Consolidated Financial Statements of

CERVUS EQUIPMENT CORPORATION

For the years ended December 31, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Cervus Equipment Corporation

We have audited the accompanying consolidated financial statements of Cervus Equipment Corporation, which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, the consolidated statements of comprehensive income and loss, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Cervus Equipment Corporation as at December 31, 2016 and December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants

March 14, 2017
Calgary, Canada

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CERVUS EQUIPMENT CORPORATION
Consolidated Statements of Financial Position
As at December 31, 2016 and 2015

($ thousands)	Note	December 31, 2016	December 31, 2015
Assets			
Current assets			
Cash and cash equivalents		**$ 14,542**	$ 11,955
Trade and other accounts receivable	5	**54,986**	66,850
Inventories	6	**255,231**	317,726
Assets held for sale	8	**-**	9,247
Total current assets		**324,759**	405,778
Non-current assets			
Other long-term assets	9	**9,537**	10,584
Property and equipment	12	**75,498**	141,799
Intangible assets	14	**46,514**	51,008
Goodwill	14	**20,544**	20,616
Total non-current assets		**152,093**	224,007
Total assets		**$ 476,852**	$ 629,785
Liabilities			
Current liabilities			
Trade and other liabilities	15	**$ 84,340**	$ 97,294
Floor plan payables	16	**86,091**	168,643
Current portion of term debt	16	**15,720**	17,917
Debenture payable	16	**33,899**	-
Liabilities associated with assets held for sale	8	**-**	4,037
Total current liabilities		**220,050**	287,891
Non-current liabilities			
Term debt	16	**21,660**	87,661
Finance lease obligation	7	**10,695**	16,351
Debenture payable	16	**-**	32,941
Deferred income tax liability	13	**10,608**	11,648
Total non-current liabilities		**42,963**	148,601
Total liabilities		**263,013**	436,492
Equity			
Shareholders' capital	18	**89,863**	88,270
Deferred share plan		**7,520**	7,098
Other reserves		**5,195**	5,182
Accumulated other comprehensive income		**1,219**	1,831
Retained earnings		**108,731**	89,413
Total equity attributable to equity holders of the Company		**212,528**	191,794
Non-controlling interest		**1,311**	1,499
Total equity		**213,839**	193,293
Total liabilities and equity		**$ 476,852**	$ 629,785

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

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

CERVUS EQUIPMENT CORPORATION
Consolidated Statements of Comprehensive Income (Loss)
For the year ended December 31, 2016 and 2015

($ thousands)	Note	2016	2015
Revenue			
Equipment sales		**$ 808,661**	$ 829,922
Parts		**200,953**	201,860
Service		**79,973**	82,288
Rentals		**20,352**	19,808
Total revenue		**1,109,939**	1,133,878
Cost of sales		**(918,874)**	(926,937)
Gross profit		**191,065**	206,941
Other income (loss)	20	**13,938**	(1,719)
Selling, general and administrative expense	21	**(164,431)**	(179,583)
Income from operating activities		**40,572**	25,639
Net finance costs	23	**(10,495)**	(11,233)
Share of profit of equity accounted investees, net of income tax	10	**489**	542
Income before income tax expense		**30,566**	14,948
Income tax expense	13	**(7,042)**	(42,327)
Income (loss) for the year		**23,524**	(27,379)
Other comprehensive income:			
Foreign currency translation differences for foreign operations, net of tax		**(612)**	1,639
Total comprehensive income (loss) for the year		**22,912**	(25,740)
Income (loss) attributable to:			
Shareholders of the Company		**23,712**	(27,421)
Non-controlling interest		**(188)**	42
Income (loss) for the year		**23,524**	(27,379)
Total comprehensive income (loss) attributable to:			
Shareholders of the Company		**23,100**	(25,782)
Non-controlling interest		**(188)**	42
Total comprehensive income (loss) for the year		**$ 22,912**	$ (25,740)
Net income (loss) per share attributable to shareholders of the Company:			
Basic	24	**$** 1.51	$ (1.77)
Diluted	24	**$** 1.44	$ (1.77)

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, 2016 and 2015

Attributable to equity holders of the Company										
($ thousands)	Note	Share capital	Deferred share plan	Other reserves	Cumulative translation account	Retained earnings	Total	Non-controlling interest	Total equity
Balance December 31, 2014		**$ 83,814**	**$ 7,559**	**$ 6,433**	**$ 192**	**$ 130,036**	**$ 228,034**	**$ 1,457**	**$ 229,491**
Comprehensive loss for the period									
(Loss)		-	-	-	-	(27,421)	(27,421)	42	(27,379)
Other comprehensive income									
Foreign currency translation adjustments, net of tax		-	-	-	1,639	-	1,639	-	1,639
Total comprehensive loss for the period		-	-	-	1,639	(27,421)	(25,782)	42	(25,740)
Transactions with owners, recorded directly in equity									
Dividends to equity holders		-	-	-	-	(13,202)	(13,202)	-	(13,202)
Shares issued through reserve		1,524	-	(1,524)	-	-	-	-	-
Shares issued through DRIP		1,133	-	-	-	-	1,133	-	1,133
Shares issued through deferred share plan		1,226	(1,226)	-	-	-	-	-	-
Shares issued through option plan		573	-	(202)	-	-	371	-	371
Share-based payment transactions		-	765	475	-	-	1,240	-	1,240
Transactions with owners		4,456	(461)	(1,251)	-	(13,202)	(10,458)	-	(10,458)
Balance December 31, 2015		**$ 88,270**	**$ 7,098**	**$ 5,182**	**$ 1,831**	**$ 89,413**	**$ 191,794**	**$ 1,499**	**$ 193,293**
Comprehensive income for the period									
Profit		-	-	-	-	23,712	23,712	(188)	23,524
Other comprehensive income									
Foreign currency translation adjustments, net of tax		-	-	-	(612)	-	(612)	-	(612)
Total comprehensive income for the period		-	-	-	(612)	23,712	23,100	(188)	22,912
Transactions with owners, recorded directly in equity									
Dividends to equity holders	18	-	-	-	-	(4,394)	(4,394)	-	(4,394)
Shares issued through DRIP	18	883	-	-	-	-	883	-	883
Shares issued through deferred share plan	18	710	(710)	-	-	-	-	-	-
Share-based payment transactions	18	-	1,132	13	-	-	1,145	-	1,145
Transactions with owners		1,593	422	13	-	(4,394)	(2,366)	-	(2,366)
Balance December 31, 2016		**$ 89,863**	**$ 7,520**	**$ 5,195**	**$ 1,219**	**$ 108,731**	**$ 212,528**	**$ 1,311**	**$ 213,839**

CERVUS EQUIPMENT CORPORATION

Consolidated Statement of Cash Flows

For the years ended December 31, 2016 and 2015

($ thousands)	Note	2016	2015
Income (loss) for the period		$ **23,524**	$ (27,379)
Adjustments for:			
Income tax expense	13	**7,042**	42,327
Depreciation	12	**12,487**	13,033
Amortization of intangibles	14	**5,247**	4,820
Equity-settled share-based payment transactions		**1,145**	1,077
Net finance costs	23	**12,368**	13,376
Unrealized foreign exchange (gain) loss	20	**(3,501)**	2,810
Non-cash write-down of inventories	6	**6,158**	4,661
(Gain) on sale of property and equipment		**(4,206)**	(1,358)
(Gain) on sale of asset held for sale		**(1,373)**	-
(Gain) on sale of equity accounted investees	10	**(4,146)**	-
(Share of profit) of equity accounted investees, net of tax	10	**(489)**	(542)
Distributions from equity investments	10	**761**	-
Change in non-cash working capital	26	**(22,368)**	(7,993)
Cash generated from operating activities		**32,649**	44,832
Cash taxes paid		**(4,978)**	(7,760)
Interest paid		**(11,507)**	(13,398)
Net cash provided from operating activities		**16,164**	23,674
Cash flows from investing activities			
Interest received		**169**	195
Purchase of property and equipment	12	**(6,410)**	(19,539)
Payments for intangible assets	14	**(954)**	(1,479)
Final working capital payments on business combination		**-**	(7,997)
Proceeds from disposal of property and equipment	12	**62,295**	7,255
Proceeds from asset held for sale	8	**7,765**	150
Proceeds from disposal of equity accounted investee	10	**9,131**	-
Net cash provided from/(used in) investing activities		**71,996**	(21,415)
Cash flows from financing activities			
Net (repayments)/proceeds from term debt		**(71,744)**	8,696
Proceeds from exercise of share options		**-**	371
Cash dividends paid	18	**(5,725)**	(11,987)
Payment of finance lease liabilities		**(8,385)**	(7,472)
(Payment)/Receipt of deposits with manufacturers		**(101)**	838
Net cash used in from financing activities		**(85,955)**	(9,554)
Net increase (decrease) in cash and cash equivalents		**2,205**	(7,295)
Effect of foreign currency translation on cash		**382**	463
Cash and cash equivalents, beginning of year		**11,955**	18,787
Cash and cash equivalents, end of year		$ **14,542**	$ 11,955

