margin (currently 0.0%). Applicable Margin can range from 0% to 1.75% and is based on a liabilities to income ratio	2022	**$ 20,494**	$ 25,000
National Australian Bank, Australia, revolving credit facility, interest at 6.48%	2019	**577**	589
Capital Facilities			
Farm Credit Corporation, mortgages payable in monthly instalments of $22 thousand including interest at 5.21%, a rate of lenders prime plus 1% per annum (December 31, 2017 - 4.46%)	2019	**109**	1,792
Farm Credit Corporation, mortgages payable in monthly instalments of $38 thousand including interest at 4.95%, a rate of lenders prime plus 1% per annum (December 31, 2017 - 4.20%)	2019	**4,210**	4,468
Affinity Credit Union, mortgages payable in monthly installments of $16 thousand, including interest at 3.69% per annum (December 31, 2017 - 3.24%)	2019	**5,623**	5,822
Rental Equipment Term Loans			
John Deere finance contracts, New Zealand, payable in monthly instalments including interest at the rate of 4.88% to 6.45% per annum, secured by related equipment	Various	**7,332**	5,586
Hire purchase contracts, Australia, finance contracts payable in monthly installments ranging up to AUD $4 thousand including interest at a rate of 4.56% to 5.68%, secured by related equipment	Various	**1,191**	1,312
Finance contracts, various, repayable in monthly instalments ranging per month including interest from 4.18% to 4.98%	Various	**81**	648
		39,617	45,217
Less current portion		**(13,964)**	(11,122)
Less liabilities held for sale (Note 8)		**-**	(1,530)
Less deferred debt issuance costs		**(530)**	(395)
Carrying value of term debt at December 31		**$ 25,123**	$ 32,170

13. Loans and Borrowings (continued)

Floor Plan Payables

The Company utilizes floor plan financing arrangements with various suppliers for inventory purchases. The terms of these arrangements may include an interest-free period followed by a term during which interest is charged at rates ranging from 3.90% to 8.95% at December 31, 2018. Settlement of the floor plan liability occurs at the earlier of sale of the inventory, in accordance with terms of the financing arrangement, or based on management's discretion. Floor plan payables are secured by specific new and used equipment inventories.

($ thousands)	**Interest Rate**	**2018**	**2017**
John Deere Financial, Canada	5.20% - 8.95%	**$ 95,907**	$ 72,165
Wells Fargo Vendor Finance	6.73%	**2,223**	3,412
John Deere Financial, New Zealand and Australia	6.25% - 6.50%	**19,297**	13,640
PACCAR Financial	4.91% - 5.10%	**36,531**	33,806
CIBC Floor Plan Facility	4.59%	**-**	908
Other Floor Plan Facilities	3.90% - 5.75%	**3,657**	1,642
Total floor plan payable		**$ 157,615**	$ 125,573

13. Loans and Borrowings (continued)

Pre-Approved Credit Limits and Available Credit Facilities

A summary of the Company's maximum pre-approved credit limits on available credit facilities as at December 31, 2018, are as follows:

	December 31, 2018				December 31, 2017			
($ thousands)	Total Limits	Borrowings	Letters of Credit	Amount Available	Total Limits	Borrowings	Letters of Credit	Amount Available
Operating and other bank credit facilities	**122,867**	**21,071**	**2,400**	**99,396**	101,925	25,589	2,400	73,936
Capital facilities [(a)]		**9,942**				12,082		
Floor plan facilities and rental equipment term loan financing [(b)]		**166,219**				133,119		
Total borrowing		**197,232**				170,790		
Total current portion long term debt		**(13,964)**				(11,122)		
Total inventory floor plan facilities		**(157,615)**				(125,573)		
Term debt held for sale		**-**				(1,530)		
Deferred debt issuance costs		**(530)**				(395)		
Total long term debt		**25,123**				32,170		

(a) For capital facilities, the additional amount available under the facilities is limited to the lesser of the pre-approved credit limit of $9.9 million (2017-$55.8 million) or the available unencumbered assets which is estimated at $2.4 million as at December 31, 2018 (2017- $1.5 million).

(b) For floorplan facilities, the additional amount available under the facilities is limited to the lesser of the pre-approved credit limit of $418.4 million (2017-$453.0 million) or the available unencumbered assets which is estimated at $33.5 million as at December 31, 2018 (2017- $28.9 million).

13. Loans and Borrowings (continued)

Reconciliation of Movements of Liabilities to Cash Flows Arising from Financing Activities

