Consolidated Financial Statements of

CERVUS EQUIPMENT CORPORATION

For the years ended December 31, 2019 and 2018

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

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of Cervus Equipment Corporation

Opinion

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

- the consolidated statements of financial position as at December 31, 2019 and 2018
- the consolidated statements of comprehensive income (loss) for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

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

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

Emphasis of Matter – Prospective Change in Accounting Policy

We draw attention to Note 4 to the consolidated financial statements which indicates that the Entity has changed its accounting policy for leases and has applied that change on a modified retrospective basis.

Our opinion is not modified in respect of this matter.

Other Information

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

– the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

– the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2019 Annual Report".

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

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

We obtained the information included in Management's Discussion and Analysis as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "2019 Annual Report" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
March 11, 2020

CERVUS EQUIPMENT CORPORATION
Consolidated Statements of Financial Position
As at December 31, 2019 and 2018

($ thousands)	Note	December 31, 2019	December 31, 2018
Assets			
Current assets			
Cash and cash equivalents		**$ 7,946**	$ 6,106
Accounts receivable and other assets	6	**74,942**	71,969
Inventories	7	**319,619**	328,186
Total current assets		**402,507**	406,261
Non-current assets			
Other long-term assets	8	**13,599**	9,375
Property and equipment	9	**138,705**	58,328
Intangible assets	10	**38,015**	42,640
Goodwill	10	**22,897**	21,624
Total non-current assets		**213,216**	131,967
Total assets		**$ 615,723**	$ 538,228
Liabilities			
Current liabilities			
Trade and other liabilities	11	**$ 63,183**	$ 77,713
Floor plan payables	12	**182,379**	157,615
Current portion of term debt	12	**9,795**	13,964
Current portion of lease obligation	13	**8,799**	3,770
Total current liabilities		**264,156**	253,062
Non-current liabilities			
Term debt	12	**33,370**	25,123
Lease obligation	13	**84,084**	7,501
Deferred income tax liability	14	**6,975**	8,843
Total non-current liabilities		**124,429**	41,467
Total liabilities		**388,585**	294,529
Equity			
Shareholders' capital	16	**83,740**	86,540
Deferred share plan	20	**10,271**	8,693
Other reserves		**5,195**	5,195
Accumulated other comprehensive (loss) income		**(136)**	506
Retained earnings		**128,068**	142,765
Total equity		**227,138**	243,699
Total liabilities and equity		**$ 615,723**	$ 538,228

Approved by the Board:
"Peter Lacey" Director "Wendy Henkelman" Director

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

CERVUS EQUIPMENT CORPORATION
Consolidated Statements of Comprehensive (Loss) Income
For the years ended December 31, 2019 and 2018

($ thousands)	Note	2019	2018
Revenue			
Equipment sales		**$ 813,393**	$ 1,041,835
Parts		**218,888**	206,128
Service		**87,878**	82,860
Rentals and other		**18,875**	19,213
Total revenue		**1,139,034**	1,350,036
Cost of sales		**(969,683)**	(1,140,958)
Gross profit		**169,351**	209,078
Other income	18	**3,844**	3,443
Selling, general and administrative expense	19	**(171,278)**	(173,045)
Income from operating activities		**1,917**	39,476
Finance income		**687**	854
Finance costs		**(13,056)**	(6,352)
Net finance costs	21	**(12,369)**	(5,498)
Share of profit of equity accounted investees, net of income tax		**6**	124
(Loss) income before income tax expense		**(10,446)**	34,102
Income tax recovery (expense)	14	**1,828**	(9,325)
(Loss) income for the year		**(8,618)**	24,777
Other comprehensive (loss) income			
Foreign currency translation differences for foreign operations, net of tax		**(642)**	315
Total comprehensive (loss) income for the year		**(9,260)**	25,092
Net (loss) income per share:			
Basic	22	**$** (0.56)	$ 1.58
Diluted	22	**$** (0.56)	$ 1.51

