

Unaudited Condensed Interim  
Consolidated Financial  
Statements of

**CERVUS EQUIPMENT  
CORPORATION**

For the three and six month periods ended June 30, 2020 and 2019

## CERVUS EQUIPMENT CORPORATION

Unaudited Condensed Interim Consolidated Statements of Financial Position  
As at June 30, 2020 and December 31, 2019

(\$ thousands)	Note	June 30, 2020	December 31, 2019
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 30,586	\$ 7,946
Accounts receivable and other assets		89,674	74,942
Inventories	5	293,361	319,619
<b>Total current assets</b>		<b>413,621</b>	<b>402,507</b>
<b>Non-current assets</b>			
Other long-term assets		12,185	13,599
Property and equipment		136,783	138,705
Intangible assets		37,281	38,015
Goodwill		22,931	22,897
<b>Total non-current assets</b>		<b>209,180</b>	<b>213,216</b>
<b>Total assets</b>		<b>\$ 622,801</b>	<b>\$ 615,723</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other liabilities		\$ 70,495	\$ 63,183
Floor plan payables	6	196,195	182,379
Current portion of term debt	6	8,150	9,795
Current portion of lease obligation		8,507	8,799
<b>Total current liabilities</b>		<b>283,347</b>	<b>264,156</b>
<b>Non-current liabilities</b>			
Term debt	6	18,645	33,370
Lease obligation		82,400	84,084
Deferred income tax liability		6,642	6,975
<b>Total non-current liabilities</b>		<b>107,687</b>	<b>124,429</b>
<b>Total liabilities</b>		<b>391,034</b>	<b>388,585</b>
<b>Equity</b>			
Shareholders' capital	7	87,982	83,740
Deferred share plan		5,269	10,271
Other reserves		5,202	5,195
Accumulated other comprehensive income (loss)		619	(136)
Retained earnings		132,695	128,068
<b>Total equity</b>		<b>231,767</b>	<b>227,138</b>
<b>Total liabilities and equity</b>		<b>\$ 622,801</b>	<b>\$ 615,723</b>

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

Unaudited Condensed Interim Consolidated Statements of Comprehensive Income (Loss)  
For the three and six month periods ended June 30, 2020 and 2019

(\$ thousands)	Note	Three month periods ended June 30		Six month periods ended June 30	
		2020	2019	2020	2019
<b>Revenue</b>					
Equipment sales		\$ 259,886	\$ 244,464	\$ 442,383	\$ 405,705
Parts		57,440	55,675	107,354	104,540
Service		19,790	22,385	40,396	42,582
Rentals and other		3,853	5,081	7,713	9,576
Total revenue		340,969	327,605	597,846	562,403
Cost of sales		(289,842)	(280,726)	(503,185)	(472,800)
<b>Gross profit</b>		51,127	46,879	94,661	89,603
Other income	8	3,710	1,390	424	2,495
Selling, general and administrative expense		(40,804)	(42,397)	(81,316)	(85,518)
<b>Income from operating activities</b>		14,033	5,872	13,769	6,580
Finance income		155	172	313	359
Finance costs		(2,921)	(3,233)	(6,370)	(6,270)
Net finance costs	9	(2,766)	(3,061)	(6,057)	(5,911)
<b>Income before income tax expense</b>		11,267	2,811	7,712	669
Income tax (expense) recovery		(1,991)	6	(1,139)	(564)
<b>Income for the period</b>		9,276	2,817	6,573	105
<b>Other comprehensive income (loss)</b>					
Foreign currency translation differences for foreign operations, net of tax		2,719	(1,200)	755	(1,240)
<b>Total comprehensive income (loss) for the period</b>		11,995	1,617	7,328	(1,135)
<b>Net income per share:</b>					
Basic	10	\$ 0.59	\$ 0.18	\$ 0.42	\$ 0.01
Diluted	10	\$ 0.57	\$ 0.17	\$ 0.41	\$ 0.01

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

## CERVUS EQUIPMENT CORPORATION

Unaudited Condensed Interim Consolidated Statements of Changes in Equity  
For the six month periods ended June 30, 2020 and 2019

