CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

CERVUS EQUIPMENT CORPORATION

People. Power. Service.™

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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, 2020 and 2019
- the consolidated statements of comprehensive income (loss) 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, 2020 and 2019, 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 ethical 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

Assessment of the net realizable value of used equipment inventory in the Agriculture Segment

Description of the matter

We draw attention to note 2, note 3 and note 6 to the financial statements. The Entity records inventory at the lower of cost and net realizable value. Net realizable value approximates the estimated selling price less all estimated cost of completion and necessary cost to complete the sale. Significant estimates are required to be made to determine the net realizable value of used equipment inventory. The Entity has $75.1 million of used equipment inventory the majority of used equipment inventory pertains to the Agriculture Segment.

Why the matter is a key audit matter

We identified the assessment of the net realizable value of used equipment inventory in the Agriculture Segment as a key audit matter. Significant auditor judgment was required in evaluating the results of our audit procedures regarding the estimated selling price of used equipment inventory in the Agriculture Segment.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

For a selection of used equipment in the Agriculture Segment we compared the estimated selling price of the used equipment at December 31, 2019 to the actual selling price realized in 2020 to assess the Entity's ability to accurately estimate the selling price.

We compared a sample of used equipment inventory costs in the Agriculture Segment at December 31, 2020 to the Entity's estimate of net realizable value. The selling price used in the estimated net realizable value was compared to either:

- The sale price subsequent to year-end of the selected used piece of equipment inventory
- The sale price of a similar used piece of equipment inventory sold subsequent to year-end

- The sale price of a similar used piece of equipment inventory sold during 2020
- The sale price of a similar used piece of equipment inventory as listed on external market sources.

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 entitled "2020 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 and a document entitled 2020 Annual Report filed with the relevant Canadian Securities Commissions 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.

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.

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.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
March 10, 2021

CERVUS EQUIPMENT CORPORATION
Consolidated Statements of Financial Position
As at December 31, 2020 and 2019

($ thousands)	Note		December 31, 2020		December 31, 2019
Assets					
Current assets					
Cash and cash equivalents		$	**26,697**	$	7,946
Accounts receivable and other assets	5		**53,486**		66,555
Inventories	6		**229,208**		319,619
Total current assets			**309,391**		394,120
Non-current assets					
Other long-term assets	7		**11,660**		13,599
Property and equipment	8		**134,685**		138,705
Intangible assets	9		**37,223**		38,015
Goodwill	9		**23,138**		22,897
Total non-current assets			**206,706**		213,216
Total assets		$	**516,097**	$	607,336
Liabilities					
Current liabilities					
Trade and other liabilities	10	$	**82,731**	$	63,183
Floor plan payables	11		**83,509**		173,992
Current portion of term debt	11		**2,872**		9,795
Current portion of lease obligation	12		**7,998**		8,799
Total current liabilities			**177,110**		255,769
Non-current liabilities					
Term debt	11		**2,938**		33,370
Lease obligation	12		**80,342**		84,084
Deferred income tax liability	13		**6,999**		6,975
Total non-current liabilities			**90,279**		124,429
Total liabilities			**267,389**		380,198
Equity					
Shareholders’ capital	15		**85,525**		83,740
Deferred share plan	19		**5,290**		10,271
Other reserves			**5,207**		5,195
Accumulated other comprehensive income (loss)			**2,632**		(136)
Retained earnings			**150,054**		128,068
Total equity			**248,708**		227,138
Total liabilities and equity		$	**516,097**	$	607,336

Approved by the Board:

“Peter Lacey” Director   “Wendy Henkelman” Director

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

CERVUS EQUIPMENT CORPORATION
Consolidated Statements of Comprehensive Income (Loss)
For the years ended December 31, 2020 and 2019

($ thousands)	**Note**	**2020**	**2019**
Revenue			
Equipment sales		**$ 891,876**	$ 813,393
Parts		**235,538**	218,888
Service		**83,543**	87,878
Rentals and other		**16,930**	18,875
Total revenue		**1,227,887**	1,139,034
Cost of sales		**(1,025,552)**	(969,683)
Gross profit		**202,335**	169,351
Other income	17	**9,728**	3,844
Selling, general and administrative expense	18	**(167,146)**	(171,278)
Income from operating activities		**44,917**	1,917
Finance income		**587**	687
Finance costs		**(10,797)**	(13,056)
Net finance costs	20	**(10,210)**	(12,369)
Share of (loss) profit of equity accounted investees, net of income tax		**(378)**	6
Income (loss) before income tax expense		**34,329**	(10,446)
Income tax (expense) recovery	13	**(9,242)**	1,828
Income (loss) for the year		**25,087**	(8,618)
Other comprehensive income (loss)			
Foreign currency translation differences for foreign operations, net of tax		**2,768**	(642)
Total comprehensive income (loss) for the year		**27,855**	(9,260)
Net income (loss) per share:			
Basic	21	$ 1.62	$ (0.56)
Diluted	21	$ 1.56	$ (0.56)

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, 2020 and 2019

Attributable to Equity Holders of the Company							
($ thousands)	**Note**	**Shareholder's capital**	**Deferred share plan**	**Other reserves**	**Accumulated Other Comprehensive Income (Loss)**	**Retained earnings**	**Total**
Balance December 31, 2018		**$ 86,540**	**$ 8,693**	**$ 5,195**	**$ 506**	**$ 142,765**	**$ 243,699**
Balance at January 1, 2019, as previously reported		86,540	8,693	5,195	506	142,765	243,699
Impact of change in accounting policy		—	—	—	—	690	690
Adjusted balances at January 1, 2019		**$ 86,540**	**$ 8,693**	**$ 5,195**	**$ 506**	**$ 143,455**	**$ 244,389**
Loss for the year		—	—	—	—	(8,618)	(8,618)
Foreign currency translation adjustments, net of tax		—	—	—	(642)	—	(642)
Total comprehensive loss for the year		—	—	—	(642)	(8,618)	(9,260)
Transactions with owners, recorded directly in equity							
Dividends to equity holders		—	—	—	—	(6,769)	(6,769)
Shares issued through DRIP		770	—	—	—	—	770
Shares issued through deferred share plan		370	(370)	—	—	—	—
Share-based payment transactions		—	1,948	—	—	—	1,948
Common shares repurchased		(3,940)	—	—	—	—	(3,940)
Transactions with owners		(2,800)	1,578	—	—	(6,769)	(7,991)
Balance December 31, 2019		**$ 83,740**	**$ 10,271**	**$ 5,195**	**$ (136)**	**$ 128,068**	**$ 227,138**
Income for the year		—	—	—	—	25,087	25,087
Foreign currency translation adjustments, net of tax		—	—	—	2,768	—	2,768
Total comprehensive income for the year		—	—	—	2,768	25,087	27,855
Transactions with owners, recorded directly in equity							
Dividends to equity holders		—	—	—	—	(3,101)	(3,101)
Shares issued through DRIP	15	405	—	—	—	—	405
Shares issued through deferred share plan	15	3,514	(3,514)	—	—	—	—
Share-based payment transactions		—	(1,467)	12	—	—	(1,455)
Common shares repurchased	15	(2,134)	—	—	—	—	(2,134)
Transactions with owners		1,785	(4,981)	12	—	(3,101)	(6,285)
Balance December 31, 2020		**$ 85,525**	**$ 5,290**	**$ 5,207**	**$ 2,632**	**$ 150,054**	**$ 248,708**