	Financial Liabilities				
($ thousands)	Dividend payable	Debenture payable	Finance lease obligation	Term debt	Total
Balance at January 1, 2017	1,103	33,899	15,223	37,380	87,605
Changes from financing cash (outflows) inflows					
Cash dividends paid	(3,626)	-	-	-	(3,626)
Repayment of debenture payable	-	(34,500)	-	-	(34,500)
Payment of finance lease liabilities	-	-	(4,373)	-	(4,373)
Advance of term debt	-	-	-	7,692	7,692
Total (outflows) inflows from financing cash flows	(3,626)	(34,500)	(4,373)	7,692	(34,807)
Effect of changes in foreign exchange rates	-	-	-	(250)	(250)
Liabilities held for sale	-	-	-	(1,530)	(1,530)
Liability related changes					
Dividends issued through DRIP	(778)	-	-	-	(778)
Dividends declared	4,399	-	-	-	4,399
New finance leases	-	-	4,927	-	4,927
Interest expense	-	1,808	-	-	1,808
Interest paid	-	(1,207)	-	-	(1,207)
Total liability related other increase (decrease)	3,621	601	4,927	-	9,149
Balance at December 31, 2017	1,098	-	15,777	43,292	60,167
Changes from financing cash (outflows) inflows					
Cash dividends paid	(5,093)	-	-	-	(5,093)
Payment of finance lease liabilities	-	-	(5,249)	-	(5,249)
Repayment of term debt	-	-	-	(4,205)	(4,205)
Total (outflows) from financing cash flows	(5,093)	-	(5,249)	(4,205)	(14,547)
Effect of changes in foreign exchange rates	-	-	-	-	-
Liability related changes		-			
Dividends issued through DRIP	(710)	-	-	-	(710)
Dividends declared	6,261	-	-	-	6,261
New finance leases	-	-	743	-	743
Interest expense	-	-	-	-	-
Interest paid	-	-	-	-	-
Total liability related other increase (decrease)	5,551	-	743	-	6,294
Balance at December 31, 2018	1,556	-	11,271	39,087	51,914

14. Finance Leases

As Lessee - Finance Lease Liabilities

Finance lease liabilities reflect the Company's total future payments on leases for heavy trucks and equipment, including final payments or buyouts. The finance lease assets are subsequently leased to customers, primarily under operating lease agreements. Based on the effective interest rate implicit in each lease these future payments are discounted to determine the net scheduled lease payments on each lease. The leases have terms typically between 1 and 7 years. On the maturity of the lease, the Company will sell the equipment. The difference between the Company's proceeds and the residual value per the lease agreement remains with the Company.

Finance lease liabilities as at December 31, 2018 and 2017 are payable as follows:

	Future minimum lease payments		Interest		Present value of minimum lease payments	
($ thousands)	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Less than one year	$ **4,324**	$ 5,535	$ **(554)**	$ (174)	$ **3,770**	$ 5,361
Between one and five years	**8,197**	11,260	**(696)**	(1,474)	**7,501**	9,786
More than five years	**-**	965	**-**	(335)	**-**	630
Total	$ **12,521**	$ 17,760	$ **(1,250)**	$ (1,983)	$ **11,271**	$ 15,777

15. Income Taxes

Tax Expense

($ thousands)	2018	2017
Current income tax expense	**$ 11,076**	$ 9,700
Deferred income tax (recovery) expense	**(1,111)**	(654)
Income tax expense	**$ 9,965**	$ 9,046

Using federal and provincial statutory rates of 26.9% (2017 – 26.8%), the income tax expense for the year can be reconciled to the statement of comprehensive income as follows:

($ thousands)	2018	2017
Income before income tax expense	**$ 36,544**	$ 28,958
Expected income tax expense	**9,823**	7,761
Non-deductible costs and other	**142**	1,285
Income tax (recovery) expense	**$ 9,965**	$ 9,046

Deferred Tax Assets and Liabilities

Continuity of the Company's tax balances in during the year are as follows:

($ thousands)	2017	Recognized in Comprehensive Income	2018
Tangible assets	$ 7,654	$ (982)	**$ 6,672**
Intangible assets	6,013	(1,869)	**4,144**
Finance lease obligation	(4,242)	1,213	**(3,029)**
Unrealized foreign exchange and other	529	527	**1,056**
Net deferred tax liability	$ 9,954	$ (1,111)	**$ 8,843**

The Company has not recognized the benefits associated with net capital losses of $35,183 thousand (2017 - $36,302 thousand) and non-capital losses of $933 thousand (2017 - $936 thousand), as the timing and ultimate application of these tax loss carryforwards are uncertain.

16. Financial Instruments

Fair values are approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics, such as risk, principal, and remaining maturities.

Financial instruments recorded or disclosed at fair value are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Reflects valuation based on quoted prices observed in active markets for identical assets or liabilities;

Level 2: Reflects valuation techniques based on inputs other than quoted prices included in level 1 that are observable either directly or indirectly;

Level 3: Reflects valuation techniques with significant unobservable market inputs, there were no level 3 instruments in current or prior year.

Carrying Value and Fair Value of Financial Assets and Liabilities

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		2018			2017		
			Fair Value			Fair Value	
($ thousands)	Category	Carrying value	Level 1	Level 2	Carrying value	Level 1	Level 2
Financial Assets							
Cash and cash equivalents [a]	Amortised cost	**$ 6,106**			$ 14,502		
Trade and other accounts receivable [a]	Amortised cost	**71,700**			52,834		
Derivative financial instruments	Fair value through profit and loss	**77**		77	397		397
Other investments	Fair value through profit and loss	**5,238**		5,238	5,119		5,119
Other long-term assets	Amortised cost	**3,504**			2,605		
Finance lease receivables	Amortised cost	**349**		396	640		636
Financial Liabilities							
Trade and other liabilities [a]	Other liabilities	**82,046**			86,915		
Floor plan payables [a]	Other liabilities	**157,615**			125,573		
Term debt [b]	Other liabilities	**39,087**		39,087	43,292		43,292
Derivative financial liability	Held-for-trading	**76**		76	402		402
Finance lease obligation	Other liabilities	**11,271**		11,986	15,777		15,716

(a) The carrying value approximates fair value due to the immediate or short-term maturity.