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, 2019 and 2018

Attributable to Equity Holders of the Company							
($ thousands)	Note	Share capital	Deferred share plan	Other reserves	Cumulative translation account	Retained earnings	Total
Balance December 31, 2017		**$ 88,163**	**$ 7,455**	**$ 5,195**	**$ 191**	**$ 124,249**	**$ $ 225,253**
Comprehensive income for the year							
Profit		-	-	-	-	24,777	24,777
Other comprehensive income							
Foreign currency translation adjustments, net of tax		-	-	-	315	-	315
Total comprehensive income for the year		-	-	-	315	24,777	25,092
Transactions with owners, recorded directly in equity							
Dividends to equity holders		-	-	-	-	(6,261)	(6,261)
Shares issued through DRIP		710	-	-	-	-	710
Shares issued through deferred share plan		276	(276)	-	-	-	-
Share-based payment transactions		-	1,514	-	-	-	1,514
Common shares repurchased		(2,609)	-	-	-	-	(2,609)
Transactions with owners		(1,623)	1,238	-	-	(6,261)	(6,646)
Balance December 31, 2018		**$ 86,540**	**$ 8,693**	**$ 5,195**	**$ 506**	**$ 142,765**	**$ $ 243,699**
Balance at January 1, 2019, as previously reported		86,540	8,693	5,195	506	142,765	243,699
Impact of change in accounting policy	4	-	-	-	-	690	690
Adjusted balances at January 1, 2019		**$ 86,540**	**$ 8,693**	**$ 5,195**	**$ 506**	**$ 143,455**	**$ $ 244,389**
Comprehensive loss for the year							
Loss		-	-	-	-	(8,618)	(8,618)
Other comprehensive loss							
Foreign currency translation adjustments, net of tax		-	-	-	(642)	-	(642)
Total comprehensive loss for the year		-	-	-	(642)	(8,618)	(9,260)
Transactions with owners, recorded directly in equity							
Dividends to equity holders	16	-	-	-	-	(6,769)	(6,769)
Shares issued through DRIP	16	770	-	-	-	-	770
Shares issued through deferred share plan	16	370	(370)	-	-	-	-
Share-based payment transactions		-	1,948	-	-	-	1,948
Common shares repurchased	16	(3,940)	-	-	-	-	(3,940)
Transactions with owners		(2,800)	1,578	-	-	(6,769)	(7,991)
Balance December 31, 2019		**$ 83,740**	**$ 10,271**	**$ 5,195**	**$ (136)**	**$ 128,068**	**$ $ 227,138**

CERVUS EQUIPMENT CORPORATION

Consolidated Statement of Cash Flows

For the years ended December 31, 2019 and 2018

($ thousands)	Note	2019	2018
(Loss) income for the year		**$ (8,618)**	$ 24,777
Adjustments for:			
Income tax (recovery) expense	14	**(1,828)**	9,325
Depreciation	9	**19,714**	10,856
Amortization of intangibles	10	**4,655**	4,255
Equity-settled share-based payment transactions		**1,948**	1,514
Net finance costs	21	**13,332**	6,661
Unrealized foreign exchange (gain) loss	18	**(1,847)**	1,199
Non-cash impairment of inventories	7	**24,006**	11,513
(Gain) on sale of property and equipment	18	**(436)**	(1,889)
Share of (profit) of equity accounted investees, net of tax		**(6)**	(124)
Change in non-cash working capital	23	**(1,815)**	(36,432)
Cash provided from operating activities		**49,105**	31,655
Cash taxes paid		**(8,016)**	(11,454)
Interest paid		**(14,018)**	(7,512)
Net cash provided from operating activities		**27,071**	12,689
Cash flows from investing activities			
Interest received		**687**	854
Business acquisitions (net of cash received)		**-**	(12,595)
Purchase of property and equipment	9	**(15,671)**	(12,854)
Proceeds from (payments for) intangible assets and goodwill	10	**693**	(622)
Insurance proceeds for property and equipment		**-**	1,971
Proceeds from disposal of property and equipment	9	**2,616**	4,911
Proceeds from sale of Commercial operations		**-**	14,218
Net cash (used in) investing activities		**(11,675)**	(4,117)
Cash flows from financing activities			
Net proceeds (repayments) from term debt		**4,588**	(4,355)
Dividends paid	16	**(5,867)**	(5,093)
(Payment) of lease obligation		**(9,256)**	(5,249)
Receipt (payment) of deposits with manufacturers		**599**	(447)
Purchase of common shares	16	**(3,941)**	(2,609)
Net cash (used in) financing activities		**(13,877)**	(17,753)
Increase (decrease) in cash and cash equivalents		**1,519**	(9,181)
Effect of foreign currency translation on cash		**321**	785
Cash and cash equivalents, beginning of year		**6,106**	14,502
Cash and cash equivalents, end of year		**$ 7,946**	$ 6,106

1. Reporting Entity

Cervus Equipment Corporation ("Cervus" or the "Company") is incorporated under the Canada Business Corporations Act and is domiciled in Canada. The registered office of the Company is situated at 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, 2019, comprise the Company and its subsidiaries ("the Group").