1. Reporting Entity

Cervus Equipment Corporation ("Cervus" or the "Company") is an incorporated entity under the Canada Business Corporations Act and is domiciled in Canada. The registered office of the Company is situated at 5201 – 333, 96th Avenue N.E., Calgary, Alberta, Canada, T3K 0S3. The consolidated financial statements of the Company as at and for the year ended December 31, 2016 comprise of the Company and its subsidiaries ("the Group"). The Company is primarily involved in the sale, after-sale service and maintenance of agricultural, transportation, construction and industrial ("C&I") equipment. The Company also provides equipment rental, primarily in the transportation, construction and industrial equipment segments. The Company wholly owns and operates 64 dealerships in Canada, New Zealand, and Australia, employing more than 1,500 people. The primary equipment brands represented by Cervus include John Deere agricultural equipment; Bobcat and JCB construction equipment; Clark, Sellick and Doosan material handling equipment; and Peterbilt transportation equipment. The common shares of Cervus are listed on the Toronto Stock Exchange and trade under the symbol "CERV".

2. Basis of Preparation

Statement of compliance

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

The Board of Directors authorized the issue of these consolidated financial statements on March 14, 2017.

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, the majority of which are wholly owned.

Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Non-controlling interests in subsidiaries are identified separately from the Company's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquirees' identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2. Basis of Preparation (continued)

Details of the Company's subsidiaries at December 31, 2016 and December 31, 2015 are as follows:

Proportion of ownership interest and voting power held	2016	2015
Cervus AG Equipment LP	**100%**	100%
Cervus AG 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%
Cervus Rental & Leasing NZ Ltd., a wholly-owned subsidiary of Cervus NZ Equipment Ltd.	**100%**	100%
DeerStar Systems Inc.	**57.1%**	57.1%
101169185 Saskatchewan Ltd	**100%**	100%
520781 Alberta Ltd	**100%**	100%
Cervus Equipment Holdings Australia Pty Ltd.	**100%**	100%
Cervus Equipment Australia Pty Ltd.	**100%**	100%

Use of judgements and estimates

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

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

Judgements

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

- Classification of a lease arrangement as an operating or finance lease; judgement is required to determine whether substantially all of the significant risks and rewards of ownership are transferred to the customer or remain with the Company; or where the Company is the lessee, whether substantially all the significant risks and rewards of ownership are transferred to the Company or remain with the lessor. (Note 7 & 25)
- Impairment tests; judgement is used in identifying impairment triggers and the cash generating unit or group of cash generating units at which goodwill, intangible assets, and property and equipment are monitored for internal management purposes and identifying an appropriate discount rate for these calculations. (Note 14)

Assumptions and estimation uncertainties

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

- Recoverability of inventories and key assumptions regarding the net realizable value of inventory (Note 6)
- Impairment tests (including intangible assets and goodwill); estimates on key assumptions related to the future operating results and cash generating ability of the assets. (Notes 14);
- Depreciation and amortization expense; assumptions on the useful lives of property and equipment and intangible assets (Note 12 and 14)

2. Basis of Preparation (continued)

Determination of fair values

A number of the groups 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 sale, and a reasonable profit margin based on the effort required to complete and sell 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. In respect of the liability component of convertible debentures, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

Derivative financial instruments

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

3. Significant Accounting Policies

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

Business segments

The Company operates three distinct business segments, agricultural, transportation and commercial and industrial segments based on the industry which they serve. These segments are managed separately and strategic decisions are made on the basis of their respective operating results.

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

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

Business combinations

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

Foreign currency translation

Foreign currency transactions

The individual financial statements of each subsidiary are stated in the currency of the primary economic environment in which it operates (its functional currency). Transactions in currencies other than companies' functional currency are recorded at the rate of exchange at the date of the transaction. At the balance sheet 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 and equity components 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 balance sheet date. Foreign exchange differences are recognized in other comprehensive income and accumulated in the cumulative translation account.

3. Significant Accounting Policies (continued)

Cash and cash equivalents

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

Inventories

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

Property and equipment

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

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

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

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

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

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

3. Significant Accounting Policies (continued)

Intangible assets

Intangible assets

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

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

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

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

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

Goodwill

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

Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statements of financial position at cost as adjusted for post-acquisition changes in the Company's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate) are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company transacts with an associate of the Company, profit and losses are eliminated to the extent of the Company's interest on the relevant associate.

3. Significant Accounting Policies (continued)

Assets held for sale

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

Lease arrangements

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

a) The Company as the lessee

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

At the inception of a finance lease, the asset and finance lease liability is recorded at the lower of its fair value and the present value of minimum lease payments. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

b) The Company as the lessor

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

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

3. Significant Accounting Policies (continued)

Impairment

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3. Significant Accounting Policies (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)

Income tax

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

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

Provisions

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

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

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities, including derivatives, are recognized on the consolidated statement of financial position at the time the Company becomes a party to the contractual provisions. Upon initial recognition, financial instruments are measured at fair value and for the purpose of subsequent measurement; they are allocated into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale or other financial liabilities. Derivative instruments are categorized as held for trading unless they are designated as hedges. 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, debenture payable, finance leases, and term debt and notes payable. The designated financial instruments are recognized and measured as follows:

- Financial assets at fair value through profit or loss, or held-for-trading instruments, are financial assets and liabilities typically acquired with the intention of generating revenues in the short-term. However, an entity is allowed to designate any financial instrument as held-for-trading on initial recognition even if it would otherwise not satisfy the definition. Financial assets and financial liabilities required to be classified or designated as held for-trading are measured at fair value, with gains and losses recorded in profit or loss for the period in which the change occurs. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred.
- Held-to-maturity financial assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost.

3. Significant Accounting Policies (continued)

- Loans and receivables are measured at amortized cost using the effective interest method. Loans and receivables include trade and other accounts receivable, and deposits with manufacturers.
- Available-for-sale financial assets are non-derivative assets that are designated as available-for sale or that are not classified as loans and receivables, held-to-maturity investments or held for-trading. Available-for-sale financial assets are initially recognized at fair value plus any directly attributable transaction costs, and are carried at fair value with unrealized gains and losses included in other comprehensive income (OCI) until such gains or losses are realized or an other than temporary impairment is determined to have occurred. Available-for-sale assets are measured at fair value, except for assets that do not have a readily determinable fair value which are recorded at cost and assessed for impairment when indicators for impairment exist.
- Other financial liabilities are measured at amortized cost using the effective interest method. The Company's other financial liabilities include trade and other accrued liabilities, dividends payable, floor plan payables, term debt, debenture payable, finance lease obligation and notes payable.

Derivative financial instruments are used to manage the Company's foreign currency exposure, utilizing forward currency contracts to lock the profit margin on certain customer orders where the customer has agreed to a price in Canadian dollars, and the Company will be invoiced in U.S Dollars. Derivatives are initially recognized at fair value, any directly attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition derivatives are measured at fair value and changes therein are generally recognized in profit or loss.