(b) The carrying values of the current and long-term portions of term debt and notes payable approximate fair value because the applicable interest rates on these liabilities are at rates similar to prevailing market rates.

16. Financial Instruments (continued)

For other financial liabilities where the carrying value does not approximate the fair value, a discounted cash flows approach was used to determine the fair value. For derivative financial instruments or forward exchange contracts, fair value is based on market comparison technique based on quoted prices.

17. Capital and Other Components of Equity

The Company has unlimited authorized share capital without par value for all common shares. All issued common shares have been fully paid.

Share Capital

(thousands)	Number of common shares	Total carrying amount
Balance at January 1, 2017	15,750	$ 89,863
Issued under the DRIP plan	62	778
Issued under the deferred share plan	103	757
Repurchased under the NCIB	(240)	(3,235)
Balance at December 31, 2017	15,675	88,163
Issued under the DRIP plan	**52**	**710**
Issued under the deferred share plan	**30**	**276**
Repurchased under the NCIB	**(198)**	**(2,609)**
Balance at December 31, 2018	**15,559**	**$ 86,540**

Common Shares

Shareholders are entitled to:

(i) dividends if, as and when declared by the Board of Directors of the Company;
(ii) to one vote per share at meetings of the holders of Common Shares; and
(iii) upon liquidation, dissolution or winding up of Cervus to receive pro rata the remaining property and assets of the Company, subject to the rights of shares having priority over the Common Shares.

Normal Course Issuer Bid

On August 21, 2017, the Company announced a Normal Course Issuer Bid (the "August 2017 Bid"), which commenced on August 23, 2017, to purchase up to a maximum of 806 thousand common shares (the "Shares") for cancellation before August 22, 2018. Cervus appointed Raymond James Ltd. as its broker, who conducted the Bid on behalf of the Company. All purchases were made in accordance with the August 2017 Bid at the prevailing market price of the Shares at the time of purchase. This normal course issuer bid expired on August 22, 2018. Prior to expiry, Cervus repurchased and cancelled 292 thousand common shares through the bid at a weighted average price of $13.44 per share.

On September 10, 2018, the Company announced a Normal Course Issuer Bid (the "September 2018 Bid"), which commenced on September 13, 2018 to purchase up to a maximum of 1,031 thousand common shares (the "Shares") for cancellation before September 12, 2019. Cervus appointed Raymond James Ltd. as its broker, who will conduct the Bid on behalf of the Company. All purchases are to be made in accordance with the September 2018 Bid at the prevailing market price of the Shares at the time of purchase.

17. Capital and Other Components of Equity (continued)

For the year ended December 31, 2018, the Company had repurchased and cancelled 52 thousand common shares at a weighted average price of $13.48 per share under the August 2017 Bid, and 146 thousand common shares at a weighted average price of $13.03 per share under the September 2018 Bid.

Dividends Declared

($ thousands)	2018	2017
$0.40 per qualifying common share (2017 - $0.28)	**$ 6,261**	$ 4,399

Total dividends paid in cash during the year were $5,093 thousand (2017 - $3,626 thousand). Dividends payable as at December 31, 2018, was $1,556 thousand (2017 - $1,098 thousand).

Dividend Reinvestment Plan

The Company has a Dividend Reinvestment Plan ("DRIP") entitling shareholders to reinvest cash dividends in additional common shares. The DRIP allows shareholders to reinvest dividends into new shares at 95 percent of the average share price of the previous 10 trading days prior to distribution.

Accumulated and Other Comprehensive Income

Accumulated and Other Comprehensive Income is comprised of a cumulative translation account that comprises all foreign currency differences that arise on the translation of the financial statements of the Company's investment in its foreign operations, Cervus New Zealand Equipment Ltd., Cervus Equipment Holdings Australia Pyt Ltd. and Cervus Equipment Australia Pty Ltd.

18. Revenue

The Company's contract liabilities primarily relate to advance consideration received from customers for wholegoods equipment, parts and services. The amount of $107 thousand recognized in contract liabilities at the beginning of the period has been recognized as revenue for the year ended December 31, 2018.

The amount of revenue recognized for the year ended December 31, 2018 from performance obligations satisfied (or partially satisfied) in previous periods was $88 thousand.

19. Other Income

Other income for the years ended December 31, 2018 and 2017 are comprised of the following:

($ thousands)	2018	2017
Net gain on sale of property and equipment [a]	**$ 1,409**	$ 1,680
Gain on sale of Commercial operations	**480**	-
Reorganization costs [b]	**-**	(2,532)
Unrealized foreign exchange (loss) gain [c]	**(1,199)**	890
Extended warranty commission	**(217)**	(214)
Financial compensation and consignment commissions	**877**	315
Other income	**2,093**	973
Total other income	**$ 3,443**	$ 1,112

(a) Net gain on sale of property and equipment includes a $0.8 million gain on insurance recoveries, related to the derecognition of capital assets for damage caused the by fire.