Cervus Equipment Corporation ("Cervus" or "Company") provides equipment solutions to customers in agriculture, transportation, and industrial markets across Canada, Australia, and New Zealand. Throughout its territories and across its diverse markets, Cervus dealerships are united in delivering sales and support of the market-leading equipment our customers depend on to earn a living. The Company operates 63 Cervus dealerships and is the authorized representative of leading Original Equipment Manufacturers ("OEMs") including: John Deere agricultural equipment; Peterbilt transportation equipment; and Clark, Sellick, Doosan, JLG and Baumann material handling equipment. The common shares of Cervus are listed on the Toronto Stock Exchange and trade under the symbol "CERV".

2. Basis of Preparation

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 11, 2020.

Basis of Measurement

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

Presentation Currency

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

Basis of Consolidation

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

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

2. Basis of Preparation (continued)

Details of the Company's subsidiaries at December 31, 2019 and December 31, 2018 are as follows:

Proportion of Ownership Interest and Voting Power Held	2019	2018
Cervus AG Equipment LP	**100%**	100%
Cervus AG Equipment Ltd	**100%**	100%
Evergreen Equipment Ltd.	**100%**	100%
Cervus Collision Center LP	**100%**	100%
Cervus Contractors Equipment LP	**100%**	100%
Cervus Contractors Equipment Ltd	**100%**	100%
Cervus Equipment NZ Ltd.	**100%**	100%
101169185 Saskatchewan Ltd	**100%**	100%
520781 Alberta Ltd	**100%**	100%
Cervus Equipment Holdings Australia Pty Ltd.	**100%**	100%
Cervus Equipment Australia Pty Ltd.	**100%**	100%

Use of Judgments and Estimates

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

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

Judgments

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

- Classification of a lease arrangement where the Company is the lessor, as an operating or finance lease; judgment is required to determine whether substantially all of the significant risks and rewards of ownership are transferred to the customer or remain with the Company. (Note 13)
- Impairment tests on long-lived assets; judgment is used in identifying impairment triggers and determining cash generating units or groups of cash generating units at which goodwill, intangible assets, and property and equipment are tested for impairment, as well as determining the appropriate discount rate for these calculations. (Note 10)

Assumptions and Estimation Uncertainties

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

- Recoverability of inventories and key assumptions regarding the net realizable value of inventory. (Note 7)
  Impairment tests on long-lived assets; estimates on key assumptions related to the future operating results and the appropriate discount rate. (Note 10)
- Depreciation and amortization expense; assumptions on the useful lives of property and equipment and intangible assets. (Note 9 and 10)

2. Basis of Preparation (continued)

Determination of Fair Values

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

Property, Plant and Equipment

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

Intangible Assets

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

Inventories

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

Trade and Other Receivables

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

Other Non-Derivative Financial Liabilities

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

Derivative Financial Instruments

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

Comparative Figures

The comparative figures for 2018 include an adjustment relating to the first quarter of 2018. The adjustment results in an increase to cost of sales of $2.4 million, resulting in a reduction to income tax expense of $0.6 million. The change in the comparative balance sheet was a decrease in inventory of $2.4 million, a decrease in income tax payable of $0.6 million and a decrease in retained earnings of $1.8 million.

3. Significant Accounting Policies

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

Business Segments

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

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

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

These audited annual financial statements for the year ended December 31, 2019, are the first set of the Company's financial statements whereby the Corporate segment is reported as its own segment. This change to the composition of the segments is described in further detail in Note 25. Prior period financial information for 2018 has also been restated to reflect the change in segment composition.

Business Combinations

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

Foreign Currency Translation

Foreign Currency Transactions

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

3. Significant Accounting Policies (continued)

Foreign Currency Translation (continued)

Foreign Operations

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

Cash and Cash Equivalents

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

Inventories

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

Property and Equipment

Items of property and equipment are recorded at cost, less any accumulated depreciation and accumulated impairment losses. Properties under construction are measured at cost less any accumulated impairment. Assets are moved from the construction phase and begin depreciation when the asset is available for use.