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

CERVUS EQUIPMENT CORPORATION

Consolidated Statement of Cash Flows

For the years ended December 31, 2020 and 2019

($ thousands)	**Note**	**2020**	**2019**
Cash flows from operating activities			
Income (loss) for the year		**$ 25,087**	$ (8,618)
Adjustments for:			
Income tax expense (recovery)	13	**9,242**	(1,828)
Depreciation	8	**18,107**	19,714
Amortization of intangibles	9	**3,887**	4,655
Equity-settled share-based payment transactions		**(1,455)**	1,948
Net finance costs	20	**10,985**	13,332
Unrealized foreign exchange loss (gain)	17	**333**	(1,847)
Non-cash impairment of inventories	6	**3,754**	24,006
Gain on sale of property and equipment	17	**(180)**	(436)
Share of loss (profit) of equity accounted investees, net of tax		**378**	(6)
Change in non-cash working capital	22	**22,704**	(1,815)
Cash provided from operating activities		**92,842**	49,105
Cash taxes paid		**(421)**	(8,016)
Interest paid		**(11,602)**	(14,018)
Net cash provided from operating activities		**80,819**	27,071
Cash flows from investing activities			
Interest received		**587**	687
Purchase of property and equipment	8	**(8,311)**	(15,671)
(Payments for) proceeds from intangible assets	9	**(2,908)**	693
Proceeds from disposal of property and equipment	8	**2,632**	2,616
Net cash (used in) investing activities		**(8,000)**	(11,675)
Cash flows from financing activities			
Net (repayments) proceeds from term debt		**(37,515)**	4,588
Dividends paid	15	**(3,463)**	(5,867)
Payment of lease obligation		**(12,077)**	(9,256)
(Payment) receipt of deposits with manufacturers		**(684)**	599
Purchase of common shares	15	**(2,134)**	(3,940)
Net cash (used in) financing activities		**(55,873)**	(13,876)
Increase in cash and cash equivalents		**16,946**	1,520
Effect of foreign currency translation on cash		**1,805**	320
Cash and cash equivalents, beginning of year		**7,946**	6,106
Cash and cash equivalents, end of year		**$ 26,697**	$ 7,946

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

1. Reporting Entity

Cervus Equipment Corporation ("Cervus" or the "Company") is incorporated under the Canada Business Corporations Act and is domiciled in Canada. The registered office of the Company is situated at 6302 – 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, 2020, comprise the Company and its subsidiaries ("the Group").

Cervus provides equipment solutions to customers in agriculture, transportation, and industrial markets across Canada, Australia, and New Zealand. Throughout its territories and across its diverse markets, Cervus dealerships are united in delivering sales and support of the market-leading equipment our customers depend on to earn a living. The Company operates 64 Cervus dealerships and is the authorized representative of leading Original Equipment Manufacturers ("OEMs") including: 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 ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Board of Directors authorized the issue of these consolidated financial statements on March 10, 2021.

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 (loss) from the effective date of acquisition and up to the effective date of disposal, as appropriate.

2. Basis of Presentation (continued)

Details of the Company's subsidiaries at December 31, 2020 and December 31, 2019 are as follows:

Proportion of Ownership Interest and Voting Power Held	2020	2019
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 Judgments and Estimates

In preparing these consolidated financial statements, management has made judgments, 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. The uncertainty of estimates and judgments increases in periods of high market volatility and rapid unprecedented change, which is currently occurring due to impacts of COVID-19 (see Note 27).

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

Judgments

Information about judgments 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 where the Company is the lessor, as an operating or finance lease; judgment 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. (Note 12)
- Impairment tests on long-lived assets; judgment is used in identifying impairment triggers and determining cash generating units or groups of cash generating units at which goodwill, intangible assets, and property and equipment are tested for impairment, as well as determining the appropriate discount rate for these calculations. (Note 9)

Assumptions and Estimation Uncertainties

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

- Recoverability of inventories and key assumptions regarding the net realizable value of inventory (Note 6). The estimated net realizable value of used equipment inventory has an increased level of estimation uncertainty, and involves estimating the selling price of the equipment. Management estimates the net realizable value of used equipment inventory based on numerous factors including the sale price of the equipment it sold subsequent to period end, the sale price of similar equipment that was sold during the most recent fiscal year or subsequent thereto, and external market sources.

2. Basis of Presentation (continued)

Assumptions and Estimation Uncertainties (continued)

- Impairment tests on long-lived assets; estimates on key assumptions related to the future operating results and the appropriate discount rate. (Note 9)
- Depreciation and amortization expense; assumptions on the useful lives of property and equipment and intangible assets. (Notes 8 and 9)

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

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. All operating segments' results are reviewed regularly by the Company's Chief Executive Officer in order to make decisions regarding the allocation of resources to the segment. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Company has three reportable operating segments: Agriculture, Transportation and Industrial, based on the industry which they serve. The Agriculture segment consists of John Deere dealership locations in Alberta, Saskatchewan, British Columbia, New Zealand and Australia. The Transportation segment consists of Peterbilt dealership locations in Saskatchewan and Ontario. The Industrial segment consists of Clark, Sellick, Doosan, and JLG dealership locations in Alberta, Saskatchewan, and Manitoba.

The Company also reports activities not directly attributable to an operating segment under a fourth Corporate segment. The corporate head office incurs certain costs which are not considered directly attributable to an operating segment. Corporate expenses consist of certain overheads and shared services provided to the divisions, along with public company costs, salaries, share-based compensation, office and administrative costs relating to corporate employees and officers, and interest costs on general corporate borrowings. These corporate costs are not allocated to the business segments and are reported within the Corporate segment.

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 impairment of inventory are reversed when economic changes support an increased value. Where a previous impairment is reversed, the reversal is limited to the amount of the original impairment, 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.

Right-of-use assets related to leased properties are also presented as property and equipment in the statement of financial position. Right-of-use assets are measured at recognition at the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any direct costs incurred, less any lease incentives received.

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. Leased assets 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 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 using the straight-method 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)

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

i. As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any direct costs incurred, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily be determined, the Company's incremental borrowing rate. Generally, the Company uses the incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and the type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index rates as at the commencement date;
- amounts expected to be payable under a residual value guarantee, and
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is initially measured at amortized cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets in 'Property and equipment' on the statement of financial position. Lease liabilities are presented based on when the underlying payments become due. Short-term lease liabilities (due within 12 months of statement of financial position date) are presented in 'Current portion of lease obligation'. Long-term lease liabilities (due later than 12 months) are presented in 'Lease obligation'.

3. Significant Accounting Policies (continued)

Leases (continued)

ii. As a lessor

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an assessment of whether the lease transfers substantially all of the risks and rewards incidental to the ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of the sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If the sub-lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Company regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of ‘Rentals and other’ revenue.

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.

3. Significant Accounting Policies (continued)

Provisions (continued)
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's financial assets and liabilities consist primarily of cash and cash equivalents, trade and other accounts receivable, trade and other accrued liabilities, dividends payable, floor plan payables, foreign currency hedging instruments, leases, and term debt.

Classification and Measurement of Financial Assets and Financial Liabilities
A financial asset is classified and is measured at:
- Amortised cost; or
- 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.

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.

The Company's financial liabilities are classified as Other Liabilities initially recognized at fair value and are subsequently measured at amortized cost using the effective interest rate method. The Company's other financial liabilities include trade and other accrued liabilities, floor plan payables, term debt, and lease obligations.

3. Significant Accounting Policies (continued)

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

Impairment

Financial Assets (Including Receivables)
The Company applies the ‘expected credit loss’ (ECL) model under IFRS 9 to financial assets measured at amortised cost, contract assets and debt investments at fair value through other comprehensive income (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

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, depends on the type of product and service provided to customers.