Revenue recognition

Revenue is recognized when it is probable that future economic benefits will flow to the Company, and the amount of revenue can be reliably measured. Revenue is recorded based on the fair value of the consideration received or receivable. Revenue is not recognized before there is persuasive evidence that an arrangement exists, such as, delivery has occurred, the rate is fixed and determinable, and the collection of outstanding amounts is considered probable. The Company considers persuasive evidence to exist when a formal contract or purchase order is signed and required deposits have been received. Sales terms do not include provision for post service obligations.

Parts revenue is recognized when the customer receives the part. Service revenue is recognized at the time the service is provided. 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.

Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets) and gains on the disposal of available-for-sale financial assets.

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.

3. Significant Accounting Policies (continued)

Per share amounts

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

Short-term employee benefits

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

Share-based payment transactions

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

4. Standards issued but not yet effective

Certain new or amended standards or interpretations have been issued by the IASB or IFRIC that are required to be adopted in the future periods. The new standards, amendments to existing standards effective for annual periods beginning on or after January 1, 2017 and which have not been applied in preparing these consolidated financial statements are:

On January 17, 2016 the IASB issued Disclosure Initiative (Amendments to IAS 7). The amendments apply prospectively for annual periods beginning on or after January 1, 2017. The Company intends to adopt to amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017. The Company does not expect the amendments to have a material impact on the financial statements.

On January 19, 2016, the IASB issued Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12). The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. The Company intends to adopt the amendments to IAS 12 in its financial statements for the annual period beginning on January 1, 2017. The Company does not expect the amendments to have a material impact on the financial statements.

Effective January 1, 2018, the Company will be required to adopt IFRS 15 related to revenue from contracts with customers. Revenue from Contracts with Customers, was issued in May 2014 and replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services. The extent of the impact of adoption of the standard has not yet been determined.

The IASB has released updates to IFRS 9, related to the accounting and presentation of financial instruments and applies a principal-based approach to the classification and measurement of financial assets and financial liabilities, including an expected credit loss model for calculating impairment, and includes new requirements for hedge accounting. The mandatory effective date is January 1, 2018; however, early adoption is permitted. The Company intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

On January 13, 2016 the IASB issued IFRS 16 Leases. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17 Leases. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

5. Trade and Other Accounts Receivable

($ thousands)	2016	2015
Trade receivables	**$ 47,620**	$ 54,383
Current portion of long-term finance contracts	**534**	608
Volume bonus	**128**	125
Trade receivables	**48,282**	55,116
Allowance for doubtful debts[a]	**(1,710)**	(1,987)
Trade receivables, net	**46,572**	53,129
Prepaid expenses	**7,398**	5,942
Current portion finance lease receivables (Note 7)	**399**	584
Foreign exchange contracts[b]	**617**	7,195
	$ 54,986	$ 66,850

(a) Movement in allowance for doubtful debts during the year has been recorded in selling, general and administrative expense, the details of which are disclosed in Note 27.

(b) Derivative financial instruments are used to manage the Company's foreign currency exposure, utilizing forward currency contracts to lock the profit margin on certain customer orders where the customer has agreed to a price in Canadian dollars, and the Company will be invoiced in U.S Dollars.

6. Inventories

($ thousands)	2016	2015
New equipment	**$ 104,424**	$ 165,660
Used equipment	**101,073**	100,412
Parts and accessories	**48,398**	50,195
Work-in-progress	**1,336**	1,459
	$ 255,231	$ 317,726

During the year ended December 31, 2016, included in costs of sales are amounts related to inventories of $858,667 thousand (2015 - $874,097 thousand). The total inventory write-downs recorded during the year ended December 31, 2016 and included in cost of goods sold was $6,158 thousand (2015 - $4,661 thousand). The Company's inventory has been pledged as security for floor plan payables under terms of the floorplan agreements and for long-term debt under general security agreements.

7. Finance Leases

a) As Lessor - Finance Lease Receivables

The Company has entered into fixed term contractual arrangements to allow customers to have dedicated use of certain heavy trucks and equipment owned by the Company, where substantially all the risks and rewards of ownership are held by the customer. These arrangements are accounted for as finance leases.

The Company's net investment in finance lease receivables as at December 31, 2016 and 2015 are as follows:

	Gross investment in finance lease receivables		Future finance income		Present value of minimum lease payments receivable	
($ thousands)	2016	2015	2016	2015	2016	2015
Less than one year	$ 419	$ 610	$ (20)	$ (26)	$ 399	$ 584
Between one and five years	736	1,135	(163)	(268)	573	867
More than five years	-	20	-	(9)	-	11
Total	$ 1,155	$ 1,765	$ (183)	$ (303)	$ 972	$ 1,462

b) As Lessee - Finance Lease Liabilities

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

Finance lease liabilities as at December 31, 2016 and 2015 are payable as follows:

	Future minimum lease payments		Interest		Present value of minimum lease payments	
($ thousands)	2016	2015	2016	2015	2016	2015
Less than one year	$ 4,677	$ 5,900	$ (149)	$ (187)	$ 4,528	$ 5,713
Between one and five years	11,562	17,902	(1,558)	(2,711)	10,004	15,191
More than five years	918	1,544	(227)	(384)	691	1,160
Total	$ 17,157	$ 25,346	$ (1,934)	$ (3,282)	$ 15,223	$ 22,064

8. Assets Held for Sale

In 2015, the Company committed to a plan to sell three buildings and land within Agricultural and C&I segments. Accordingly, these properties and related term debt were classified as held for sale. In 2016, the Company sold two of the properties for net proceeds of approximately $7,765 thousand and a net gain of $1,373 was recognized in other income on the sale. In 2016, one of the properties and related term debt previously held-for-sale was reclassified as held-for-use.

9. Other Long-Term Assets

($ thousands)	2016	2015
Long-term receivables	$ 1,298	$ 2,165
Investments in associates, at equity (Note 10)	505	5,762
Deposits with manufacturers (Note 11)	2,734	2,657
Other investments[a]	5,000	-
	$ 9,537	$ 10,584

(a) In 2016, the Company purchased units in Skyline Commercial REIT as a deposit on long-term leases. The units have been classified as available for sale.

10. Equity Accounted Associates

($ thousands)	Ownership %	2016	2015
Prairie Precision Network Inc.	22.2%	$ 29	$ 29
JD Integrated Solutions Inc. (a)	35.5%	476	812
Maple Farm Equipment Partnership (b)	-	-	4,921
		$ 505	$ 5,762

The Company's share of profit net of tax in its equity accounted investees for the year ended December 31, 2016 was $489 thousand (2015 - $542 thousand). All of the Company's investments in associates are measured under the equity method. During the year ended December 31, 2016, the Company received $761 thousand of repayments from its investees (2015 - nil).

(a) In 2016, the Company increased its investment in JD Integrated Solutions from 26.9% to 35.48%.

(b) In 2016, the Company sold its 21.4% investment in Maple for net proceeds of $9,131 thousand resulting in a gain on sale of $4,146 thousand which has been recognized in Other Income (Note 20).

Summary financial information for the Company's equity accounted investees, had the Company owned 100% of investees, is as follows:

($ thousands)	2016	2015
Current Assets	$ 196	$ 60,772
Long-term assets	2,265	26,655
Current liabilities	213	34,136
Long-term liabilities	1,664	3,969
Revenue and other income	2,096	190,472
Expenses	651	189,299

11. Deposits with Manufacturers

John Deere Credit Inc. ("Deere Credit") provides and administers financing for retail purchases and leases of new and used equipment. Under the financing and lease plans, Deere Credit retains the security interest in the financed equipment. The Company is liable for a portion of the deficiency in the event that the customer defaults on their lease obligation. Deere Credit retains 1% to 2% of the face amount of the finance or lease contract for amounts that the Company may have to pay Deere Credit under this arrangement. The deposits are capped at 3% of the total dollar amount of the lease finance contracts outstanding.