(b) Relates to a valuation adjustment to the Ontario lease fleet, incurred in connection with reorganizing the Company's Ontario operations during the year.

(c) Unrealized foreign exchange gain (loss) is due to changes in fair value of our foreign exchange derivative and from period close translation of accounts payable and floorplan payables denominated in U.S. dollars.

20. Selling, General and Administrative Expenses By Nature

($ thousands)	2018	2017
Wages and benefits	**102,204**	101,530
Depreciation and amortization	**9,884**	10,668
Occupancy costs including maintenance	**21,607**	21,609
Operating and administrative expenses	**39,350**	42,392
Total selling, general and administrative expenses	**$ 173,045**	$ 176,199

21. Wages and Benefits

($ thousands)	2018	2017
Included in cost of sales:		
Wages and benefits	**$ 35,439**	$ 36,285
Included in selling, general and administrative expenses:		
Wages and benefits	**100,690**	100,838
Share-based payments	**1,514**	692
Total wages and benefits included in selling, general and administrative expenses	**102,204**	101,530
Total wages and benefits	**$ 137,643**	$ 137,815

Employee Share Purchase Plan

The Company has an employee share purchase plan available to all employees on a voluntary basis. Under the plan, employees are able to contribute 2% to 4% of their annual salaries, based on years of service. The Company contributes between 15% and 150%, depending on the Company's annual financial performance, on a matching basis to a maximum of $5,000 per year, per employee. The shares are purchased on the open market through a trustee; therefore, there is no dilutive effect to existing shareholders. Included in selling, general and administrative wages and benefits expense are $894 thousand (2017 - $837 thousand) of expenses incurred by the Company to match the employee contributions.

Mid-Term Management Incentive Plan

The Company offers a mid-term incentive plan (the "MTIP") to certain senior key employees. Under the MTIP, participants receive annual grants of performance share units ("PSUs") which are settled in cash based on the achievement of performance targets at the end of a three year performance period. A liability for MTIP obligation is recognized at its fair value of cash payable, and is re-measured each reporting period until the liability is settled on the third anniversary of initial grant. Any changes in the liability are recognized in the statement of comprehensive income. For the year ended December 31, 2018, MTIP expense recognized during the year amounted to $471 thousand (2017 – $137 thousand).

21. Wages and Benefits (continued)

Deferred Share Plan

The Company has a deferred share plan (the "Deferred Share Plan") available to officers, directors and executives whereby, if elected, certain payments to these individuals can be deferred, ranging in amounts up to $50 thousand per individual, where the Company also matches the deferred portion. The deferred shares are granted as approved by the board of directors based on 95% of the 10-day average share price prior to the date of grant. The matched component of the plan vests over a period of 5 years (50% after 3 years, 25% after 4 years and 25% after 5 years) and is recorded as selling, general and administrative expense as it vests.

The Company also has a deferred share plan (the "Management Deferred Share Plan") available to management whereby, if elected, certain payments to these individuals can be deferred, ranging in amounts up to $10 thousand per individual, where the Company also matches the deferred portion. The deferred shares are granted as approved by the board of directors based on 95% of the 10-day average share price prior to the date of grant. The matched component of the plan vests and is redeemable on December 1st of the 3rd year following the year for which the deferred shares were issued, and is recorded as selling, general and administrative expense upon vesting.

As at December 31, 2018, the Company has 870 thousand shares reserved for issuance under these plans. As at December 31, 2018, 801 thousand (2017 – 696 thousand) deferred shares have been issued under these plans and remain outstanding. Of the outstanding deferred shares, 640 thousand (2017 – 570 thousand) can be converted to common shares. Total deferred shares payable as of December 31, 2018 was $8.7 million (2017 - $7.5 million).

	2018 Number of units	**2017 Number of Units**
Balance, January 1	**696**	745
Units granted	**180**	129
Units redeemed	**(36)**	(162)
Units forfeited	**(39)**	(16)
Balance, end of year	**801**	696

22. Finance Income and Finance Costs

($ thousands)	**2018**	**2017**
Finance income	**$ 854**	$ 484
Interest expense on convertible debenture	**-**	(1,808)
Interest expense on mortgage and term debt obligations	**(1,900)**	(1,373)
Interest expense on financial liabilities	**(5,615)**	(4,108)
Finance costs	**$ (7,515)**	$ (7,289)
Net finance costs recognized separately	**(5,498)**	(5,379)
Net finance costs recognized in cost of sales	**(1,163)**	(1,426)
Total net finance costs	**$ (6,661)**	$ (6,805)

23. Earnings per Share

Per Share Amounts

Both basic and diluted earnings per share have been calculated using the net earnings attributable to the shareholders of the Company as the numerator. No adjustments to net earnings were necessary for the years ended December 31, 2018 and 2017.