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 to have accepted the asset and the 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.
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.
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, or within 30 days from the invoice date.

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.

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 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.

Government Grants
Government grants are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Refer to Note 17 Other Income for further details on how the Company accounts for government grants.

4. Seasonality

The Canadian, New Zealand and Australian retailing of agriculture, transportation, and industrial equipment is influenced by seasonality. Sales activity for the Agriculture segment is normally highest between April and September during growing seasons in Canada and July through December in New Zealand and Australia. Sales in the Transportation and Industrial segments are not as heavily impacted by seasonality but do experience slower sales activity in the winter months. As a result, profit or losses may not accrue uniformly from quarter to quarter.

5. Accounts Receivable and Other Assets

($ thousands)	2020	2019
Trade receivables	$ 32,669	$ 32,178
Allowance for doubtful debts[(a)]	(946)	(1,155)
Trade receivables, net	31,723	31,023
Prepaid expenses	18,153	26,151
Income tax receivable	—	6,586
Other receivables	3,610	2,795
Total accounts receivable and other assets	$ 53,486	$ 66,555

(a) Changes in allowance for doubtful debts during the year has been recorded in selling, general and administrative expense (see also Note 23).

6. Inventories

($ thousands)	2020	2019
New equipment	$ 96,247	$ 149,025
Used equipment	75,077	118,754
Parts and accessories	56,957	50,607
Work-in-progress	927	1,233
Total inventories	$ 229,208	$ 319,619

During the year ended December 31, 2020, inventories included in costs of sales were $888 million (2019 - $892 million). The total inventory impairment recorded during the year ended December 31, 2020, and included in cost of goods sold was $3.8 million (2019 - $24 million). The Company’s inventory has been pledged as security for floor plan payables under terms of the floor plan agreements and for long-term debt under general security agreements.

7. Other Long-Term Assets

($ thousands)	2020	2019
Long-term receivables	**$ 2,049**	$ 4,355
Deposits with manufacturers	**3,002**	2,260
Other investments [a]	**6,609**	6,984
Other long-term assets	**$ 11,660**	$ 13,599

(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 during the term of the lease. 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 $3.0 million (December 31, 2019 - $2.3 million). Deere Credit reviews the deposit account balances quarterly and if the balances exceed the minimum requirements, Deere Credit refunds the difference to the Company.

8. Property and Equipment

($ thousands) Cost	Land and Buildings	Rental Equipment	Automotive and Trucks	Equipment	Right-of-use assets (Note 12)	Total
Balance at January 1, 2019	**$ 25,266**	**$ 17,939**	**$ 22,762**	**$ 20,894**	**$ 95,190**	**$ 182,051**
Additions	7,433	3,492	2,565	2,181	—	15,671
Right of use additions	—	—	—	—	1,777	1,777
Disposals	(28)	(3,305)	(1,449)	(3,990)	—	(8,772)
Transfers and adjustments	21	3,294	1,160	1,277	(6,300)	(548)
Remeasurements	—	—	—	—	5,896	5,896
Currency translation effects	(36)	(393)	(331)	(204)	(456)	(1,420)
Balance at December 31, 2019	**$ 32,656**	**$ 21,027**	**$ 24,707**	**$ 20,158**	**$ 96,107**	**$ 194,655**
Additions	1,830	1,524	2,641	2,316	—	8,311
Right of use additions	—	—	—	—	2,219	2,219
Disposals	(226)	(2,722)	(2,641)	(821)	—	(6,410)
Transfers and adjustments	—	1,121	(15)	55	(4,489)	(3,328)
Remeasurements	—	—	—	—	4,755	4,755
Currency translation effects	134	398	382	330	634	1,878
Balance at December 31, 2020	**$ 34,394**	**$ 21,348**	**$ 25,074**	**$ 22,038**	**$ 99,226**	**$ 202,080**

8. Property and Equipment (continued)

($ thousands) Accumulated Depreciation and Impairment	Land and Buildings	Rental Equipment	Automotive and Trucks	Equipment	Right-of-use assets (Note 12)	Total
Balance at January 1, 2019	**$ 5,426**	**$ 6,778**	**$ 13,869**	**$ 14,083**	**$ 4,871**	**$ 45,027**
Depreciation expense	1,134	2,628	2,682	2,182	11,088	19,714
Disposals	(12)	(1,592)	(1,257)	(3,731)	—	(6,592)
Transfers and adjustments	25	(171)	1,202	1,241	(4,207)	(1,910)
Currency translation effects	(4)	(59)	(76)	(142)	(8)	(289)
Balance at December 31, 2019	**$ 6,569**	**$ 7,584**	**$ 16,420**	**$ 13,633**	**$ 11,744**	**$ 55,950**
Depreciation expense	1,101	2,261	2,421	2,125	10,199	18,107
Disposals	(95)	(1,056)	(2,059)	(748)	—	(3,958)
Transfers and adjustments	(1)	(1,079)	(11)	—	(2,167)	(3,258)
Remeasurements	—	—	—	—	(150)	(150)
Currency translation effects	1	109	199	248	147	704
Balance at December 31, 2020	**$ 7,575**	**$ 7,819**	**$ 16,970**	**$ 15,258**	**$ 19,773**	**$ 67,395**

($ thousands) Carrying Value	Land and Buildings	Rental Equipment	Automotive and Trucks	Equipment	Right-of-use assets (Note 12)	Total
Balance at December 31, 2019	$ 26,087	$ 13,443	$ 8,287	$ 6,525	$ 84,363	$ 138,705
Balance at December 31, 2020	**$ 26,819**	**$ 13,529**	**$ 8,104**	**$ 6,780**	**$ 79,453**	**$ 134,685**

Depreciation expense related to rental and lease fleets have been recorded in cost of sales in the amount of $3.1 million (2019 - $4.3 million) and selling, general and administrative expenses of $15 million (2019 - $15 million). The Company’s property and equipment has been pledged as security for its long-term debt.

9. Intangible Assets and Goodwill

Intangible Assets

Intangible assets are comprised of the following:

($ thousands) Cost	Dealership Distribution Agreements	Customer Lists	Non-Competition Agreements	Software Costs	Total
Balance at January 1, 2019	**$ 51,263**	**$ 16,713**	**$ 2,921**	**$ 4,388**	**$ 75,285**
Additions	—	—	—	247	247
Effect of movements in exchange rates	(217)	—	—	—	(217)
Balance at December 31, 2019	**$ 51,046**	**$ 16,713**	**$ 2,921**	**$ 4,635**	**$ 75,315**
Additions	—	—	—	2,446	2,446
Effect of movements in exchange rates	266	—	—	—	266
Additions through business acquisition	363	20	—	—	383
Balance at December 31, 2020	**$ 51,675**	**$ 16,733**	**$ 2,921**	**$ 7,081**	**$ 78,410**

($ thousands) Accumulated Amortization	Dealership Distribution Agreements	Customer Lists	Non-Competition Agreements	Software Costs	Total
Balance at January 1, 2019	**$ 14,001**	**$ 14,114**	**$ 2,406**	**$ 2,124**	**$ 32,645**
Amortization expense	2,589	1,110	265	691	4,655
Balance at December 31, 2019	**$ 16,590**	**$ 15,224**	**$ 2,671**	**$ 2,815**	**$ 37,300**
Amortization expense	2,595	369	62	861	3,887
Balance at December 31, 2020	**$ 19,185**	**$ 15,593**	**$ 2,733**	**$ 3,676**	**$ 41,187**

($ thousands) Carrying Value	Dealership Distribution Agreements	Customer Lists	Non-Competition Agreements	Software Costs	Total
Balance at December 31, 2019	$ 34,456	$ 1,489	$ 250	$ 1,820	$ 38,015
Balance at December 31, 2020	**$ 32,490**	**$ 1,140**	**$ 188**	**$ 3,405**	**$ 37,223**

Amortization expense of $3.9 million (2019 - $4.7 million) has been recorded in selling, general and administrative expense.