The maximum liability that may arise related to these arrangements is limited to the deposits of $2,734 thousand (December 31, 2015 - $2,657 thousand). Deere Credit reviews the deposit account balances quarterly and if the balances exceed the minimum requirements, Deere Credit refunds the difference to the Company.

12. Property and Equipment

($ thousands) Cost	Land and Buildings	Short-term Rental Equipment	Automotive and Trucks	Furniture and Fixtures	Parts and Shop Equipment	Computers and Software	Leasehold Improvements	Total
Balance at January 1, 2015	88,932	50,039	19,381	5,358	8,814	4,655	3,256	180,435
Additions	9,161	5,452	2,604	636	586	571	529	19,539
Additions for finance lease	-	5,026	-	-	-	-	-	5,026
Disposals	(2,668)	(5,152)	(1,555)	(109)	(53)	(76)	(98)	(9,711)
Assets held for sale	(10,361)	-	-	-	-	-	-	(10,361)
Transfers	-	(4,831)	-	1,120	(1,120)	-	-	(4,831)
Effect of movements in exchange rates	108	455	264	28	81	37	37	1,010
Balance at December 31, 2015	85,172	50,989	20,694	7,033	8,308	5,187	3,724	181,107
Additions	**201**	**2,647**	**1,723**	**388**	**579**	**630**	**242**	**6,410**
Additions for finance lease	**-**	**1,544**	**-**	**-**	**-**	**-**	**-**	**1,544**
Disposals	**(59,411)**	**(4,045)**	**(1,312)**	**(167)**	**(484)**	**(2,736)**	**(44)**	**(68,199)**
Assets held for sale	**3,187**	**-**	**-**	**-**	**-**	**-**	**-**	**3,187**
Transfers	**-**	**(7,434)**	**-**	**-**	**-**	**-**	**-**	**(7,434)**
Effect of movements in exchange rates	**(155)**	**(126)**	**(129)**	**(26)**	**(36)**	**(10)**	**(4)**	**(486)**
Balance at December 31, 2016	**28,994**	**43,575**	**20,976**	**7,228**	**8,367**	**3,071**	**3,918**	**$ 116,129**

12. Property and Equipment (continued)

($ thousands) Accumulated Depreciation and Impairment	Land and Buildings	Short-term Rental Equipment	Automotive and Trucks	Furniture and Fixtures	Parts and Shop Equipment	Computers and Software	Leasehold Improvements	Total
Balance at January 1, 2015	4,790	6,926	8,583	3,000	4,112	2,973	1,103	31,487
Depreciation expense	2,033	4,990	3,080	901	868	757	404	13,033
Disposals	(28)	(2,435)	(1,035)	(148)	(29)	(41)	(98)	(3,814)
Assets held for sale	(1,114)	-	-	-	-	-	-	(1,114)
Transfers	-	(456)	-	-	-	-	-	(456)
Effects of movements in exchange rates	34	(1)	36	58	11	24	10	172
Balance at December 31, 2015	5,715	9,024	10,664	3,811	4,962	3,713	1,419	39,308
Depreciation expense	**2,103**	**4,830**	**2,749**	**807**	**900**	**665**	**433**	**12,487**
Disposals	**(4,828)**	**(1,725)**	**(722)**	**(81)**	**(428)**	**(2,297)**	**(29)**	**(10,110)**
Assets held for sale	**324**	**-**	**-**	**-**	**-**	**-**	**-**	**324**
Transfers	**-**	**(1,272)**	**-**	**-**	**-**	**-**	**-**	**(1,272)**
Effects of movements in exchange rates	**(5)**	**(9)**	**(51)**	**(12)**	**(20)**	**(9)**	**-**	**(106)**
Balance at December 31, 2016	**3,309**	**10,848**	**12,640**	**4,525**	**5,414**	**2,072**	**1,823**	**$ 40,631**

($ thousands) Carrying Value	Land and Buildings	Short-term Rental Equipment	Automotive and Trucks	Furniture and Fixtures	Parts and Shop Equipment	Computers and Software	Leasehold Improvements	Total
Balance at December 31, 2015	79,457	41,965	10,030	3,222	3,346	1,474	2,305	$ 141,799
Balance at December 31, 2016	**25,685**	**32,727**	**8,336**	**2,703**	**2,953**	**999**	**2,095**	$ **75,498**

Depreciation expense has been recorded in cost of sales in the amount of $4,901 thousand (2015 - $4,900 thousand) and selling, general and administrative expenses of $7,586 thousand (2015 - $8,133 thousand). Included in total additions were amounts for short-term rental equipment relating to additions for lease arrangements classified as finance lease of $1,544 thousand (2015 – $5,026 thousand). The Company's property and equipment has been pledged as security for its long-term debt.

During 2016 the Company completed the sale and leaseback of eleven properties. The land and buildings were sold for net proceeds of $54,816 thousand for a gain on sale of $3,587 thousand. The Company has entered into operating leases for the eleven properties, the details of which are as disclosed in Note 25.

13. Income Taxes

Tax expense

($ thousands)	2016	2015
Current income tax expense	**$ (8,082)**	$ (3,807)
Deferred income tax recovery (expense)	**1,040**	(1,572)
Derecognition of deferred tax asset due to CRA settlement[1]	**-**	(33,395)
Provincial taxes payable due to CRA settlement[1]	**-**	(3,553)
Income tax expense	**$ (7,042)**	$ (42,327)

Using federal and provincial statutory rates of 26.9% (2015 – 26.4%), the income tax expense for the year can be reconciled to the statement of profit (loss) as follows:

($ thousands)	2016	2015
Profit before income tax expense	**$ 30,566**	$ 14,948
Expected income tax expense	**(8,222)**	(3,946)
Derecognition of deferred tax asset due to CRA settlement[1]	**-**	(33,395)
Provincial taxes payable due to CRA settlement[1]	**-**	(3,553)
Non-deductible costs and other	**1,180**	(1,433)
Income tax expense	**$ (7,042)**	$ (42,327)

[1] On May 4, 2015, the Company announced that it had entered into an agreement with the Canada Revenue Agency (CRA) regarding their objection to the tax consequences of the conversion of the Company from a limited partnership structure into a corporation in October 2009. The agreement resulted in a non-cash charge of $33.4 million related to the write-off of a portion of the Company's deferred tax asset and recognition of $3.6 million of provincial cash taxes payable for the tax years ended December 31, 2013 and 2014. Under the agreement, the Company had $1.9 million of unused federal tax attributes which have been applied to reduce 2015 income taxes payable. Total expense recognized due to the CRA settlement was $36.9 million.

13. Income Taxes (continued)

Deferred tax assets and liabilities

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

($ thousands)	2015	Recognized in Comprehensive Income	2016
Carrying value over the tax value of tangible assets	$ (9,514)	$ 1,718	**$ (7,796)**
Tax value over carrying value of convertible debenture liability	(327)	291	**(36)**
Carrying value over the tax value of intangible assets	(7,049)	890	**(6,159)**
Carrying value over the tax value of finance lease obligation	5,906	(1,813)	**4,093**
Federal investment tax credits	(522)	522	**-**
Unrealized foreign exchange and other	(142)	(568)	**(710)**
Deferred tax asset (liability)	(11,648)	1,040	**(10,608)**
Reflected in the statement of financial position			
Deferred tax asset	-	-	**-**
Deferred tax liability	(11,648)	1,040	**(10,608)**
Deferred tax asset (liability)	$ (11,648)	$ 1,040	**(10,608)**

The Company has not recognized the benefits associated with net capital losses of $36,586 thousand (2015 - $39,690 thousand) and non-capital losses of $941 thousand (2015 - $941 thousand), as the timing and ultimate application of these tax loss carryforwards are uncertain.