<b>Attributable to Equity Holders of the Company</b>							
(\$ thousands)	Note	Share capital	Deferred share plan	Other reserves	Cumulative translation account	Retained earnings	Total
<b>Balance December 31, 2018</b>		\$ 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
<b>Adjusted balances at January 1, 2019</b>		\$ 86,540	\$ 8,693	\$ 5,195	\$ 506	\$ 143,455	\$ 244,389
<b>Income for the period</b>		-	-	-	-	105	105
Foreign currency translation adjustments, net of tax		-	-	-	(1,240)	-	(1,240)
Total comprehensive loss for the year		-	-	-	(1,240)	105	(1,135)
<b>Transactions with owners, recorded directly in equity</b>							
Dividends to equity holders		-	-	-	-	(3,395)	(3,395)
Shares issued through DRIP		452	-	-	-	-	452
Shares issued through deferred share plan		266	(266)	-	-	-	-
Share-based payment transactions		-	1,387	-	-	-	1,387
Common shares repurchased		(3,814)	-	-	-	-	(3,814)
Transactions with owners		(3,096)	1,121	-	-	(3,395)	(5,370)
<b>Balance June 30, 2019</b>		\$ 83,444	\$ 9,814	\$ 5,195	\$ (734)	\$ 140,165	\$ 237,884
<b>Balance December 31, 2019</b>		\$ 83,740	\$ 10,271	\$ 5,195	\$ (136)	\$ 128,068	\$ 227,138
<b>Income for the period</b>		-	-	-	-	6,573	6,573
Foreign currency translation adjustments, net of tax		-	-	-	755	-	755
<b>Total comprehensive income for the period</b>		-	-	-	755	6,573	7,328
<b>Transactions with owners, recorded directly in equity</b>							
Dividends to equity holders	7	-	-	-	-	(1,946)	(1,946)
Shares issued through DRIP	7	355	-	-	-	-	355
Shares issued through deferred share plan	7	3,887	(3,887)	-	-	-	-
Shares issued through option plan		-	-	7	-	-	7
Share-based payment transactions		-	(1,115)	-	-	-	(1,115)
Transactions with owners		4,242	(5,002)	7	-	(1,946)	(2,699)
<b>Balance June 30, 2020</b>		\$ 87,982	\$ 5,269	\$ 5,202	\$ 619	\$ 132,695	\$ 231,767

## CERVUS EQUIPMENT CORPORATION

Unaudited Condensed Interim Consolidated Statement of Cash Flows  
For the six month periods ended June 30, 2020 and 2019

(\$ thousands)	Note	Six month periods ended June 30	
		2020	2019
<b>Cash flows from operating activities</b>			
Income for the period		\$ 6,573	\$ 105
Adjustments for:			
Income tax expense		1,139	564
Depreciation		8,894	8,932
Amortization of intangibles		1,779	2,502
Equity-settled share-based payment transactions		(1,108)	1,387
Net finance costs	9	6,472	6,414
Unrealized foreign exchange loss (gain)	8	1,712	(1,223)
Non-cash impairment of inventories	5	1,703	4,181
(Gain) on sale of property and equipment	8	(113)	(377)
Change in non-cash working capital	11	19,747	(39,045)
Cash provided from (used in) operating activities		46,798	(16,560)
Cash taxes received (paid)		6,302	(7,737)
Interest paid		(6,806)	(6,775)
<b>Net cash provided from (used in) operating activities</b>		<b>46,294</b>	<b>(31,072)</b>
<b>Cash flows from investing activities</b>			
Interest received		313	359
Purchase of property and equipment		(2,509)	(7,591)
(Payments for) proceeds from intangible assets		(947)	798
Proceeds from disposal of property and equipment		905	1,196
<b>Net cash (used in) investing activities</b>		<b>(2,238)</b>	<b>(5,238)</b>
<b>Cash flows from financing activities</b>			
Net (repayments) proceeds from term debt		(16,394)	48,994
Dividends paid		(3,047)	(2,813)
Payment of lease obligation		(4,665)	(3,260)
(Payment) receipt of deposits with manufacturers		(161)	685
Purchase of common shares	7	-	(3,814)
<b>Net cash (used in) provided from financing activities</b>		<b>(24,267)</b>	<b>39,792</b>
Increase in cash and cash equivalents		19,789	3,482
Effect of foreign currency translation on cash		2,851	668
Cash and cash equivalents, beginning of period		7,946	6,106
<b>Cash and cash equivalents, end of period</b>		<b>\$ 30,586</b>	<b>\$ 10,256</b>