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

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

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

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

3. Significant Accounting Policies (continued)

Property and Equipment (continued)

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%

Intangible Assets

Intangible Assets

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

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

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

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

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

Goodwill

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

Assets Held for Sale

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

3. Significant Accounting Policies (continued)

Leases

Policy applicable from January 1, 2019

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

i. As a lessee

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

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

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

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

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

3. Significant Accounting Policies (continued)

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

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

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

ii. As a lessor

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

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

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

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

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

3. Significant Accounting Policies (continued)

ii. Policy applicable before January 1, 2019

For contracts entered before January 1, 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfillment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset.

i. As a lessee

In the comparative period, as a lessee, the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognized in the Company's statement of financial position. Payments made under operating leases were expensed in profit or loss on a straight-line basis over the term of the lease.

ii. As a lessor

When the Company acted as lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Company made an overall assessment of whether the lease transferred substantially all of the risks and rewards of ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, the it was an operating lease. As part of this assessment, the Company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

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.

3. Significant Accounting Policies (continued)

Provisions

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

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

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities, including derivatives, are recognized on the consolidated statement of financial position at the time the Company becomes a party to the contractual provisions. The Company's financial assets and liabilities consist primarily of cash and cash equivalents, trade and other accounts receivable, trade and other accrued liabilities, dividends payable, floor plan payables, foreign currency hedging instruments, leases, and term debt.

Classification and Measurement of Financial Assets and Financial Liabilities

A financial asset is classified and is measured at:

- Amortised cost; or
- Fair value through other comprehensive income (OCI); or
- Fair value through profit or loss.

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

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

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

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

3. Significant Accounting Policies (continued)

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

Subsequent measurement of financial assets is described below.

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

Impairment

Financial Assets (Including Receivables)

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

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

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

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

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

3. Significant Accounting Policies (continued)

Impairment (continued)

Non-Financial Assets

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

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

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

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

Reversals of Previously Recognized Impairments

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

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

3. Significant Accounting Policies (continued)

Revenue Recognition

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

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

3. Significant Accounting Policies (continued)

Finance Income and Finance Costs

Finance income comprises interest income on funds invested.

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

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

Per Share Amounts

Basic per share amounts are computed by dividing earnings (loss) by the weighted average number of shares outstanding for the period. Diluted earnings per share are calculated giving effect to the potential dilution that would occur if share options or other dilutive instruments were exercised or converted to shares. The treasury stock method is used to determine the dilutive effect of share options and other similar dilutive instruments. This method assumes that any proceeds upon the exercise or conversion of dilutive instruments, for which market prices exceed exercise price, would be used to purchase shares at the average market price of the shares during the period.

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. Changes in Significant Accounting Policies

IFRS 16 Leases

The Company adopted IFRS 16 *Leases* effective January 1, 2019. IFRS 16 replaces existing lease guidance, including IAS 17 Lease, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Company has adopted IFRS 16 using the modified retrospective approach, with the cumulative effect of initially applying this standard recognized in retained earnings on the date of initial application (i.e., January 1, 2019). Accordingly, the comparative information has not been restated, and continues to be reported under IAS 17 and IFRIC 4. The details of the changes in accounting policies are described below.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

Leases in which the Company is Lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e., these leases are on-balance sheet.

The Company decided to apply recognition exemptions to short-term leases of buildings, and leases of low-value office equipment. For leases of all other assets, which were classified as operating under IAS 17, the Company recognized right-of-use assets and lease liabilities.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

i. Leases classified as Operating Leases under IAS 17

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

ii. Leases previously classified as Finance Leases under IAS 17

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

4. Changes in Significant Accounting Policies (continued)

Leases in which the Company is Lessor

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for certain sub-leases. The Company accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, the Company is required to assess the classification of a sub-lease with reference to the right-of-use asset, not the underlying asset. On transition, the Company reassessed the classification of its sub-lease contracts previously classified as operating leases under IAS 17. The Company concluded that certain sub-leases are finance leases under IFRS 16.

Impacts on Financial Statements

On transition to IFRS 16, the Company recognized $84 million of right-of-use assets and $84 million of lease liabilities.

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate applicable to the assets at January 1, 2019. The weighted average rate applied is 8%.