14. Intangible Assets and Goodwill

Intangible assets are comprised of the following:

Cost	Dealership Distribution Agreements	Trade Name	Customer Lists	Non-Competition Agreements	Software Costs	Total
Balance at January 1, 2015	51,942	4,715	15,924	3,502	882	76,965
Additions	-	-	-	-	1,479	1,479
Derecognized	-	(4,715)	-	-	-	(4,715)
Effect of movements in exchange rates	298	-	35	7	-	340
Balance at December 31, 2015	52,240	-	15,959	3,509	2,361	74,069
Additions	**-**	**-**	**-**	**-**	**954**	**954**
Effect of movements in exchange rates	**(178)**	**-**	**(19)**	**(4)**	**-**	**(201)**
Balance at December 31, 2016	**52,062**	**-**	**15,940**	**3,505**	**3,315 $**	**74,822**

Accumulated Depreciation and Impairment	Dealership Distribution Agreements	Trade Name	Customer Lists	Non-Competition Agreements	Software Costs	Total
Balance at January 1, 2015	7,393	4,597	8,934	2,032	-	22,956
Amortization expense	2,673	118	1,635	322	72	4,820
Derecognized	-	(4,715)	-	-	-	(4,715)
Balance at December 31, 2015	10,066	-	10,569	2,354	72	23,061
Amortization expense	**2,650**	**-**	**1,669**	**323**	**605**	**5,247**
Balance at December 31, 2016	**12,716**	**-**	**12,238**	**2,677**	**677 $**	**28,308**

Carrying Value	Dealership Distribution Agreements	Trade Name	Customer Lists	Non-Competition Agreements	Software Costs	Total
Balance at December 31, 2015	42,174	-	5,390	1,155	2,289 $	51,008
Balance at December 31, 2016	**39,346**	**-**	**3,702**	**828**	**2,638 $**	**46,514**

Amortization expense of $5,247 thousand (2015 - $4,820 thousand) has been recorded in selling, general and administrative expense.

14. Intangible Assets and Goodwill (continued)

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

($ thousands)	
Balance at January 1, 2015	$ 19,732
Valuation adjustment on business combination	480
Impact of translation of goodwill held in foreign currencies	404
Balance at December 31, 2015	$ 20,616
Impact of translation of goodwill held in foreign currencies	**(72)**
Balance at December 31, 2016	**$ 20,544**

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

($ thousands)	**2016**	**2015**
Agricultural Segment		
Agricultural - Alberta	**$ 11,988**	$ 11,988
Agricultural - Saskatchewan	**327**	327
Agricultural - New Zealand	**2,248**	2,274
Agricultural - Australia	**1,241**	1,287
Commercial and Industrial Segment		
Commercial	**1,527**	1,527
Industrial	**666**	666
Transportation Segment		
Transportation - Ontario	**2,547**	2,547
	$ 20,544	$ 20,616

The Company conducted the annual impairment test of goodwill at December 31, 2016 and 2015. The recoverable amount of the cash-generating units (CGUs) was determined using value in use calculations. Value in use was determined by discounting the future cash flow forecasts for a five-year period and applying after-tax discount rates ranging from 11.3% to 12.1% (2015 – 11.0% to 11.8%) based on the Company's post-tax weighted average cost of capital and risks specific to particular CGUs (pre-tax discount rate of 15.7% to 16.8% in 2016 (2015 – 15.3% to 16.4%)). Future cash flow estimates began with 2016 revenue, gross profit margin, and expenses, which were then adjusted through the forecast period for the outlook of the CGU at the date of impairment testing. In situations where 2016 performance diverged from demonstrated historical mid cycle performance, revenue in the five-year forecast period were based on mean convergence with historical mid cycle actual results for the CGU.

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

14. Intangible Assets and Goodwill (continued)

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

Sensitivity testing was conducted as part of the impairment test. Had the estimated cost of capital used in determining the post-tax discount rate been 1% higher than management's estimates the recoverable amount of the CGUs would continue to exceed their carrying amount. 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 8%, the recoverable amounts of each CGU would continue to exceed their carrying amounts. Management believes that any reasonable change in the key assumptions used to determine the recoverable amount would not cause the carrying amount of any CGU or group of CGUs to exceed its recoverable amount.

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

15. Trade and Other Liabilities

($ thousands)	2016	2015
Trade and other payables	**$ 40,689**	$ 48,980
Non-trade payables and accrued expenses	**25,742**	28,958
Customer deposits	**8,362**	3,004
Dividends payable	**1,103**	3,317
Income taxes payable	**3,301**	142
Foreign exchange contracts	**615**	7,180
Current portion of finance lease obligation (Note 7)	**4,528**	5,713
	$ 84,340	$ 97,294

16. Loans and Borrowings

Bank indebtedness

At December 31, 2016, the Company has a revolving credit facility with a syndicate of underwriters. The principal amount available under this facility is $100,000 thousand. The facility was amended and extended on December 19, 2016. The facility is committed for a three year term, but may be extended on or before the anniversary date with the consent of the lenders. The facility contains an $80,000 thousand accordion which the Company may request as an increase to the total available facility, subject to lender approval. As at December 31, 2016 there was $11,100 thousand drawn on the facility and $2,400 thousand had been utilized for outstanding letters of credit to John Deere. The Company's credit facility bears interest at the lender's prime rate plus the Applicable Margin (currently 0.50%). Applicable Margin can range from 0% to 2.00% (2015 – 0.25% to 2.00%) and is based on a liabilities to income ratio.

16. Loans and Borrowings (continued)

Term Debt

The Canadian 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 Canadian credit facility, the Company must maintain certain leverage, income coverage, and asset coverage ratios, which the Company has complied with throughout 2016, see note 27 for further discussion on covenants. Costs directly attributable to the completion of the syndicated facility have been deferred and will be amortized over the three year term.

($ thousands)	Year of Maturity	2016	2015
Operating and other bank credit facilities			
Revolving credit facility, lenders prime rate plus the Applicable Margin (currently 0.50%). Applicable Margin can range from 0% to 2.00% and is based on a liabilities to income ratio	2019	**$ 11,100**	$ 52,000
Capital facilities			
Farm Credit Corporation, mortgages payable in monthly instalments of $23 thousand including interest at a rate of lenders prime plus 1% per annum	2022	**2,005**	23,707
Farm Credit Corporation, mortgages payable in monthly instalments of $36 thousand including interest at a rate of lenders prime plus 1% per annum	2019	**4,730**	4,962
Affinity Credit Union, mortgages payable in monthly installments of $35 thousand, including interest at lenders prime plus 1.5% per annum	2017	**6,008**	9,979
ANZ National Bank Ltd., New Zealand, mortgage payable, interest only at the rate of 6.88% per annum		**-**	1,545
National Australian Bank, Australia, mortgage, payable monthly payments of $25 thousand and a floating interest rate (December 31, 2016 and 2015 - 6.44%)	2017	**2,800**	3,211
Rental equipment term loans			
Finance contracts, payable in monthly interest instalments ranging up to $4 thousand including interest of 90 day bankers acceptance plus 3.7%, secured by short-term rental equipment	Various	**1,291**	2,509
John Deere finance contracts, New Zealand, payable in monthly instalments including interest at the rate of 5.5% per annum, secured by related equipment	Various	**7,693**	8,757
Hire purchase contracts, Australia, finance contracts payable in monthly installments ranging up to AU$5 thousand including interest at a rate of 5.85% to 9.75%, secured by related equipment	Various	**1,223**	1,340
Finance contracts, various, repayable in monthly instalments ranging per month including interest from 4.00% to 9.09%	Various	**922**	1,938
		37,772	109,948
Less current portion		**(15,720)**	(17,917)
Less liabilities held for sale		**-**	(4,037)
Less deferred debt issuance costs		**(392)**	(333)
		$ 21,660	$ 87,661

16. 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 2.45% to 8.82% at December 31, 2016. 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	2016	2015
John Deere Financial, Canada	3.95%	$ 42,302	$ 75,367
GE Capital Vendor Finance	3.00% - 8.82%	5,556	23,113
John Deere Financial, New Zealand and Australia	6.50% - 7.25%	10,716	11,835
PACCAR Financial	2.75%	21,762	47,600
CIBC Floor Plan Facility	2.45%	4,019	6,901
Other Floor Plan Facilities	3.00% - 5.75%	1,736	3,827
Total Floor Plan Payable		$ 86,091	$ 168,643

Convertible Debenture

On July 24, 2012, the Company issued $34,500 thousand of convertible unsecured subordinated debentures with a face value of $1,000 per debenture that mature on July 31, 2017 and bear interest at 6.0% per annum paid semi-annually on January 31 and July 31 of each year. The debentures are convertible at the option of the holder into shares of the Company at any time prior to the maturity date at a rate of $26.15 (the "conversion price") per share. The Company may redeem the debentures at its option after July 31, 2015 if the current market price of the shares on the date of the notice of redemption exceeds 125% of the conversion price.