## **CERVUS EQUIPMENT CORPORATION**

Notes to Unaudited Condensed Interim Consolidated Financial Statements  
For the three and six month periods ended June 30, 2020 and 2019

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### **1. Reporting Entity**

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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 5201 – 333, 96<sup>th</sup> Avenue N.E., Calgary, Alberta, Canada, T3K 0S3. The unaudited condensed interim consolidated financial statements of the Company as at and for the period ended June 30, 2020, comprise the Company and its subsidiaries.

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 63 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**

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#### **(a) Statement of Compliance**

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34, “Interim Financial Reporting”. The unaudited condensed interim financial information should be read in conjunction with the audited annual consolidated financial statements prepared for the year ended December 31, 2019.

The Board of Directors authorized the issue of these unaudited condensed interim consolidated financial statements on August 11, 2020.

#### **(b) Use of Judgements and Estimates**

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these unaudited condensed interim consolidated financial statements, the significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual consolidated financial statements as at and for the year ended December 31, 2019. 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 14).

### **3. Significant Accounting Policies**

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The accounting policies applied are consistent with those of the annual financial statements prepared for the year ended December 31, 2019.

## CERVUS EQUIPMENT CORPORATION

Notes to Unaudited Condensed Interim Consolidated Financial Statements  
For the three and six month periods ended June 30, 2020 and 2019

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### 4. Seasonality

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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 see slower sales activity in the winter months. As a result, profit or losses may not accrue uniformly from quarter to quarter.

### 5. Inventories

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(\$ thousands)	June 30, 2020	December 31, 2019
New equipment	\$ 114,755	\$ 149,025
Used equipment	119,595	118,754
Parts and accessories	57,919	50,607
Work-in-progress	1,092	1,233
<b>Total inventories</b>	<b>\$ 293,361</b>	<b>\$ 319,619</b>

Included in costs of sales are amounts related to inventory impairments of \$1.3 million and \$1.7 million, for the three and six month periods ended June 30, 2020 and 2019, respectively (2019 - \$3.9 million and 4.2 million, respectively).

## CERVUS EQUIPMENT CORPORATION

Notes to Unaudited Condensed Interim Consolidated Financial Statements  
For the three and six month periods ended June 30, 2020 and 2019

### 6. Loans and Borrowings

#### *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 June 30, 2020, are as follows:

(\$ thousands)	June 30, 2020				December 31, 2019			
	Total Limits	Borrowings	Letters of Credit	Amount Available	Total Limits	Borrowings	Letters of Credit	Amount Available
Operating and other bank credit facilities	122,190	10,526	9,600	102,064	122,735	25,788	9,600	87,347
Capital facilities	(a)	9,156				9,367		
Floor plan facilities and rental equipment term loan financing	(b)	203,543				190,670		
<b>Total borrowing</b>		<b>223,225</b>				<b>225,825</b>		
Total current portion long term debt		(8,150)				(9,795)		
Total inventory floor plan facilities		(196,195)				(182,379)		
Deferred debt issuance costs		(235)				(281)		
<b>Total long term debt</b>		<b>18,645</b>				<b>33,370</b>		

- (a) For capital facilities, the additional amount available under the facilities is limited to the pre-approved credit limit of \$9.2 million (December 31, 2019 - \$9.4 million). The Company has unencumbered assets available for financing which are estimated at \$7 million as at June 30, 2020 (December 31, 2019 - \$7 million).
- (b) For floorplan facilities, the additional amount available under the facilities is limited to the lesser of the pre-approved credit limit of \$457 million (December 31, 2019 - \$449 million) or the available unencumbered assets which are estimated at \$11 million as at June 30, 2020 (December 31, 2019 - \$17 million).