Weighted Average Number of Common Shares

The weighted average number of shares for the purposes of diluted earnings per share can be reconciled to the weighted average number of basic shares as follows:

($ thousands)	2018	2017
Issued common shares opening	**15,675**	15,750
Effect of shares issued under the DRIP plan	**31**	36
Effect of shares issued under the deferred share plan	**12**	27
Effect of shares repurchased from NCIB	**(62)**	(69)
Weighted average number of common shares	**15,656**	15,744

Diluted Earnings per Share

The calculation of diluted earnings per share at December 31, 2018 was based on the profit attributable to common shareholders. The calculation of diluted earnings per share at December 31, 2017 was based on profit attributable to common shareholders, including interest expense on convertible debentures, net of tax, given its dilutive impact on the Company's earnings per share.

($ thousands)	2018	2017
Profit attributable to common shareholders (basic)	**$ 26,579**	$ 19,917
Interest expense on convertible debentures, net of tax	**-**	1,331
Profit attributable to common shareholders (diluted)	**$ 26,579**	$ 21,248

Weighted Average Number of Shares (Diluted)

The weighted average number of common shares outstanding after adjustment for the effects of dilutive potential common shares which consist of the following:

($ thousands)	2018	2017
Weighted average number of common shares (basic)	**15,656**	15,744
Effect of dilutive securities:		
Deferred share plan	**801**	696
Convertible debenture	**-**	1,319
Weighted average number of shares (diluted)	**16,457**	17,759

The above table includes all dilutive instruments held by the Company.

24. Operating Leases

a) As Lessee

The Company leases a number of lands and building facilities, office equipment and vehicles. The leases typically run for a period of between 1 to 20 years (2017 - 1 and 20 years) with options to renew the leases on the lands and buildings after that date. The land and building leases do not include any provisions for transfer of title. It was determined that substantially all the risks and rewards of ownership of the land and buildings remains with the landlord. As such, the Company has determined that the leases are operating leases.

The Company is committed to the following minimum payments under operating leases for land and buildings, equipment and vehicles:

($ thousands)	2018	2017
Less than 1 year	$ 12,087	11,775
Between 1 and 5 years	36,305	34,168
More than 5 years	82,192	83,407
	$ 130,584	129,350

b) As Lessor

The Company has entered into fixed term contractual arrangements to allow customers to have dedicated use of certain heavy trucks and equipment owned by the Company. The minimum payments for the non-cancellable operating leases for rental fleet is as follows:

($ thousands)	2018	2017
Less than 1 year	$ 3,101	3,780
Between 1 and 5 years	5,326	7,102
More than 5 years	-	547
	$ 8,427	11,429

25. Supplemental Cash Flow Information

($ thousands)	2018	2017
Changes in non-cash working capital:		
Inventory	(42,486)	(58,343)
Floorplan	23,703	49,221
Trade and other receivables	(18,758)	(1,686)
Trade and other liabilities	(1,333)	4,544
Total change in non-cash working capital	(38,874)	(6,264)

The change in non-cash working capital takes into consideration the assets and liabilities held for sale (Note 8) and acquired through business combinations (Note 5).

26. Financial Risk Management

Overview

The Company has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; and market risk. This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk Management Framework

The Board of Directors ("Board") has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board, together with the Audit Committee are responsible for monitoring and oversight of the Company's risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Credit Risk

Trade and Other Receivables

By granting credit sales to customers, it is possible these entities, to which the Company provides services, may experience financial difficulty and be unable to fulfill their obligations. A substantial amount of the Company's revenue is generated from customers in the farming, industrial, and transportation equipment industries. This results in a concentration of credit risk from customers in these industries. A significant decline in economic conditions within these industries would increase the risk customers will experience financial difficulty and be unable to fulfill their obligations to the Company. The Company's exposure to credit risk arises from granting credit sales and is limited to the carrying value of accounts receivable, finance lease receivables, long-term receivables and deposits with manufacturers (see Note 6).

Goods are sold subject to retention of title clauses so that in the event of non-payment, the Company may have a secured claim. The Company will also register liens in respect to trade and other long-term receivables as deemed necessary and dependent on the value of the receivable.

26. Financial Risk Management (continued)

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting dates was:

($ thousands)	2018	2017
Trade receivables [(a)]	**$ 54,939**	$ 43,285
Other receivables	**3,930**	3,642
	$ 58,869	$ 46,927

The maximum exposure to credit risk at the reporting date by geographic region was:

($ thousands)	2018	2017
Domestic [(a)]	**$ 46,267**	$ 36,140
New Zealand	**4,198**	4,395
Australia	**4,474**	2,750
	$ 54,939	$ 43,285

The aging of trade and other receivables at the reporting date was:

($ thousands)	2018	2017
Current - 60 days [(a)]	**$ 50,976**	$ 38,047
Past due – 61-90 days	**2,191**	2,900
Past due – 91 to 120 days	**962**	1,242
Past due more than 120 days	**810**	1,096
	$ 54,939	$ 43,285

(a) Included in the balances for 2017 are receivables held for sale, as the Company was exposed to the credit risk as at December 31, 2017 (Note 8).