The convertible debentures are considered a compound financial instrument as they can be converted to a fixed number of common shares at the option of the holder. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option, and subsequently accounted for under the effective interest rate method. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Changes in the debenture liability are as follows:

($ thousands)	2016	2015
Face value of convertible debenture	$ 34,500	$ 34,500
Discount to face value at issuance under effective interest method	(4,251)	(4,251)
Cumulative amortization of discount through December 31	3,650	2,692
Carrying value of debenture payable at December 31	$ 33,899	$ 32,941

16. Loans and Borrowings (continued)

For these credit 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, 2016 are as follows:

	2016		2015	
($ thousands)	Total Limits	Borrowings	Total Limits	Borrowings
Operating and other bank credit facilities	**$ 100,000**	**$ 11,100**	$ 100,832	$ 52,832
Capital facilities	**58,809**	**15,543**	64,131	42,800
Floor plan facilities and rental equipment term loan financing	**463,883**	**97,220**	479,243	182,959
Total borrowing	**$ 622,692**	**$ 123,863**	$ 644,206	$ 278,591
Total current portion long term debt		**(15,720)**		(17,917)
Total liabilities held for sale		**-**		(4,037)
Total inventory floor plan facilities		**(86,091)**		(168,643)
Deferred debt issuance costs		**(392)**		(333)
Total long term debt	**$ 622,692**	**$ 21,660**	$ 644,206	$ 87,661

17. 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.

17. Financial Instruments (continued)

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.

($ thousands)	Category	2016 Carrying value	2016 Fair Value Level 1	2016 Fair Value Level 2	2015 Carrying value	2015 Fair Value Level 1	2015 Fair Value Level 2
Financial Assets							
Cash and cash equivalents [a]	Loans and receivable	**$ 14,542**			$ 11,955		
Trade and other accounts receivable [a]	Loans and receivable	**53,970**			59,071		
Derivative financial instruments	Held-for-trading	**617**		617	7,195		7,195
Other investments	Available for sale	**5,000**		5,000	-		
Long term receivables [a]	Loans and receivable	**725**			1,287		
Finance lease receivables	Loans and receivable	**972**		977	1,462		1,469
Deposits with manufacturers [a]	Loans and receivable	**2,734**			2,657		
Financial Liabilities							
Trade and other accrued liabilities [a]	Other liabilities	**84,340**			77,938		
Customer deposits [a]	Other liabilities	**8,362**			3,004		
Floor plan payables [a]	Other liabilities	**86,091**			168,643		
Dividends payable [a]	Other liabilities	**1,103**			3,317		
Term debt [b]	Other liabilities	**37,380**		37,380	105,578		105,578
Derivative financial liability	Held-for-trading	**615**		615	7,180		7,180
Finance lease obligation	Other liabilities	**15,223**		15,469	22,064		22,606
Debenture payable [c]	Other liabilities	**33,899**	34,328		32,941	34,500	

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

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

(c) Debenture payable is measured at amortized cost using the effective interest method. The fair value of debenture payable at December 31, 2016 and 2015 is the quoted market trading price for the debentures.

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.

18. 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, 2015	15,325	$ 83,814
Issued under the DRIP plan	71	1,133
Issued under the deferred share plan	113	1,226
Issued under the share option plan	30	573
Issued from reserve	67	1,524
Balance at December 31, 2015	15,606	88,270
Issued under the DRIP plan	**79**	**883**
Issued under the deferred share plan	**65**	**710**
Balance at December 31, 2016	**15,750**	**$ 89,863**

Common shares

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

Dividends declared

($ thousands)	2016	2015
$0.28 per qualifying common share (2015 - $0.85)	**$ 4,394**	$ 13,202

Total dividends paid in cash during the year were $5,725 thousand (2015 - $11,987 thousand). Dividends payable as at December 31, 2015 was $1,103 thousand (2015 - $3,317 thousand), which includes amounts for DRIP of $195 thousand (2015 - $230 thousand).

Dividend reinvestment plan

The Company has a Dividend Reinvestment Plan ("DRIP") entitling shareholders to reinvest cash dividends in additional common shares. The DRIP allows shareholders to reinvest dividends into new shares at 95 percent of the average share price of the previous 10 trading days prior to distribution. As at December 31, 2016, the company has 87 thousand shares reserved for issuance under this plan.

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. and Cervus Equipment Australia Pty Ltd.

19. Cost of Sales

The following amounts have been included in cost of sales for the years ended December 31, 2016 and 2015:

($ thousands)	2016	2015
Depreciation of rental equipment	$ 4,901	$ 4,900
Interest paid on rental equipment financing	1,873	2,143
	$ 6,774	$ 7,043

20. Other Income

Other income for the years ended December 31, 2016 and 2015 are comprised of the following:

($ thousands)	2016	2015
Net gain on sale of property and equipment	$ 5,579	$ 1,358
Gain on sale of equity accounted investees (Note 10)	4,146	-
Extended warranty commission	144	172
Financial compensation and consignment commissions	1,343	1,446
Unrealized foreign exchange gain (loss) (a)	3,501	(2,810)
Other (loss) income	(775)	(1,885)
	$ 13,938	$ (1,719)

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

21. Selling, General and Administrative Expenses By Nature

($ thousands)	2016	2015
Wages and benefits	98,216	106,731
Depreciation and amortization	12,833	12,953
Occupancy costs including rent and maintenance	16,481	15,701
Operating and administrative expenses including marketing	36,901	44,198
Total selling, general and administrative expenses	$ 164,431	$ 179,583

22. Wages and Benefits

($ thousands)	2016	2015
Included in cost of sales:		
Wages and benefits	$ 36,038	$ 38,464
Included in selling, general and administrative expenses:		
Wages and benefits	97,071	105,654
Share-based payments	1,145	1,077
	98,216	106,731
	$ 134,254	$ 145,195

22. Wages and Benefits (continued)

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% 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 $919 thousand (2015 - $1,337 thousand) of expenses incurred by the Company to match the employee contributions.

Mid-term management incentive plan

The Company offers a mid-term incentive plan (the "MTIP") to certain senior key employees. Under the MTIP, participants receive annual grants of performance share units ("PSUs") which are settled in cash based on the achievement of performance targets at the end of a three year performance period. A liability for MTIP obligation is recognized at its fair value of cash payable, and is re-measured each reporting period until the liability is settled on the third anniversary of initial grant. Any changes in the liability are recognized in the statement of comprehensive income. For the year ended December 31, 2016 MTIP liability for executives was $257 thousand (2015 – $467 thousand).

Deferred share plan

The Company has a deferred share plan available to officers, directors and employees whereby, if elected, certain payments to these individuals can be deferred, ranging in amounts up to $50 thousand per individual, where the Company also matches the deferred portion. The deferred shares are granted as approved by the board of directors based on 95% of the 10-day average share price prior to the date of grant. The matched component of the plan vests over a period of 5 years (50% after 3 years, 25% after 4 years and 25% after 5 years) and is recorded as selling, general and administrative expense as it vests. As at December 31, 2016, the Company has 1,003 thousand shares reserved for issuance under this plan. As at December 31, 2016, 745 thousand (2015 – 677 thousand) deferred shares have been issued under the deferred share plan and remain outstanding. The total deferred share plan balance as at December 31, 2016, was $7,520 thousand (2015 - $7,098 thousand). Of the outstanding deferred shares, 622 thousand (2015 – 572 thousand) can be converted to common shares.