As at June 30, 2020, the Company is in compliance with all its covenants.



## CERVUS EQUIPMENT CORPORATION

Notes to Unaudited Condensed Interim Consolidated Financial Statements  
For the three and six month periods ended June 30, 2020 and 2019

### 7. 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
<b>Balance at January 1, 2019</b>	15,559	\$ 86,540
Issued under the DRIP plan	37	452
Issued under the deferred share plan	23	266
Repurchased under the NCIB	(299)	(3,814)
<b>Balance at June 30, 2019</b>	15,320	83,444
Issued under the DRIP plan	31	318
Issued under the deferred share plan	8	104
Repurchased under the NCIB	(10)	(126)
<b>Balance at December 31, 2019</b>	15,349	83,740
Issued under the DRIP plan	<b>52</b>	<b>355</b>
Issued under the deferred share plan	<b>243</b>	<b>3,887</b>
Repurchased under the NCIB	-	-
<b>Balance at June 30, 2020</b>	<b>15,644</b>	<b>\$ 87,982</b>

## CERVUS EQUIPMENT CORPORATION

Notes to Unaudited Condensed Interim Consolidated Financial Statements  
For the three and six month periods ended June 30, 2020 and 2019

### 8. Other Income

Other income for the three and six month periods ended June 30, 2020 and 2019 is comprised of the following:

(\$ thousands)	Three month periods ended June 30		Six month periods ended June 30	
	2020	2019	2020	2019
Net (loss) gain on sale of property and equipment	\$ (23)	\$ 214	\$ 113	\$ 377
Unrealized foreign exchange gain (loss) <sup>(a)</sup>	2,365	625	(1,712)	1,223
Other income <sup>(b)</sup>	1,368	551	2,023	895
<b>Total other income</b>	<b>\$ 3,710</b>	<b>\$ 1,390</b>	<b>\$ 424</b>	<b>\$ 2,495</b>

(a) Unrealized foreign exchange gain (loss) 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) Included in other income for the three and six months ended June 30, 2020, is a \$0.8 million government wage subsidy received by Agriculture New Zealand related to the COVID-19 pandemic.

### 9. Finance Income and Finance Costs

(\$ thousands)	Three month periods ended June 30		Six month periods ended June 30	
	2020	2019	2020	2019
<b>Finance income</b>	<b>\$ 155</b>	<b>\$ 172</b>	<b>\$ 313</b>	<b>\$ 359</b>
Interest expense on mortgage and term debt obligations	(279)	(703)	(715)	(1,179)
Interest expense on financial liabilities	(2,954)	(2,776)	(6,070)	(5,594)
<b>Finance costs</b>	<b>\$ (3,233)</b>	<b>\$ (3,479)</b>	<b>\$ (6,785)</b>	<b>\$ (6,773)</b>
Net finance costs recognized separately	(2,766)	(3,061)	(6,057)	(5,911)
Net finance costs recognized in cost of sales	(312)	(246)	(415)	(503)
<b>Total net finance costs</b>	<b>\$ (3,078)</b>	<b>\$ (3,307)</b>	<b>\$ (6,472)</b>	<b>\$ (6,414)</b>

## CERVUS EQUIPMENT CORPORATION

Notes to Unaudited Condensed Interim Consolidated Financial Statements  
For the three and six month periods ended June 30, 2020 and 2019

### 10. Earnings per Share

#### *Per Share Amounts*

Both basic and diluted earnings per share have been calculated using the net earnings attributable to the shareholders of the Company as the numerator. No adjustments to net earnings were necessary for the three and six month periods ended June 30, 2020 and 2019.