The Company recorded the following activity in its allowance for impairment of loans and receivables:

($ thousands)	2018	2017
Balance at January 1	**$ 1,579**	$ 1,710
Additional allowance recorded	**(213)**	903
Amounts written-off as uncollectible	**(288)**	(1,034)
Balance at December 31	**$ 1,078**	$ 1,579

In our industries, customers typically pay invoices within 30 to 60 days. No single outstanding customer balance represented more than 10% of total accounts receivable.

26. Financial Risk Management (continued)

The Company mitigates its credit risk by assessing the credit worthiness of its customers on an ongoing basis. The Company closely monitors the amount and age of balances outstanding and establishes a provision for bad debts based on specific customers' credit risk, historical trends, and other economic information.

Guarantees

The Company has irrevocable standby letters of credit to John Deere in the amount of $2.4 million (2017 - $2.4 million). The letter of credit agreements allow for John Deere to draw upon it in whole or in part in the event of any default by the Company of any or all obligations.

In addition to these guarantees, the Company has also guaranteed the residual value of certain equipment leases which have been entered into between our Customers and John Deere. For these leases, Cervus is responsible to purchase the equipment from John Deere upon the maturity of the lease between the customer and John Deere. The Company's purchase price for the equipment is the residual value agreed to at the inception of the lease between John Deere, the Customer, and Cervus. On lease maturity, the equipment is purchased by the Company and is included in the Company's used inventory. Cervus regularly assesses residual values of customer equipment under lease with John Deere, to assess its carrying value and if any allowance is necessary. At December 31, 2018, total residual values maturing over the next 12 months was $32,052 thousand (2017 – $29,031 thousand) and the total residual values maturing in the next five years is $320,617 thousand (2017 - $269,146 thousand). The Company has not recorded a provision in the twelve months ended December 31, 2018 and 2017 as residual values as set under the leases are anticipated to result in profit above cost when ultimately sold by the Company as used equipment.

Liquidity Risk

The Company's exposure to liquidity risk is dependent on the collection of accounts receivable and the ability to raise funds to meet purchase commitments and financial obligations and to sustain operations. The Company controls its liquidity risk by managing its working capital, cash flows, and the availability of borrowing facilities. As described in Note 13, the Company has available for its current use, $120 million less $20.5 million drawn on the facility and $2.4 million for irrevocable letters of credit issued to John Deere.

The Company believes that it has sufficient operating funds available to meet expected operational expenses, including the service of financial obligations. The following are the contractual maturities of financial liabilities existing as at December 31, 2018.

($ thousands)		Carrying amount	Contractual principal maturities	12 months or less	1 – 2 Years	2 – 5 Years	5+ Years
Trade and other accrued liabilities	$	76,720	76,720	76,720	-	-	-
Floor plans payable		157,615	157,615	157,615	-	-	-
Dividends payable		1,556	1,556	1,556	-	-	-
Term debt payable		39,087	39,617	13,964	2,532	23,121	-
Derivative financial liability		76	76	76			
Finance lease obligation		11,271	11,271	3,770	2,253	5,248	-
Total contractual maturities of financial liabilities	$	286,325	286,855	253,701	4,785	28,369	-

26. Financial Risk Management (continued)

Market Risk

Market risk is the risk that changes in the marketplace such as foreign exchange rates, interest rates and commodity prices that will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing return. The Company's primary approach to market risk is managing the quantity, type, and applicability of its inventory, to facilitate regular inventory turnover in line with market demand.

Currency Risk

Many of our products, including equipment and parts, are based on a U.S. dollar price as they are supplied primarily by U.S. manufacturers but are settled in Canadian dollars as they are received. This may cause fluctuations in the sales values assigned to equipment and parts inventories, as inventory is recorded based on Canadian dollar cost at the time of receipt, but is sold to the customer based on market pricing prevailing at the time of sale. Both sales revenues and gross profit margins may fluctuate based on differences in foreign exchange rates between the purchase of inventory and sale of inventory. Certain of the Company's manufacturers also have programs in place to facilitate and/or reduce the effect of foreign currency fluctuations, primarily on the Company's new equipment inventory purchases.

Further, a portion of the Company's owned inventory is floor planned in U.S. dollars. As such, U.S. dollar denominated floor plan payables are exposed to fluctuations in the U.S. dollar exchange rate until the unit is sold and the floorplan is repaid. The fluctuation in the U.S. dollar floorplan payable is recorded in unrealized gain/loss on foreign exchange within other income. When the equipment is sold, equipment is priced based on the prevailing spot USD/CAD exchange rate at the time of sale, plus applicable margin. In so doing, the Company's proceeds on sale directly offset the prevailing U.S. Dollar floorplanned cost of the equipment. If the Company was unable to recapture fluctuations in the US/CAD dollar in the sales price for equipment floor planned in U.S. dollars, a $0.01 change in the U.S. exchange rate would have increased (decreased) comprehensive income by $141 thousand (2017 - $108 thousand), based on the U.S. dollar floor plan balances at December 31, 2018. From time to time the Company also enters into foreign exchange forward contracts to manage exposure on timing difference between the payout of floorplan and receipt of funds from a customer.