9. Intangible Assets and Goodwill (continued)

Goodwill

The movements in the net carrying amount of goodwill is as follows:

($ thousands)	
Balance at January 1, 2019	$ 21,624
Valuation adjustment on business combination [(a)]	1,417
Impact of translation of goodwill held in foreign currencies	(144)
Balance at December 31, 2019	$ 22,897
Additions through business acquisition	79
Impact of translation of goodwill held in foreign currencies	162
Balance at December 31, 2020	**$ 23,138**

(a) During the year ended December 31, 2019, the Company had an adjustment to goodwill of $1.4 million on the final holdback payments for the acquisition of Deermart Equipment Sales Ltd.

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

($ thousands)	**2020**	**2019**
Agriculture Segment		
Agriculture - Alberta	**$ 16,127**	$ 16,127
Agriculture - Saskatchewan	**327**	327
Agriculture - New Zealand	**2,138**	2,064
Agriculture - Australia	**1,333**	1,166
Industrial Segment		
Industrial	**666**	666
Transportation Segment		
Transportation - Ontario	**2,547**	2,547
Carrying value of goodwill	**$ 23,138**	$ 22,897

9. Intangible Assets and Goodwill (continued)

Annual Impairment Test

The Company performed the annual impairment test of goodwill and intangible assets as at December 31, 2020. The test for impairment is to compare the recoverable amount of the CGUs to their carrying value. Goodwill and intangible assets are assessed for impairment at the CGU level to which they are allocated.

The recoverable amount of all CGUs are determined based on a value-in-use calculation. The value-in-use calculation uses future cash flow projections, based on the following:

- A review of 2020 revenue which was then adjusted through the projection period for the outlook of the CGU at the date of impairment testing. Revenues used in the projection period did not exceed prior historical revenue levels of the CGU, other than the impact of assumed inflation.
- Gross profit margin, expenses and cash requirements for working capital were benchmarked by CGU based on historical amounts as a percent of annual historical revenue.
- The projections were assessed for reasonability against the demonstrated historical performance of the CGUs and the financial budget approved by senior management for a one-year period.
- For the annual impairment testing purposes, the cash flows subsequent to the five-year projection period were extrapolated using a 2.0% growth rate which represents the expected growth in the markets in which the Company operates.

The discount rate applied to each CGU to determine value-in-use, is a post-tax rate that reflects an optimal debt-to-equity ratio and considers the risk-free rate, market equity risk premium, size premium and the risks specific to each CGU's cash flow projections. The post-tax discount rates ranged from 8.9% to 10.1% (pre-tax discount rate of 11.5% to 14.1%). As a result of the analysis, management determined there was no impairment of goodwill or indefinite lived intangible assets.

Sensitivity testing is conducted as part of the annual impairment tests, including stress testing the post-tax discount rate and projected cash flows with all other assumptions being held constant. Had the estimated 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 12%, 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.

10. Trade and Other Liabilities

($ thousands)	2020	2019
Trade and other payables	**$ 41,329**	$ 40,189
Non-trade payables and accrued expenses	**26,784**	17,680
Contract liabilities	**9,349**	2,829
Dividends payable (Note 15)	**921**	1,688
Income taxes payable	**2,212**	—
Foreign exchange contracts	**2,136**	797
Total trade and other liabilities	**$ 82,731**	$ 63,183

11. Loans and Borrowings

Bank Indebtedness

At December 31, 2020, 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, 2020, there were no amounts drawn on the facility and $9.6 million had been utilized for outstanding letters of credit to John Deere. The Syndicated Facility bears interest at the lender's prime rate plus the Applicable Margin (currently 0%). Applicable Margin can range from 0% to 1.75% (2019 – 0% to 1.75%) and is based on a liabilities to income ratio.

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 2020, see Note 23 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.

11. Loans and Borrowings (continued)

Outstanding Borrowings

($ thousands)	Year of Maturity	2020	2019
Operating and Other Bank Credit Facilities			
Syndicated 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	**$ —**	$ 25,000
ANZ National Bank, New Zealand, flexible credit facility, interest at 4.49%	2021	**—**	788
Capital Facilities			
Farm Credit Corporation, mortgages payable in monthly instalments including interest, a rate of lenders prime plus 1% per annum (December 31, 2019 - 4.50%)	2024	**—**	3,945
Affinity Credit Union, mortgages payable in monthly installments including interest per annum (December 31, 2019 - 3.99%)	2020	**—**	5,422
Rental Equipment Term Loans			
John Deere finance contracts, New Zealand, payable in monthly instalments including interest at the rate of 4.50% to 6.45% per annum, secured by related equipment	Various	**5,191**	7,163
Hire purchase contracts, Australia, finance contracts payable in monthly installments ranging up to AUD $1 thousand including interest at a rate of 2.89% to 5.35%, secured by related equipment	Various	**603**	861
Finance contracts, various, repayable in monthly instalments ranging per month including interest at 3.45%	Various	**202**	267
Total		**5,996**	43,446
Less: current portion		**(2,872)**	(9,795)
Less: deferred debt issuance costs		**(186)**	(281)
Carrying value of term debt at December 31		**$ 2,938**	$ 33,370

11. 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 2.40% to 7.45% at December 31, 2020. 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	2020	2019
John Deere Financial, Canada	3.70% - 7.45%	$ 48,504	$ 82,955
Wells Fargo Vendor Finance	4.94%	3,310	103
John Deere Financial, New Zealand and Australia	5.25%	5,798	21,571
PACCAR Financial	2.40% - 2.72%	21,827	67,089
Other Floor Plan Facilities	2.49% - 3.94%	4,070	2,274
Total floor plan payable		**$ 83,509**	$ 173,992

Pre-Approved Credit Limits and Available Credit Facilities

The Company has various facilities, the amount available under which are limited to the lesser of pre-approved credit limits or the available unencumbered assets. A summary of the Company's maximum pre-approved credit limits on available credit facilities as at December 31, 2020, are as follows:

	December 31, 2020				December 31, 2019			
($ thousands)	Total Limits	Borrowings	Letters of Credit	Amount Available	Total Limits	Borrowings	Letters of Credit	Amount Available
Operating and other bank credit facilities	$122,288	$ —	$ 9,600	$ 112,688	$ 122,735	$ 25,788	$ 9,600	$ 87,347
Capital facilities	(a)	—				9,367		
Floor plan facilities and rental equipment term loan financing	(b)	89,505				182,283		
Total borrowing		89,505				217,438		
Total current portion long term debt		(2,872)				(9,795)		
Total inventory floor plan facilities		(83,509)				(173,992)		
Deferred debt issuance costs		(186)				(281)		
Total long term debt		$ 2,938				$ 33,370		

(a) During the year, the Company repaid all amounts owing under its capital facilities, and there is no additional amount available under the facilities as at December 31, 2020. The additional amount available under the facilities was limited to the pre-approved credit limit of $9.4 million as at December 31, 2019. The Company has unencumbered assets available for financing which are estimated at $16 million as at December 31, 2020 (December 31, 2019 - $7 million).

11. Loans and Borrowings (continued)

(b) For floorplan facilities, the additional amount available under the facilities is limited to the lesser of the pre-approved credit limit of $443 million (December 31, 2019 - $449 million) or the available unencumbered assets which are estimated at $14 million as at December 31, 2020 (December 31, 2019 - $17 million).