23. Finance income and Finance Costs

($ thousands)	2016	2015
Finance Income	**$ 169**	$ 195
Interest expense on convertible debenture	**(3,029)**	(2,946)
Interest expense on mortgage and term debt obligations	**(3,657)**	(3,897)
Interest expense on financial liabilities	**(5,851)**	(6,728)
Finance Costs	**$ (12,537)**	$ (13,571)
Net finance costs recognized separately	**(10,495)**	(11,233)
Net finance costs recognized in cost of sales	**(1,873)**	(2,143)
Total Net Finance Costs	**$ (12,368)**	$ (13,376)

24. Earnings per Share

Per share amounts

Both basic and diluted earnings (loss) per share have been calculated using the net earnings (loss) attributable to the shareholders of the Company as the numerator. No adjustments to net earnings (loss) were necessary for the years ended December 31, 2016 and 2015. The weighted average number of shares for the purposes of diluted earnings per share can be reconciled to the weighted average number of basic shares as follows:

($ thousands)	2016	2015
Issued common shares opening	**15,606**	15,325
Effect of shares issued under the DRIP plan	**46**	39
Effect of shares issued under the deferred share plan	**31**	57
Effect of shares issued under the share option plan	**-**	22
Effect of shares issued through reserve	**-**	38
Weighted average number of common shares	**15,683**	15,481

Diluted earnings (loss) per share

The calculation of diluted earnings (loss) per share at December 31, 2016 and 2015 was based on the profit (loss) attributable to common shareholders and the weighted average number of common shares outstanding after adjustment for the effects of dilutive potential common shares which consist of the following:

($ thousands)	2016	2015
Weighted average number of common shares (basic)	**15,683**	15,481
Effect of dilutive securities:		
Deferred share plan	**745**	-
Weighted average number of shares (diluted)	**16,428**	15,481

The above tables includes all dilutive instruments held by the Company, however, for 2015, all deferred share units and options (677 thousand) have been excluded as they are considered anti-dilutive. In addition, the above per share amounts do not include amounts associated with the Company's convertible debenture in 2016 and 2015 as they are also considered anti-dilutive.

25. Operating Leases

a) As Lessee

The Company leases a number of lands and building facilities, office equipment and vehicles. The leases typically run for a period of between 3 to 20 years (2015 - 3 and 10 years) with options to renew the leases on the lands and buildings after that date. The land and building leases do not include any provisions for transfer of title. It was determined that substantially all the risks and rewards of ownership of the land and buildings remains with the landlord. As such, the Company has determined that the leases are operating leases.

In 2016, the company completed the sale and leaseback of eleven properties. The properties were entered into long-term leases ranging from 15-20 years with an option to renew for two ten year periods at market terms at the time of renewal. The lease cost escalates a rate of 1% per year.

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

Less than 1 year	**$ 11,096**
Between 1 and 5 years	**31,572**
More than 5 years	**78,518**
	$ 121,186

b) As Lessor

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

Less than 1 year	**$ 3,308**
Between 1 and 5 years	**8,058**
More than 5 years	**933**
	$ 12,299

26. Supplemental Cash Flow Information

($ thousands)	**2016**	**2015**
Changes in non-cash working capital:		
Net inventory and floorplan	**(17,699)**	(7,946)
Trade and other receivables	**932**	1,599
Trade and other liabilities	**(5,601)**	(1,646)
Change in non-cash working capital	**(22,368)**	(7,993)

27. Financial Risk Management

Overview

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

Risk management framework

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

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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, construction and industrial, and transportation equipment industries. This results in a concentration of credit risk from customers in these industries. A significant decline in economic conditions within these industries would increase the risk customers will experience financial difficulty and be unable to fulfill their obligations to the Company. The Company's exposure to credit risk arises from granting credit sales and is limited to the carrying value of accounts receivable, finance lease receivables, long-term receivables and deposits with manufacturers (see Note 5).

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.

27. 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)	2016	2015
Trade and other accounts receivables	$ 48,282	$ 55,116
Long term receivables	725	1,287
Long term lease receivables	972	1,462
Derivative financial asset	617	7,195
Deposits with manufacturers	2,734	2,657
	$ 53,330	$ 67,717

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

($ thousands)	2016	2015
Domestic	$ 40,736	$ 46,819
New Zealand	2,362	5,030
Australia	5,184	3,267
	$ 48,282	$ 55,116

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

($ thousands)	2016	2015
Current - 60 days	$ 42,344	$ 46,964
Past due – 61-90 days	2,033	3,772
Past due – 91 to 120 days	2,796	3,132
Past due more than 120 days	1,109	1,248
	$ 48,282	$ 55,116

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

($ thousands)	2016	2015
Balance at January 1	$ 1,987	$ 1,386
Additional allowance recorded	316	835
Amounts written-off as uncollectible	(593)	(234)
Balance at December 31	$ 1,710	$ 1,987

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.

27. Financial Risk Management (continued)

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

Guarantees

The Company has irrevocable standby letters of credit to John Deere in the amount of $2,400 thousand (2015 - $2,400 thousand). 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. Upon purchasing this equipment it 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, 2016, total residual values maturing over the next 12 months was $36,884 thousand (2015 – $14,310 thousand) and the total residual values maturing in the next five years is $235,025 thousand (2015 - $194,987 thousand). The Company has not recorded a provision in the twelve months ended December 31, 2016 and 2015 as residual values as set under the leases are anticipated to result in profit above cost when ultimately sold by the Company as used equipment.

Liquidity risk

The Company's exposure to liquidity risk is dependent on the collection of accounts receivable and the ability to raise funds to meet purchase commitments and financial obligations and to sustain operations. The Company controls its liquidity risk by managing its working capital, cash flows, and the availability of borrowing facilities. As described in Note 16, the Company has available for its current use, $100,000 thousand less $2,400 thousand for irrevocable letters of credit issued to John Deere.

The Company believes that it has sufficient operating funds available to meet expected operational expenses, including the service of financial obligations. The following are the contractual maturities of financial liabilities existing as at December 31, 2016.

($ thousands)	Carrying amount	Contractual principal maturities	12 months or less	1 – 2 Years	2 – 5 Years	5+ Years
Trade and other accrued liabilities	$ 83,725	83,725	83,725	-	-	-
Floor plans payable	86,091	86,091	86,091	-	-	-
Dividends payable	1,103	1,103	1,103	-	-	-
Term debt payable	37,380	37,772	15,720	3,692	17,455	905
Derivative financial liability	615	615	615			
Finance lease obligation	15,223	15,223	4,528	4,013	5,991	691
Debenture payable	33,899	34,500	34,500		-	-
	$ 258,036	259,029	226,282	7,705	23,446	1,596

27. Financial Risk Management (continued)

Market risk

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

Currency risk

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

Further, a portion of the Company's owned inventory is floor planned in U.S. dollars. As such, U.S. dollar denominated floor plan payables are exposed to fluctuations in the U.S. dollar exchange rate until the unit is sold and the floorplan is repaid. The fluctuation in the U.S. Dollar floorplan payable is recorded in unrealized gain/loss on foreign exchange within other income. When the equipment is sold, equipment is priced based on the prevailing spot USD/CAD exchange rate at the time of sale, plus applicable margin. In so doing, the Company's proceeds on sale directly offset the prevailing U.S. Dollar floorplanned cost of the equipment. If the Company was unable to recapture fluctuations in the US/CAD dollar in the sales price for equipment floor planned in U.S. dollars, a $0.01 change in the U.S. exchange rate would have increased (decreased) comprehensive income by $80 thousand (2015 - $264 thousand), based on the U.S. dollar floor plan balances at December 31, 2016. From time to time the Company also enters into foreign exchange forward contracts to manage exposure on timing difference between the payout of floorplan and receipt of funds from a customer.