#### **Weighted Average Number of Common Shares**

The weighted average number of shares for the purposes of diluted earnings per share is as follows:

(\$ thousands)	Three month periods ended June 30		Six month periods ended June 30	
	2020	2019	2020	2019
Issued common shares opening	15,575	15,540	15,349	15,559
Effect of shares issued under the DRIP plan	18	15	37	25
Effect of shares issued under the deferred share plan	36	7	168	11
Effect of shares repurchased from NCIB	-	(117)	-	(100)
<b>Weighted average number of common shares</b>	<b>15,629</b>	15,445	<b>15,554</b>	15,495

#### **Weighted Average Number of Diluted Shares**

The calculation of diluted earnings per share at June 30, 2020 and 2019 was based on the income 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 which consist of the following:

(\$ thousands)	Three month periods ended June 30		Six month periods ended June 30	
	2020	2019	2020	2019
Weighted average number of common shares (basic)	15,629	15,445	15,554	15,495
Effect of dilutive securities:				
Deferred share plan	540	949	540	949
<b>Weighted average number of shares (diluted)</b>	<b>16,169</b>	16,394	<b>16,094</b>	16,444

### 11. Supplemental Cash Flow Information

(\$ thousands)	Six month periods ended June 30	
	2020	2019
<b>Changes in non-cash working capital:</b>		
Inventory	23,781	(70,509)
Floorplan	8,841	17,967
Trade and other receivables	(20,189)	4,870
Trade and other liabilities	7,314	8,627
<b>Total change in non-cash working capital</b>	<b>19,747</b>	(39,045)

## CERVUS EQUIPMENT CORPORATION

Notes to Unaudited Condensed Interim Consolidated Financial Statements  
For the three and six month periods ended June 30, 2020 and 2019

### 12. 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
<b>Segmented income figures</b>					
<b>Three months ended June 30, 2020</b>					
Revenue					
Equipment sales	\$ 196,101	\$ 59,545	\$ 4,240	\$ -	\$ 259,886
Parts	31,752	23,106	2,582	-	57,440
Service	11,258	6,486	2,046	-	19,790
Rentals and other	1,681	584	1,588	-	3,853
Total revenue	\$ 240,792	\$ 89,721	\$ 10,456	\$ -	\$ 340,969
Total other income	1,090	2,584	36	-	3,710
Depreciation and amortization	3,159	1,404	693	147	5,403
Finance income	30	-	-	125	155
Finance expense including amounts in costs of sales	(1,573)	(1,242)	(86)	(332)	(3,233)
Income (loss) for the period before income tax	10,640	2,585	144	(2,102)	11,267
Capital additions	498	54	54	268	874
<b>Six months ended June 30, 2020</b>					
Revenue					
Equipment sales	\$ 330,230	\$ 103,262	\$ 8,891	\$ -	\$ 442,383
Parts	53,980	48,169	5,205	-	107,354
Service	21,648	14,328	4,420	-	40,396
Rentals and other	2,701	1,342	3,670	-	7,713
Total revenue	\$ 408,559	\$ 167,101	\$ 22,186	\$ -	\$ 597,846
Total other income (loss)	1,324	(1,025)	125	-	424
Depreciation and amortization	6,283	2,752	1,367	271	10,673
Finance income	66	-	-	247	313
Finance expense including amounts in costs of sales	(3,557)	(2,378)	(166)	(684)	(6,785)
Income (loss) for the period before income tax	12,219	(368)	206	(4,345)	7,712
Capital additions	1,187	311	65	946	2,509
<b>Segmented assets and liabilities as at June 30, 2020</b>					
Reportable segment assets	\$ 406,033	\$ 175,446	\$ 27,281	\$ 14,041	\$ 622,801
Intangible assets	23,035	9,741	4,505	-	37,281
Goodwill	19,718	2,546	667	-	22,931
Reportable segment liabilities	233,060	112,878	15,647	29,449	391,034

## CERVUS EQUIPMENT CORPORATION

Notes to Unaudited Condensed Interim Consolidated Financial Statements  
For the three and six month periods ended June 30, 2020 and 2019