As at December 31, 2020, the Company is in compliance with all its covenants.

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

	Financial Liabilities			
($ thousands)	**Dividend payable**	**Lease obligation**	**Term debt**	**Total**
Balances at January 1, 2019	$ 1,556	$ 95,500	$ 39,087	$ 136,143
Changes from financing cash (outflows) inflows				
Cash dividends paid	(5,867)	—	—	(5,867)
Payment of lease obligation	—	(9,256)	—	(9,256)
Advance of term debt	—	—	4,588	4,588
Total (outflows) inflows from financing cash flows	(5,867)	(9,256)	4,588	(10,535)
Effect of changes in foreign exchange rates	—	(1,037)	(510)	(1,547)
Liability related changes				
Dividends issued through DRIP	(770)	—	—	(770)
Dividends declared	6,769	—	—	6,769
New lease obligation	—	7,676	—	7,676
Total liability related other increase	5,999	7,676	—	13,675
Balance at December 31, 2019	$ 1,688	$ 92,883	$ 43,165	$ 137,736
Changes from financing cash (outflows) inflows				
Cash dividends paid	(3,463)	—	—	(3,463)
Payment of lease obligation	—	(12,077)	—	(12,077)
Repayment of term debt	—	—	(37,515)	(37,515)
Total (outflows) from financing cash flows	(3,463)	(12,077)	(37,515)	(53,055)
Effect of changes in foreign exchange rates	—	410	160	570
Liability related changes				
Dividends issued through DRIP	(405)	—	—	(405)
Dividends declared	3,101	—	—	3,101
New lease obligation	—	7,124	—	7,124
Total liability related other increase	2,696	7,124	—	9,820
Balance at December 31, 2020	**$ 921**	**$ 88,340**	**$ 5,810**	**$ 95,071**

12. Leases

(a) Leases as lessee

The Company leases buildings, vehicles, office equipment, and rental equipment.

The Company's building leases range from 3 to 20 years in term duration, and typically include options to renew the lease after the initial maturity date. Most of the Company's building leases are for its equipment dealership locations and were entered into as combined leases of land and building. The Company also leases a fleet of vehicles for certain employees that typically run for a period of 5 years.

Information about leases for which the Company is a lessee is presented below.

i. Lease obligation

The following table sets out a maturity analysis of lease obligations, showing the undiscounted lease payments to be paid by the Company after the reporting date.

($ thousands)	**2020**	**2019**
Less than one year	$ 14,329	$ 15,471
One to two years	14,105	13,945
Two to five years	33,609	36,345
More than five years	76,834	82,373
Total undiscounted lease obligation	**$ 138,877**	$ 148,134
Accrued interest expense	50,537	55,251
Present value of lease obligation	**$ 88,340**	$ 92,883

ii. Right-of-use assets

Right-of-use assets related to leased properties are presented as property and equipment in the statement of financial position.

($ thousands)	**Buildings**	**Vehicles**	**Office Equipment**	**Rental Equipment**	**Total**
Balance at January 1, 2019	**$ 82,748**	**$ 1,341**	**$ 140**	**$ 6,090**	**$ 90,319**
Transfers	—	—	—	(2,093)	(2,093)
Depreciation charge for the year	(8,994)	(406)	(49)	(1,639)	(11,088)
Additions to right-of-use assets	222	955	—	600	1,777
Remeasurements	5,778	118	—	—	5,896
Currency translation effects	(444)	—	(4)	—	(448)
Balance at December 31, 2019	**$ 79,310**	**$ 2,008**	**$ 87**	**$ 2,958**	**$ 84,363**
Transfers	—	—	—	(2,322)	(2,322)
Depreciation charge for the year	(8,929)	(466)	(46)	(758)	(10,199)
Additions to right-of-use assets	931	70	146	1,072	2,219
Remeasurements	4,955	(50)	—	—	4,905
Currency translation effects	477	—	10	—	487
Balance at December 31, 2020	**$ 76,744**	**$ 1,562**	**$ 197**	**$ 950**	**$ 79,453**

12. Leases (continued)

iii. Amounts recognized in profit or loss

($ thousands)	2020	2019
Interest expense on lease obligations	$ 6,908	$ 7,140
Income from sub-leasing right-of-use assets presented in 'Rental Income'	994	1,478
Occupancy expense relating to short-term leases and leases of low-value assets	1,335	1,281

iv. Amounts recognized in statement of cash flows

($ thousands)	2020	2019
Total cash outflow for leases	$ 13,412	$ 10,537

v. Extension options
Some building leases contain extension options exercisable by the Company before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

As at December 31, 2020, the Company has estimated that the lease liability resulting from extension options reasonably certain to be exercised is $12 million (2019 - $11 million).

(b) Leases as lessor
The Company is the intermediate lessor in several sub-lease arrangements with its customers, whereby equipment is first leased (the “head lease) by the Company (or “intermediate lessor”) from its original equipment manufacturer (or “head lessor”), and subsequently sub-leased by the Company to its customers for dedicated use. The head-leases and corresponding sub-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 arrangement remains with the Company.

The Company classifies each sub-lease as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease.

i. Finance leases
In cases where the sub-lease term is for the major part of the remaining term of the right-of-use asset arising from the head-lease, the sub-lease is classified and accounted for as a finance lease.

At the commencement date of the sub-lease, the Company derecognizes the right-of-use asset relating to the head-lease that it transfers to the customer and recognizes a lease receivable (measured as the net investment in the sub-lease). Any difference between the carrying amount of the right-of-use asset and the net investment in the sub-lease is recognized in profit or loss.

12. Leases (continued)

The Company continues to recognize the lease liability relating to the head lease, which represents the lease payments owed to the head lessor.

Over the term of the sub-lease, the Company recognizes both interest income on the sub-lease and interest expense on the head lease. During 2020, the Company recognized interest income on lease receivables of $0.2 million (2019 - $0.3 million).

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

($ thousands)	**2020**	**2019**
Less than one year	$ 1,505	$ 2,070
One to two years	1,427	1,801
Two to five years	433	2,525
More than five years	—	—
Total undiscounted lease receivable	**$ 3,365**	$ 6,396
Unearned finance income	225	571
Net investment in the lease	**$ 3,140**	$ 5,825

ii. Operating leases

In cases where the sub-lease term is not a major part of the remaining term of the right-of-use asset arising from the head-lease, or the sub-lease term meets the short-term lease exemption (less than 12 months), the sub-lease is classified and accounted for as an operating lease. The right-of-use asset from the head lease remains with the Company and is depreciated over the term of the head lease. Lease payments from customers are recognized by the Company as rental income upon receipt.

Rental income recognized by the Company during 2020 was $2.8 million (2019 - $3.3 million).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

($ thousands)	**2020**	**2019**
Less than one year	$ 615	$ 920
Between one and five years	329	604
More than five years	—	—
Total	**$ 944**	$ 1,524

13. Income Taxes

Tax Expense (Recovery)

($ thousands)	2020	2019
Current income tax expense	$ 9,218	$ 40
Deferred income tax expense (recovery)	24	(1,868)
Income tax expense (recovery)	$ 9,242	$ (1,828)

In the second quarter of 2020, as part of its economic recovery plan, Alberta announced the accelerated reduction of its general corporate income tax rate to 8% (from 10%) effective July 1, 2020. Previously the general corporate income tax rate was not scheduled to decrease to 8% until 2022. The impact of the corporate tax rate decrease on deferred tax expense for the year ended December 31, 2020 was not significant.