In addition, the Company is exposed to foreign currency fluctuation related to translation adjustments upon consolidation of its Australian and New Zealand operations. These foreign subsidiaries report operating results in Australia and New Zealand dollars, respectively. Movements in these currencies relative to the Canadian dollar will impact the results of these operations upon consolidation.

26. Financial Risk Management (continued)

Interest Rate Risk

The Company's cash flow is exposed to changes in interest rates on its floor plan arrangements and certain term debt which bear interest at variable rates. The cash flows required to service these financial liabilities will also fluctuate as a result of changes in market interest rates. The Company mitigates its exposure to interest rate risk by utilizing excess cash resources to buy-down or pay-off interest bearing contracts and by managing its floor plan payables by maximizing interest-free periods as may be provided by Original Equipment Manufacturers ("OEM").

Interest Bearing Financial Instruments

At the reporting dates, the Company's interest bearing financial instruments were:

($ thousands)	2018	2017
Fixed Rate		
Finance lease obligation	**11,271**	15,777
Variable Rate		
Floor plan payables		
Floor plan payables - interest bearing	**155,705**	119,426
Floor plan payables - interest free period [a]	**1,910**	6,147
Term debt	**39,617**	45,217
Total interest bearing financial instruments	**$ 208,503**	$ 186,567

(a) Various floor plan facilities include an interest free period, further certain incentives and rebates may be available to reduce interest expense otherwise due on interest bearing portions of floor plans.

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. A change in 100 basis points in interest rates would have increased or decreased interest costs for the year ended December 31, 2018 by approximately $1,972 thousand (2017 -$1,708 thousand).

Capital Risk Management

The Company's objective when managing its capital is to safeguard its ability to continue as a going concern, in order to generate returns for shareholders, expand business relationships with stakeholders, and identify risk and allocate its capital accordingly. In the management of capital, the Company considers its capital to comprise term debt, the current portion of term debt, and all components of equity.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue or repurchase shares, raise or retire term debt, and/or adjust the amount of distributions paid to the shareholders.

26. Financial Risk Management (continued)

The Company uses the following ratios in determining its appropriate capital levels:

- Debt to Total Capital ratio (term debt plus current portion of term debt divided by: term debt plus current portion of term debt plus book value of equity);
- Return on Invested Capital ratio (net income before tax plus interest on long term debt divided by total long-term capital);
- A debt to tangible assets ratio (calculated as total debt divided by: total assets less goodwill and intangibles); and;
- A fixed charge coverage ratio (calculated as adjusted net income divided by contractual principle, interest, shareholder distributions, and lease payments).

There were no changes in the Company's approach to capital management in the year. Neither the Company, nor any of its other subsidiaries are subject to externally imposed capital requirements.

Covenant Compliance

The Company must meet certain financial covenants as part of its current Canadian syndicated credit facility, all of which the Company was in compliance as at December 31, 2018. The covenants under the Syndicated Credit Facility are consistent in principle with the internal ratios used by the Company in determining appropriate capital levels, however calculations are not directly comparable, as the Company's internal ratios are broader to consider all stakeholders, while the Syndicate Covenants are specifically tailored by the Syndicate for their specific security position. The three core covenants under the Syndicated Credit Facility, as contained in the Syndicated Credit agreement requires:

- Maintaining a "total liabilities to tangible net worth ratio" not exceeding 4.0:1.0 calculated from adjusted total liabilities over adjusted equity.
- Maintaining a "fixed charge coverage ratio" greater to or equal to 1.10:1
- Maintaining an "asset coverage ratio" greater than 3.0:1.0.

The specific calculations of the covenants under the Syndicated lending agreement include numerous lender, and agreement specific, non-IFRS measures. The specific calculations and defined terms thereof are available for retrieval at www.SEDAR.ca. The Company's compliance as at December 31, 2018 with the covenants contained in the Syndicated Credit Agreement is set out below:

	As at December 31, 2018		**As at December 31, 2017**	
	Covenant	**Result**	Covenant	Result
Total Liabilities to Tangible Net Worth*	Less than 4.0:1.0	**2.39**	Less than 4.0:1.0	2.55
Fixed Charge Coverage Ratio*	Greater than 1.1:1.0	**2.39**	Greater than 1.1:1.0	1.69
Asset Coverage Ratio*	Greater than 3.0:1.0	**11.82**	Greater than 3.0:1.0	10.01

** These are non-IFRS measures, stating the title of the covenant as defined in the Syndicated Credit Agreement, for reference purposes.*

27. Segment Information

The Company operates under three segments: Agriculture, Transportation, and Industrial based on the industries which they serve. These segments are managed separately, and strategic decisions are made on the basis of their respective operating results. These three business segments are described in Note 3 and are considered to be the Company's three strategic business units. The three business segments offer different products and services and are managed separately as they operate in different markets and require separate strategies. For each of the strategic business units, the Company's key decision makers review internal management reports on a monthly basis.