### 12. Segment Information (continued)

(\$ thousands)	Agriculture	Transportation	Industrial	Corporate	Total
<b>Segmented income figures</b>					
<b>Three months ended June 30, 2019</b>					
Revenue					
Equipment sales	\$ 167,656	\$ 70,579	\$ 6,229	\$ -	\$ 244,464
Parts	26,207	26,139	3,329	-	55,675
Service	11,729	8,100	2,556	-	22,385
Rentals and other	1,280	1,126	2,675	-	5,081
Total revenue	\$ 206,872	\$ 105,944	\$ 14,789	\$ -	\$ 327,605
Total other income (loss)	428	831	195	(64)	1,390
Depreciation and amortization	3,175	1,546	858	113	5,692
Finance income	51	-	2	119	172
Finance expense including amounts in costs of sales	(1,797)	(971)	(96)	(615)	(3,479)
Income (loss) for the period before income tax	458	3,803	1,055	(2,505)	2,811
Capital additions	1,812	228	41	1,870	3,951
<b>Six months ended June 30, 2019</b>					
Revenue					
Equipment sales	\$ 290,810	\$ 102,163	\$ 12,732	\$ -	\$ 405,705
Parts	46,791	51,605	6,144	-	104,540
Service	21,832	15,994	4,756	-	42,582
Rentals and other	2,639	2,078	4,859	-	9,576
Total revenue	\$ 362,072	\$ 171,840	\$ 28,491	\$ -	\$ 562,403
Total other income	442	1,511	403	139	2,495
Depreciation and amortization	6,376	3,166	1,666	226	11,434
Finance income	103	-	3	253	359
Finance expense including amounts in costs of sales	(3,691)	(1,890)	(188)	(1,004)	(6,773)
(Loss) income for the period before income tax	(544)	4,566	1,377	(4,730)	669
Capital additions	3,122	444	114	3,911	7,591
<b>Segmented assets and liabilities as at June 30, 2019</b>					
Reportable segment assets	\$ 418,674	\$ 152,761	\$ 31,335	\$ 76,690	\$ 679,460
Intangible assets	25,697	10,453	3,945	-	40,095
Goodwill	19,702	2,546	667	-	22,915
Reportable segment liabilities	252,628	86,073	15,670	87,204	441,575

The Company primarily operates in Canada, but includes subsidiaries in Australia (Cervus Australia Pty Ltd.) and in New Zealand (Cervus NZ Equipment Ltd.), which together operate 15 agriculture equipment dealerships. Gross revenues for the three and six month periods ended June 30, 2020, for the New Zealand and Australian territories were \$58 million and \$101 million, respectively (2019 – \$45 million and \$88 million). Non-current assets for New Zealand and Australia as at June 30, 2020, were \$30 million (2019 – \$28 million). The Australia and New Zealand operations are included in the Agriculture Segment.

## **CERVUS EQUIPMENT CORPORATION**

Notes to Unaudited Condensed Interim Consolidated Financial Statements  
For the three and six month periods ended June 30, 2020 and 2019

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### **13. Commitments and Contingencies**

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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 June 30, 2020, payments in arrears, or deferred by John Deere for COVID-19 relief, by such customers aggregated \$2.0 million (2019 - \$1.0 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 June 30, 2020, the net residual value of such leases aggregated \$303 million (2019 - \$322 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.

### **14. COVID-19 Impact**

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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 collapse 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. The factors may impact customer demand, cause disruptions to our operations and supply chains, result in increased government regulation, all of which many 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 June 30, 2020, management concluded there were no impairment losses in relation to the Company's goodwill and intangible assets.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Company is unknown at this time. Estimates and judgements made by management in the preparation of these financial statements are increasingly difficult and subject to a higher degree of measurement uncertainty during this volatile period. Estimates at June 30, 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.

## **CERVUS EQUIPMENT CORPORATION**

Notes to Unaudited Condensed Interim Consolidated Financial Statements

For the three and six month periods ended June 30, 2020 and 2019

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### **15. Subsequent Events**

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Subsequent to June 30, 2020, and as at August 11, 2020, the Company repurchased 255 thousand common shares under the Normal Course Issuer Bid initiated on September 16, 2019, at a total cost of \$1.8 million.