Using federal and provincial statutory rates of 25.6% (2019 – 26.7%), the income tax expense for the year can be reconciled to the statement of comprehensive income as follows:

($ thousands)	2020	2019
Income (loss) before income tax expense	$ 34,329	$ (10,446)
Expected income tax expense (recovery)	8,778	(2,785)
Non-deductible costs and other	464	957
Income tax expense (recovery)	$ 9,242	$ (1,828)

Deferred Tax Assets and Liabilities

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

($ thousands)	2019	Recognized in Comprehensive Income	2020
Tangible assets	$ 22,427	$ (992)	$ 21,435
Intangible assets	3,170	221	3,391
Lease obligation	(21,276)	1,547	(19,729)
Unrealized foreign exchange and other	2,654	(752)	1,902
Net deferred tax liability	$ 6,975	$ 24	$ 6,999

The Company has not recognized the benefits associated with net capital losses of $35 million (2019 - $35 million) and non-capital losses of $0.8 million (2019 - $0.8 million), as the timing and ultimate application of these tax loss carryforwards are uncertain.

14. 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.

		2020			2019		
			Fair Value			Fair Value	
($ thousands)	**Category**	**Carrying**	**Level 1**	**Level 2**	**Carrying**	**Level 1**	**Level 2**
Financial Assets							
Cash and cash equivalents [(a)]	Amortised cost	**$ 26,697**			$ 7,946		
Accounts receivable and other assets [(a)]	Amortised cost	**31,916**			37,846		
Derivative financial instruments	Fair value through profit and loss	**2,075**		2,075	776		776
Other investments	Fair value through profit and loss	**6,548**		6,548	6,548		6,548
Other long-term assets	Amortised cost	**3,253**			2,576		
Finance lease receivables[(a)]	Amortised cost	**3,140**			5,821		
Financial Liabilities							
Trade and other liabilities [(a)]	Other liabilities	**80,595**			62,386		
Floor plan payables [(a)]	Other liabilities	**83,509**			173,992		
Term debt [(b)]	Other liabilities	**5,810**		5,810	43,165		43,165
Derivative financial liability	Held-for-trading	**2,136**		2,136	797		797
Lease obligation	Other liabilities	**88,340**			92,883		

(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 approximate fair value because the applicable interest rates on these liabilities are at rates similar to prevailing market rates.

14. Financial Instruments (continued)

Carrying Value and Fair Value of Financial Assets and Liabilities (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.

15. 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, 2019	15,559	$	86,540
Issued under the DRIP plan	68		770
Issued under the deferred share plan	31		370
Repurchased under the NCIB	(310)		(3,940)
Balance at December 31, 2019	15,349		83,740
Issued under the DRIP plan	**59**		**405**
Issued under the deferred share plan	**246**		**3,514**
Repurchased under the NCIB	**(290)**		**(2,134)**
Balance at December 31, 2020	**15,364**	**$**	**85,525**

Common Shares

Shareholders are entitled to:

(i) dividends if, as and when declared by the Board of Directors of the Company;
(ii) 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 September 10, 2019, the Company announced a Normal Course Issuer Bid (the “September 2019 Bid”), which commenced on September 16, 2019, to purchase a maximum of 1,050 thousand shares (the “Shares”) for cancellation before September 15, 2020. Cervus appointed Raymond James Ltd. as its broker, to conduct the Bid on behalf of the Company. All purchases were made in accordance with the September 2019 Bid at the prevailing market price of the Shares at the time of purchase. This normal course issuer bid expired on September 15, 2020. Prior to expiry, Cervus repurchased and cancelled 0.3 million shares at a weighted average price of $7.35 per share.

On September 16, 2020, the Company announced a Normal Course Issuer Bid (the “September 2020 Bid”), which commenced on September 21, 2020, to purchase a maximum of 1,050 thousand common shares (the “Shares”) for cancellation before September 20, 2021. Cervus appointed Raymond James Ltd. as its broker, to conduct the Bid on behalf of the Company. All purchases are to be made in accordance with the September 2020 Bid at the prevailing market price of the Shares at the time of purchase.

For the year ended December 31, 2020, the Company had repurchased and cancelled 0.3 million common shares at a weighted average price of $7.35 per share under the September 2019 Bid, and no shares had been repurchased under the September 2020 Bid.

15. Capital and Other Components of Equity (continued)

Dividends Declared

($ thousands)	2020	2019
$0.20 per qualifying common share (2019 - $0.44)	**$ 3,101**	$ 6,769

Total dividends paid in cash during the year were $3.5 million (2019 - $6 million). Dividends payable as at December 31, 2020, was $0.9 million (2019 - $1.7 million).

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 Pty Ltd. and Cervus Equipment Australia Pty Ltd.

16. Revenue

The Company's contract liabilities primarily relate to advance consideration received from customers for wholegoods equipment, parts and services. The amount of $2.8 million recognized in contract liabilities at the beginning of the year has been recognized as revenue for the year ended December 31, 2020 (2019 - $7 million). In the current year, the Company has received $9 million from customers, but has not fulfilled the performance obligations as at December 31, 2020 (2019 - $2.8 million).

17. Other Income

Other income for the years ended December 31, 2020 and 2019 is comprised of the following:

($ thousands)	2020	2019
Net gain on sale of property and equipment	$ 180	$ 436
Unrealized foreign exchange (loss) gain[a]	(333)	1,847
Government wage subsidies[b]	6,970	—
Extended warranty commission	(117)	(34)
Financial compensation and consignment commissions	775	772
Other income	2,253	823
Total other income	**$ 9,728**	$ 3,844

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

(b) On April 11, 2020, the Government of Canada enacted The Canada Emergency Wage Subsidy ("CEWS"), which introduced a wage subsidy of up to 75% of eligible remuneration to qualifying entities, retroactive to March 15, 2020. On July 27, 2020, the Government of Canada enacted changes to the existing subsidy legislation which allowed employers using paymaster arrangements, such as Cervus, to qualify for the subsidy.

Included in other income for the year ended December 31, 2020, is $6 million related to CEWS. Also included in other income for the year ended December 31, 2020, is a $0.9 million government wage subsidy received by Agriculture New Zealand related to the COVID-19 pandemic. Government grants are recognized at their fair value in other income when there is reasonable assurance that the grant will be received, and the Company will comply with all relevant conditions of the grant.

18. Selling, General and Administrative Expenses By Nature

($ thousands)	2020	2019
Wages and benefits	$ 102,979	$ 101,203
Depreciation and amortization	18,930	20,031
Occupancy costs including maintenance	9,505	10,008
Operating and administrative expenses	35,732	40,036
Total selling, general and administrative expenses	**$ 167,146**	$ 171,278

19. Wages and Benefits

($ thousands)	2020	2019
Included in cost of sales:		
Wages and benefits	$ 35,305	$ 38,091
Included in selling, general and administrative expenses:		
Wages and benefits	104,434	99,255
Share-based payments	(1,455)	1,948
Total wages and benefits included in selling, general and administrative expenses	102,979	101,203
Total wages and benefits	$ 138,284	$ 139,294

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 $0.8 million (2019 - $1.1 million) of expenses incurred by the Company to match the employee contributions.

Mid-Term Management Incentive Plan and Performance Share Unit Plan

During 2019, the Company offered a mid-term incentive plan (the "MTIP") to certain senior key employees. Under the MTIP, participants received annual grants of performance share units which are settled in cash based on the achievement of performance targets at the end of a three year performance period. Effective January 1, 2020, the MTIP was replaced with the Performance Share Unit Plan (the "PSU Plan"). Under the PSU plan participants received annual grants of performance share units ("PSUs") which are settled in cash based on the achievement on the single measure of total shareholder return over a three year performance period.