$ thousands	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Company's consolidated financial statements	$ 130,584
Discounted using the incremental borrowing rate at January 1, 2019	(57,446)
Lease obligation recognized as at January 1, 2019	$ 73,138
Recognition exemption for:	
Leases of low-value assets	(25)
Extension options reasonably certain to be exercised	11,116
Lease obligation recognized as at January 1, 2019	$ 84,229

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position as at December 31, 2019. There were no onerous contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognized right-of-use assets relate to the following types of assets:

$ thousands	December 31, 2019	January 1, 2019
Buildings	**$ 79,310**	$ 82,748
Motor vehicles	**2,008**	1,341
Office equipment	**87**	140
Total right-of-use assets	**$ 81,405**	$ 84,229

5. Seasonality

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

6. Accounts Receivable and Other Assets

($ thousands)	2019	2018
Trade receivables	**$ 40,565**	$ 54,939
Allowance for doubtful debts[(a)]	**(1,155)**	(1,078)
Trade receivables, net	**39,410**	53,861
Prepaid expenses	**26,151**	17,576
Income tax receivable	**6,586**	-
Other receivables	**2,795**	532
Total accounts receivable and other assets	**$ 74,942**	$ 71,969

(a) Changes in allowance for doubtful debts during the year has been recorded in selling, general and administrative expense, the details of which are disclosed in Note 19.

7. Inventories

($ thousands)	2019	2018
New equipment	**$ 149,025**	$ 114,667
Used equipment	**118,754**	161,703
Parts and accessories	**50,607**	50,285
Work-in-progress	**1,233**	1,531
Total inventories	**$ 319,619**	$ 328,186

During the year ended December 31, 2019, inventories included in costs of sales were $892 million (2018 - $1,078 million). The total inventory impairment recorded during the year ended December 31, 2019, and included in cost of goods sold was $24 million (2018 - $12 million). The Company's inventory has been pledged as security for floor plan payables under terms of the floorplan agreements and for long-term debt under general security agreements.

8. Other Long-Term Assets

($ thousands)	2019	2018
Long-term receivables	**$ 4,355**	$ 748
Deposits with manufacturers	**2,260**	2,913
Other investments [(a)]	**6,984**	5,714
Other long-term assets	**$ 13,599**	$ 9,375

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

Deposits with Manufacturers

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

The maximum liability that may arise related to these arrangements is limited to the deposits of $2.3 million (December 31, 2018 - $2.9 million). Deere Credit reviews the deposit account balances quarterly and if the balances exceed the minimum requirements, Deere Credit refunds the difference to the Company.

9. Property and Equipment

($ thousands) Cost	Land and Buildings	Rental Equipment	Automotive and Trucks	Equipment	Right-of-use assets (Note 13)	Total
Balance at January 1, 2018	**26,102**	**40,453**	**20,632**	**18,691**	**-**	**105,878**
Additions	1,414	4,855	4,015	2,570	-	12,854
Additions for finance lease	-	742	-	-	-	742
Disposals[a]	(2,259)	(5,326)	(1,937)	(612)	-	(10,134)
Transfers	-	(3,805)	27	195	-	(3,583)
Currency translation effects	9	254	25	50	-	338
Balance at December 31, 2018	**25,266**	**37,173**	**22,762**	**20,894**	**-**	**106,095**
Balance at January 1, 2019	**25,266**	**37,173**	**22,762**	**20,894**	**-**	**106,095**
Adjustments on transition to IFRS 16[b]	**-**	(19,234)	-	-	10,961	(8,273)
Recognition of right-of-use assets on initial application of IFRS 16 (Note 13)	**-**	-	-	-	84,229	84,229
Adjusted balance at January 1, 2019	**25,266**	**17,939**	**22,762**	**20,894**	**95,190**	**182,051**
Additions	7,433	3,492	2,565	2,181	-	15,671
Right of use additions	-	-	-	-	1,777	1,777
Disposals	(28)	(3,305)	(1,449)	(3,990)	-	(8,772)
Transfers and adjustments	21	3,294	1,160	1,277	(6,300)	(548)
Remeasurements	-	-	-	-	5,896	5,896
Currency translation effects	(36)	(393)	(331)	(204)	(456)	(1,420)
Balance at December 31, 2019	**32,656**	**21,027**	**24,707**	**20,158**	**96,108**	**$ 194,656**