Each of these business segment operations are supported by a single shared corporate head office. Certain corporate head office expenses are allocated to the business segments under either specific identification approach or a usage based metric. The corporate head office also incurs certain costs which are considered as public company costs, which are allocated to the segments based on the gross margin of the Canadian operations. Total corporate related expenditures, excluding income taxes, that have been allocated for the year ended December 31, 2018 are $3,241 thousand (2017 - $4,476 thousand).

The following is a summary of financial information for each of the reportable segments.

($ thousands)	Agricultural Equipment	Transportation Equipment	Industrial Equipment	Total
Segmented income figures				
Year ended December 31, 2018				
Revenue				
Equipment sales	$ 783,788	$ 228,569	$ 29,478	**1,041,835**
Parts	95,925	96,118	14,085	**206,128**
Service	42,724	31,078	12,700	**86,502**
Rentals	4,449	6,391	4,732	**15,572**
Total revenue	$ 926,886	$ 362,156	$ 60,995	**1,350,037**
Depreciation and amortization	7,295	5,969	1,847	**15,111**
Finance income	662	154	38	**854**
Finance expense including amounts in costs of sales	(3,557)	(3,735)	(223)	**(7,515)**
Income for the period before income tax	31,188	4,064	1,292	**36,544**
Capital additions, including finance leases	10,439	2,341	815	**13,595**
Segmented assets and liabilities as at December 31, 2018				
Reportable segment assets	$ 378,080	$ 129,466	$ 33,123	**$ 540,669**
Intangible assets	27,614	10,975	4,051	**42,640**
Goodwill	18,411	2,546	667	**21,624**
Reportable segment liabilities	197,763	82,618	14,787	**295,168**

27. Segment Information (continued)

($ thousands)	Agricultural Equipment	Transportation Equipment	Industrial Equipment	Total
Segmented income figures				
Year ended December 31, 2017				
Revenue				
Equipment sales	$ 694,052	$ 164,485	$ 53,244	911,781
Parts	93,627	92,559	22,677	208,863
Service	40,839	29,367	14,258	84,464
Rentals	5,159	6,958	4,060	16,177
Total revenue	$ 833,677	$ 293,369	$ 94,239	$ 1,221,285
Depreciation and amortization	7,029	7,852	2,707	17,588
Finance income	319	115	50	484
Finance expense including amounts in costs of sales	(3,593)	(3,152)	(544)	(7,289)
Income for the period before income tax	29,479	(3,562)	3,041	28,958
Capital additions, including finance leases	6,838	5,825	443	13,106
Segmented assets and liabilities as at December 31, 2017				
Reportable segment assets	$ 337,442	$ 122,687	$ 53,926	$ 514,055
Intangible assets	23,673	11,867	4,202	39,742
Goodwill	15,667	2,547	666	18,880
Reportable segment liabilities	185,443	77,956	25,403	288,802

The Company primarily operates in Canada but includes subsidiaries in Australia (Cervus Australia Pty Ltd.) and in New Zealand (Cervus NZ Equipment Ltd.), which together operate 15 agricultural equipment dealerships. Gross revenue and non-current assets for the geographic territories of New Zealand and Australia were $190,719 thousand (2017 - $168,398 thousand) and $21,748 thousand (2017 - $20,431 thousand) respectively. The Australia and New Zealand operations are included in the Agricultural Segment.

28. Commitments and Contingencies

The Company is a defendant and plaintiff in various other legal actions that arise in the normal course of business. The Company believes that any liabilities that might arise pertaining to such matters would not have a material effect on its consolidated financial position.

Financing Arrangements

John Deere Credit Inc. ("Deere Credit") and other financing companies provide financing to certain of the Company's customers. A portion of this financing is with recourse to the Company if the amounts are uncollectible. At December 31, 2018 payments in arrears by such customers aggregated $829 thousand (2017 - $226 thousand).

In addition, the Company is responsible for assuming all lease obligations held by its customers with Deere Credit and other financing companies through recourse arrangements for the net residual value of the lease outstanding at the maturity of the contract. At December 31, 2018, the net residual value of such leases aggregated $320,617 thousand (2017 - $269,146 thousand). Management believes that the potential liability in relation to the amounts outstanding is negligible and consequently, no accrual has been made in these financial statements in relation to any potential loss on assumed lease obligations.

29. Related Party Transactions

Key Management Personnel Compensation

In addition to their salaries, the Company also provides non-cash benefits to directors and executive officers, and contributes to the deferred share plan and the employee share purchase plan, if enrolled, in accordance with the terms of the plans. The Company has no retirement or post-employment benefits available to its directors and executive officers.

The remuneration of key management personnel and directors during the year ended December 31 was:

($ thousands)	2018	2017
Short-term benefits	**$ 3,050**	$ 2,895
Share-based payments	**1,184**	694
Total	**$ 4,234**	$ 3,589

Other Related Party Transactions

Certain officers and dealer managers of the Company have provided guarantees to John Deere aggregating $6,800 thousand (2017 – $5,400 thousand). During the year ended December 31, 2018 and 2017, the Company paid those individuals $190 thousand (2017 - $170 thousand) for providing these guarantees. These transactions were recorded at the amount agreed to between the Company and the guarantors, are included in selling, general and administrative expense and have been fully paid during the year.