A liability for MTIP or PSU Plan 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, 2020, no grants were issued and MTIP and PSU Plan expense recognized during the year amounted to $nil (2019 – $nil).

Deferred Share Plan

During 2019, the Company had a deferred share plan (the "Deferred Share Plan") available to officers, directors and executives whereby, if elected, certain payments to these individuals could be deferred, ranging in amounts up to $50 thousand per individual, where the Company also matched the deferred portion. The deferred shares were granted as approved by the board of directors based on 95% of the 10-day average share price prior to the date of grant. For officers and executives, 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. For directors, the matched component vests immediately on grant date, and is recorded as selling, general and administrative expense.

19. Wages and Benefits (continued)

The Company also had a deferred share plan (the "Management Deferred Share Plan") available to management whereby, if elected, certain payments to these individuals could be deferred, ranging in amounts up to $10 thousand per individual, where the Company also matches the deferred portion. The deferred shares were 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.

The Deferred Share Plan and the Management Deferred Share Plan were discontinued for employees and officers in 2020 and no future elections could be made. The Deferred Share Plan remains in place for directors. Existing deferred share plan units as at December 31, 2020 will remain in place and any unvested units will continue to vest according to the vesting schedules mentioned above.

As at December 31, 2020, the Company has 1.0 million shares reserved for issuance under these plans. As at December 31, 2020, 0.5 million (2019 – 0.9 million) deferred shares have been issued under these plans and remain outstanding. Of the outstanding deferred shares, 0.5 million (2019 – 0.7 million) can be converted to common shares. Total deferred shares payable as of December 31, 2020 was $5 million (2019 - $10 million).

The continuity below details the number of Deferred Share Plan and Management Deferred Share Plan units in 2020 and 2019.

	2020 **Number of units**	**2019** **Number of Units**
Balance, January 1	**912**	801
Units granted	**67**	211
Units redeemed	**(391)**	(35)
Units forfeited	**(62)**	(65)
Balance, end of year	**526**	912

20. Finance Income and Finance Costs

($ thousands)	**2020**	**2019**
Finance income	**$ 587**	$ 687
Interest expense on mortgage and term debt obligations	**(1,127)**	(2,338)
Interest expense on financial liabilities	**(10,445)**	(11,681)
Finance costs	**$ (11,572)**	$ (14,019)
Net finance costs recognized separately	**(10,210)**	(12,369)
Net finance costs recognized in cost of sales	**(775)**	(963)
Total net finance costs	**$ (10,985)**	$ (13,332)

21. Earnings per Share

Per Share Amounts

Both basic and diluted per share amounts have been calculated using the net earnings (loss) of the Company as the numerator. No adjustments to net earnings (loss) were necessary for the years ended December 31, 2020 and 2019.

Weighted Average Number of Common Shares

The weighted average number of shares for the purposes of basic per share amounts is as follows:

($ thousands)	2020	2019
Issued common shares opening	**15,349**	15,559
Effect of shares issued under the DRIP plan	**47**	42
Effect of shares issued under the deferred share plan	**206**	18
Effect of shares repurchased from NCIB	**(128)**	(206)
Weighted average number of common shares	**15,474**	15,413

Weighted Average Number of Diluted Shares

The calculation of diluted earnings (loss) per share at December 31, 2020 and 2019 was based on the income (loss) attributable to common shareholders and the weighted average number of common shares outstanding. The weighted average number of common shares outstanding, after adjustment for effects of dilutive potential common shares, consists of the following:

($ thousands)	2020	2019
Weighted average number of common shares (basic)	**15,474**	15,413
Effect of dilutive securities:		
Deferred share plan	**470**	—
Options	**121**	—
Weighted average number of shares (diluted)	**16,065**	15,413

22. Supplemental Cash Flow Information

($ thousands)	2020	2019
Changes in non-cash working capital:		
Inventory	**$ 89,524**	$ (20,443)
Floorplan	**(92,684)**	31,489
Trade and other receivables	**10,414**	(158)
Trade and other liabilities	**15,450**	(12,703)
Total change in non-cash working capital	**$ 22,704**	$ (1,815)

23. Financial Risk Management

Overview

The Company has exposure to the following risks from its use of financial instruments: credit, liquidity, market, currency and interest. 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, transportation and industrial 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 Notes 5 and 7).

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.

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. 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.

23. 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)	2020	2019
Trade receivables	$ 32,669	$ 32,178
Other receivables	7,126	7,391
Total	$ 39,795	$ 39,569

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

($ thousands)	2020	2019
Canada	$ 24,370	$ 24,738
New Zealand	3,383	3,481
Australia	4,916	3,959
Total	$ 32,669	$ 32,178

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

($ thousands)	2020	2019
Current - 60 days	$ 29,278	$ 28,495
Past due – 61-90 days	2,287	2,090
Past due – 91 to 120 days	651	568
Past due more than 120 days	453	1,025
Total	$ 32,669	$ 32,178

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

($ thousands)	2020	2019
Balance at January 1	$ 1,155	$ 1,078
Additional (recovery) allowance	(42)	362
Amounts written-off as uncollectible	(167)	(285)
Balance at December 31	$ 946	$ 1,155

23. Financial Risk Management (continued)

Guarantees

The Company has irrevocable standby letters of credit to John Deere in the amount of $9.6 million (2019 - $9.6 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, 2020, total residual values maturing over the next 12 months was $57 million (2019 – $42 million) and the total residual values maturing in the next five years is $301 million (2019 - $316 million).

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 11, as at December 31, 2020, the Company had a $120 million Syndicated Facility, and had used $9.6 million of this for irrevocable letters of credit issued to John Deere.

The Company expects continued cash flows from operations in 2021, together with currently available cash on hand and credit facilities, will be sufficient to fund its requirements for investments in working capital, capital assets and dividend payments through the next 12 months. The following are the contractual maturities of financial liabilities existing as at December 31, 2020.

($ thousands)	Carrying amount	Contractual principal maturities	12 months or less	1 – 2 Years	2 – 5 Years	5+ Years
Trade and other accrued liabilities	$ 79,674	$ 79,674	$ 79,674	$ —	$ —	$ —
Floor plans payable	83,509	83,509	83,509	—	—	—
Dividends payable	921	921	921	—	—	—
Term debt payable	5,810	5,996	2,872	2,362	762	—
Derivative financial liability	2,136	2,136	2,136	—	—	—
Lease obligation	88,340	138,877	14,329	14,105	33,609	76,834
Total contractual maturities of financial liabilities	$ 260,390	$ 311,113	$ 183,441	$16,467	$34,371	$ 76,834

23. Financial Risk Management (continued)

Market Risk

Market risk is the risk that changes in the marketplace such as commodity prices, foreign exchange rates and interest rates 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.

Commodity Price

The Company is primarily a business to business equipment retailer, and provider of equipment rental and support. Many of our customers' businesses are very capital intensive and can be significantly affected by swift changes to external market factors beyond their control. Commodity prices can be one of the most significant factors to our customers' businesses, as rapid changes in crop pricing, cattle pricing, or petroleum product pricing including carbon taxes, as examples, can have a material adverse effect on a large number of our customers. The Company's financial success can be significantly impacted by changes in these business cycle factors in its customer base. These factors would potentially impact the Company's operating results through eroding margins on the products it sells and valuation concerns over the inventory it holds.