In addition, the Company is exposed to foreign currency fluctuation related to translation adjustments upon consolidation of its Australian and New Zealand operations. These foreign subsidiaries report operating results in Australia and New Zealand dollars, respectively. Movements in these currencies relative to the Canadian dollar will impact the results of these operations upon consolidation. Based on the Company's results reported from its foreign subsidiaries, a strengthening or weakening of the Canadian dollar by 5% against the New Zealand dollar at December 31, 2016 would have increased (decreased) comprehensive income by $612 thousand (2015 - $559 thousand). A strengthening or weakening of the Canadian dollar by 5% against the Australian dollar at December 31, 2016 would have increased (decreased) comprehensive income by $215 thousand (2015 -$172 thousand).

27. Financial Risk Management (continued)

Interest rate risk

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

($ thousands)	2016	2015
Fixed Rate		
Debenture payable	**$ 33,899**	$ 32,941
Finance lease obligation	**15,223**	22,064
Variable Rate		
Floor plan payables		
Floor plan payables - interest bearing	**80,980**	149,750
Floor plan payables - interest free period [(a)]	**5,111**	18,893
Term debt	**37,772**	109,948
	$ 172,985	$ 333,596

(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 equity for the year ended December 31, 2016 by approximately $1,239 thousand (2015 -$2,590 thousand).

27. Financial Risk Management (continued)

Capital risk management

The Company's objective when managing its capital is to safeguard its ability to continue as a going concern, so that it generates returns for shareholders, expands business relationships with stakeholders, and identifies risk and allocates its capital accordingly. In the management of capital, the Company considers its capital to comprise long term debt, the current portion of long term debt, convertible debentures, 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 shares to facilitate business combinations, raise or retire term debt, and/or adjust the amount of distributions paid to the shareholders.

The Company uses the following ratios in determining its appropriate capital levels; a) Debt to Total Capital ratio (long term debt plus current portion of long term debt divided by: long term debt plus current portion of long term debt plus book value of equity); b) Return on Invested Capital ratio (net income before tax plus interest on short term debt divided by total capital); c) a debt to tangible assets ratio (calculated as total debt divided by: total assets less goodwill and intangibles); and, d) a fixed charge coverage ratio (calculated as adjusted earnings divided by contractual principle, interest, dividend, and operating lease payments). There were no changes in the Company's approach to capital management in the period. Neither the Company, nor any of its other subsidiaries are subject to externally imposed capital requirements, other than as identified in Note 16.

Covenant compliance

The Company must meet certain financial covenants as part of its current Canadian syndicated credit facility, all of which the Company was in compliance as at December 31, 2016. 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 1.0:1.0, until March 30, 2017, and to 1.10:1 for the period from March 31, 2017 onwards.
- 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-GAAP measures. The specific calculations and defined terms thereof are available for retrieval at www.SEDI.ca. The Company's compliance as at December 31, 2016 with the covenants contained in the Syndicated Credit Agreement is set out below:

	As at December 31, 2016		**As at December 31, 2015**	
Syndicated Credit Facility Core Covenant	**Covenant**	**Result**	Covenant	Result
Total Liabilities to Tangible Net Worth*	Less than 4.0:1.0	**1.99**	Less than 4.0:1.0	2.96
Fixed Charge Coverage Ratio*	Greater than 1.0:1.0	**1.43**	Greater than 0.95:1.0	1.12
Asset Coverage Ratio*	Greater than 3.0:1.0	**21.03**	Greater than 3.0:1.0	4.23

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

28. Segment Information

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

Each of these business segment operations are supported by a single shared corporate head office. Certain corporate head office expenses are allocated to the business segments under either specific identification approach or a usage based metric. The corporate head office also incurs certain costs which are considered as public company costs, which are allocated to the segments based on the gross margin of the Canadian operations. Total corporate related expenditures, excluding income taxes, that have been allocated for the year ended December 31, 2016 are $7,070 thousand (2015 - $7,001 thousand).

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

($ thousands)	Agricultural Equipment	Transportation Equipment	Commercial and Industrial Equipment	Total
Segmented income figures				
Year ended December 31, 2016				
Revenue	$ 739,029	$ 286,243	$ 84,667	**$ 1,109,939**
Income (loss) for the year before income tax	28,414	3,256	(1,104)	**30,566**
Share of profit of equity accounted investees	489	-	-	**489**
Depreciation and amortization	9,318	5,445	2,971	**17,734**
Finance income	164	4	1	**169**
Finance expense including amounts in costs of sales	(6,738)	(4,620)	(1,179)	**(12,537)**
Capital additions, including finance leases	4,820	2,570	564	**7,954**
Segmented assets as at December 31, 2016				
Reportable segment assets	$ 304,563	$ 120,673	$ 51,616	**$ 476,852**
Reportable segment liabilities	166,975	69,900	26,138	**263,013**
Investment in associates	505	-	-	**505**
Intangible assets	26,215	13,469	6,830	**46,514**
Goodwill	15,804	2,547	2,193	**20,544**

28. Segment Information (continued)

($ thousands)	Agricultural Equipment	Transportation Equipment	Commercial and Industrial Equipment	Total
Segmented income figures				
Year ended December 31, 2015				
Revenue	$ 711,343	$ 300,579	$ 121,956	$ 1,133,878
Income (loss) for the year before income tax	20,824	(5,422)	(454)	14,948
Share of profit of equity accounted investees	542	-	-	542
Depreciation and amortization	8,951	5,250	3,652	17,853
Finance income	179	14	2	195
Finance expense including amounts in costs of sales	(6,758)	(5,172)	(1,641)	(13,571)
Capital additions, including finance leases	12,998	9,749	1,818	24,565
Segmented assets as at December 31, 2015				
Reportable segment assets	$ 380,131	$ 165,342	$ 84,312	$ 629,785
Reportable segment liabilities	254,510	120,447	61,535	436,492
Investment in associates	5,762	-	-	5,762
Intangible assets	28,767	14,985	7,256	51,008
Goodwill	15,876	2,547	2,193	20,616

The Company primarily operates in Canada but includes subsidiaries in Australia (Cervus Australia PTY Ltd.) and, in New Zealand (Cervus NZ Equipment Ltd.) which operate 15 agricultural equipment dealerships. Gross revenue and non-current assets for the geographic territories of New Zealand and Australia were $157,117 thousand (2015 - $133,736 thousand) and $26,763 thousand (2015 - $29,140 thousand) respectively. The Australia and New Zealand operations are included in the Agricultural Segment.

29. Commitments and Contingencies

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, 2016 payments in arrears by such customers aggregated $456 thousand (2015 - $376 thousand).

In addition, the Company is responsible for assuming all lease obligations held by its customers with Deere Credit and other financing companies through recourse arrangements for the net residual value of the lease outstanding at the maturity of the contract. At December 31, 2016, the net residual value of such leases aggregated $235,025 thousand (2015 - $194,987 thousand). Management believes that the potential liability in relation to the amounts outstanding is negligible and consequently, no accrual has been made in these financial statements in relation to any potential loss on assumed lease obligations.

30. 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. In addition, no directors or executive officers are part of the share option plan.

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

($ thousands)	2016	2015
Short-term benefits	**$ 2,292**	$ 3,096
Share-based payments	**529**	387
	$ 2,821	$ 3,483

Other related party transactions

Certain officers and dealer managers of the Company have provided guarantees to John Deere aggregating $6,500 thousand. During the year ended December 31, 2016 and 2015, the Company paid those individuals $175 thousand (2015 - $195 thousand) for providing these guarantees. These transactions were recorded at the amount agreed to between the Company and the guarantors, are included in selling, general and administrative expense and have been fully paid during the year.