Monitoring inventory levels, review of inventory valuation across segments, and increasing the geographic distribution and industry alignments of our dealer network assist in reducing the impact of a significant market downturn in one particular region or industry. However, the majority of sales continue to be derived from the Agriculture sector. Consequently, market factors affecting the liquidity and outlook for our Agriculture customers can significantly impact demand for equipment sales, and to a lesser extent, parts and service. Ongoing focus on internal efficiencies and excellence in after-market service to our customers assist in maintaining gross margin in periods where our customers are not focused on capital investment.

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 floor planned 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 $0.1 million (2019 - $0.3 million), based on the U.S. dollar floor plan balances at December 31, 2020.

23. Financial Risk Management (continued)

From time to time the Company also enters into foreign exchange forward contracts to provide the Company Canadian dollar cost certainty for equipment ordered for the customer from the manufacturer in U.S. dollars, having quoted the customer a fixed Canadian dollar price at the time the order was placed. 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.

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 and inventory levels to maximize the benefit of interest-free periods, where available.

Interest Bearing Financial Instruments

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

($ thousands)	2020	2019
Fixed Rate		
Lease obligation	**$ 88,340**	$ 92,883
Variable Rate		
Floor plan payables		
Floor plan payables - interest bearing	**80,956**	172,263
Floor plan payables - interest free period [(a)]	**2,553**	1,729
Term debt	**5,996**	43,446
Total interest bearing financial instruments	**$ 177,845**	$ 310,321

(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, 2020 by approximately $0.9 million (2019 - $2.3 million).

Capital Risk Management

The Company's objective when managing its capital is to safeguard its ability to continue as a going concern, 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.

23. 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 (Trailing twelve months income before income tax, excluding unrealized (gains) losses from foreign currency, plus finance costs, less floorplan interest expense (referred to as "Return"), divided by 4 quarter average total invested capital. Total invested capital is calculated as net debt plus the book value of equity);
- 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 Syndicated Facility, and the Company was in compliance as at December 31, 2020. 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, 2020 with the covenants contained in the Syndicated Credit Agreement is set out below:

	As at December 31, 2020		**As at December 31, 2019**	
	Covenant	**Result**	Covenant	Result
Total Liabilities to Tangible Net Worth*	Less than 4.0:1.0	**1.60**	Less than 4.0:1.0	2.64
Fixed Charge Coverage Ratio*	Greater than 1.1:1.0	**3.19**	Greater than 1.1:1.0	1.57
Asset Coverage Ratio*	Greater than 3.0:1.0	**25.46**	Greater than 3.0:1.0	6.24

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

24. Segment Information

The Company has four reportable segments: Agriculture, Transportation, Industrial and Corporate.

Corporate expenses consist of certain overheads and shared services provided to the divisions, along with public company costs, salaries, share-based compensation, office and administrative costs relating to corporate employees and officers, and interest cost on general corporate borrowings.

Financial information for each reportable segment is presented in the table below, which includes the disaggregation of revenues by type of service or good.

($ thousands)	**Agriculture**	**Transportation**	**Industrial**	**Corporate**	**Total**
Segmented income figures					
Year ended December 31, 2020					
Revenue					
Equipment sales	$ 667,979	$ 204,813	$ 19,084	$ —	**$ 891,876**
Parts	125,808	98,941	10,789	—	**235,538**
Service	47,044	27,530	8,969	—	**83,543**
Rentals and other	5,878	2,865	8,187	—	**16,930**
Total revenue	$ 846,709	$ 334,149	$ 47,029	$ —	**$1,227,887**
Total other income (loss)	2,966	5,434	1,342	(14)	**9,728**
Depreciation and amortization	13,341	5,324	2,785	544	**21,994**
Finance income	125	—	1	461	**587**
Finance expense including amounts in costs of sales	(6,650)	(3,645)	(353)	(924)	**(11,572)**
Income (loss) for the year before income tax	32,070	9,251	2,702	(9,694)	**34,329**
Capital additions	5,647	536	318	1,810	**8,311**
Segmented assets and liabilities as at December 31, 2020					
Reportable segment assets	$ 326,837	$ 125,641	$ 30,886	$ 32,733	**$ 516,097**
Intangible assets	22,588	9,054	5,581	—	**37,223**
Goodwill	19,925	2,547	666	—	**23,138**
Reportable segment liabilities	176,080	64,293	15,914	11,102	**267,389**

24. Segment Information (continued)

($ thousands)	Agriculture	Transportation	Industrial	Corporate	Total
Segmented income figures					
Year ended December 31, 2019					
Revenue					
Equipment sales	$ 596,155	$ 193,957	$ 23,281	$ —	**$ 813,393**
Parts	106,829	100,594	11,465	—	**218,888**
Service	46,286	31,849	9,743	—	**87,878**
Rentals and other	6,172	3,853	8,850	—	**18,875**
Total revenue	$ 755,442	$ 330,253	$ 53,339	$ —	**$ 1,139,034**
Total other income	524	2,516	704	100	**3,844**
Depreciation and amortization	13,836	6,641	3,440	452	**24,369**
Finance income	201	—	6	480	**687**
Finance expense including amounts in costs of sales	(7,695)	(4,009)	(336)	(1,979)	**(14,019)**
(Loss) income for the year before income tax	(7,588)	5,151	1,327	(9,336)	**(10,446)**
Capital additions	7,867	814	493	6,497	**15,671**
Segmented assets and liabilities as at December 31, 2019					
Reportable segment assets	$ 371,315	$ 174,340	$ 27,651	$ 34,030	**$ 607,336**
Intangible assets	24,241	10,039	3,735	—	**38,015**
Goodwill	19,684	2,547	666	—	**22,897**
Reportable segment liabilities	210,843	107,997	13,159	48,199	**380,198**

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 16 agriculture equipment dealerships. Gross revenues for the year ended December 31, 2020, for the New Zealand and Australian territories were $217 million (2019 – $184 million). Non-current assets for New Zealand and Australia as at December 31, 2020, were $31 million (2019 – $30 million). The Australia and New Zealand operations are included in the Agriculture Segment.

25. Commitments and Contingencies

The Company is a defendant and plaintiff in various 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, 2020, payments in arrears by such customers aggregated $1.2 million (2019 - $1.4 million).

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, 2020, the net residual value of such leases aggregated $301 million (2019 - $316 million). 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.

26. 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)	**2020**	2019
Short-term benefits	**$ 1,939**	$ 2,515
Share-based payments	**169**	550
Total	**$ 2,108**	$ 3,065

27. COVID-19 Impact

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. Governments worldwide, including the countries where the Company operates, have enacted measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to businesses globally resulting in an economic slowdown. In addition, global oil prices have declined due to a significant decrease in demand due to COVID-19. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions; however, the success of these interventions is not currently determinable. There also still remains uncertainty around the timing, availability, and efficacy of the vaccine. These factors may impact customer demand, cause disruptions to our operations and supply chains, result in increased government regulation, all of which may negatively impact the business, financial results and conditions of the Company.

The majority of the Company’s operations are concentrated in the agricultural and distribution sectors of the economy, both of which are critical and essential components of the supply chain. Management has implemented business continuity plans and are committed to supporting our customers, while conducting business responsibly and in regulatory compliance to keep both our employees and customers safe.

The Company performs impairment tests on its goodwill at least annually and when events or changes in circumstances, such as the impact of COVID-19 on certain areas of our business, indicate that a test is required. At December 31, 2020, management concluded there were no impairment losses in relation to the Company’s goodwill and intangible assets.

Estimates and judgements made by management in the preparation of these financial statements are subject to a higher degree of measurement uncertainty during this volatile period. Estimates at December 31, 2020 could change materially as the impact of the COVID-19 pandemic and its impact on the economy and the clients the Company serves continues to evolve.