9. Property and Equipment (continued)

($ thousands) Accumulated Depreciation and Impairment	Land and Buildings	Rental Equipment	Automotive and Trucks	Equipment	Right-of-use assets (Note 13)	Total
Balance at January 1, 2018	**4,717**	**13,858**	**12,815**	**12,313**	**-**	**43,703**
Depreciation expense	937	5,179	2,530	2,210	-	10,856
Disposals[(a)]	(230)	(2,414)	(1,500)	(483)	-	(4,627)
Transfers	-	(2,271)	11	-	-	(2,260)
Currency translation effects	2	37	13	43	-	95
Balance at December 31, 2018	**5,426**	**14,389**	**13,869**	**14,083**	**-**	**47,767**
Balance at January 1, 2019	**5,426**	**14,389**	**13,869**	**14,083**	**-**	**47,767**
Adjustments on transition to IFRS 16[(b)]	-	(7,611)	-	-	4,871	(2,740)
Adjusted balance at January 1, 2019	**5,426**	**6,778**	**13,869**	**14,083**	**4,871**	**45,027**
Depreciation expense	1,134	2,628	2,682	2,182	11,088	19,714
Disposals	(12)	(1,592)	(1,257)	(3,731)	-	(6,592)
Transfers and adjustments	25	(171)	1,202	1,241	(4,207)	(1,910)
Currency translation effects	(4)	(59)	(76)	(142)	(8)	(289)
Balance at December 31, 2019	**6,569**	**7,584**	**16,420**	**13,633**	**11,744**	**$ 55,950**

($ thousands) Carrying Value	Land and Buildings	Rental Equipment	Automotive and Trucks	Equipment	Right-of-use assets (Note 13)	Total
Balance at December 31, 2018	19,840	22,784	8,893	6,811	-	$ 58,328
Balance at December 31, 2019	**26,087**	**13,443**	**8,287**	**6,525**	**84,363**	**$ 138,705**

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

(b) On transition to IFRS 16, leased rental equipment was transferred from property and equipment to right-of-use assets or was derecognized as the associated sub-leases were reclassified as finance leases.

Depreciation expense related to rental and lease fleets have been recorded in cost of sales in the amount of $4.3 million (2018 - $5 million) and selling, general and administrative expenses of $15 million (2018 - $6 million). The Company's property and equipment has been pledged as security for its long-term debt.

10. Intangible Assets and Goodwill

Intangible Assets

Intangible assets are comprised of the following:

($ thousands) Cost	Dealership Distribution Agreements	Customer Lists	Non-Competition Agreements	Software Costs	Total
Balance at January 1, 2018	**46,901**	**14,857**	**2,608**	**3,766**	**68,132**
Additions	-	-	-	622	622
Effect of movements in exchange rates	4,470	1,840	310	-	6,620
Additions through business acquisition	(108)	16	3	-	(89)
Balance at December 31, 2018	**51,263**	**16,713**	**2,921**	**4,388**	**75,285**
Additions	-	-	-	247	247
Effect of movements in exchange rates	(217)	-	-	-	(217)
Balance at December 31, 2019	**51,046**	**16,713**	**2,921**	**4,635 $**	**75,315**

($ thousands) Accumulated Depreciation	Dealership Distribution Agreements	Customer Lists	Non-Competition Agreements	Software Costs	Total
Balance at January 1, 2018	**11,620**	**13,143**	**2,122**	**1,505**	**28,390**
Amortization expense	2,381	971	284	619	4,255
Balance at December 31, 2018	**14,001**	**14,114**	**2,406**	**2,124**	**32,645**
Amortization expense	2,589	1,110	265	691	4,655
Balance at December 31, 2019	**16,590**	**15,224**	**2,671**	**2,815 $**	**37,300**

($ thousands) Carrying Value	Dealership Distribution Agreements	Customer Lists	Non-Competition Agreements	Software Costs	Total
Balance at December 31, 2018	37,262	2,599	515	2,264 $	42,640
Balance at December 31, 2019	**34,456**	**1,489**	**250**	**1,820 $**	**38,015**

Amortization expense of $4.7 million (2018 - $4.3 million) has been recorded in selling, general and administrative expense.

10. Intangible Assets and Goodwill (continued)

Goodwill

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

($ thousands)	
Balance at January 1, 2018	$ 18,880
Additions through business acquisition	2,722
Impact of translation of goodwill held in foreign currencies	22
Balance at December 31, 2018	$ 21,624
Valuation adjustment on business combination [(a)]	1,417
Impact of translation of goodwill held in foreign currencies	(144)
Balance at December 31, 2019	**$ 22,897**

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

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

($ thousands)	**2019**	**2018**
Agriculture Segment		
Agriculture - Alberta	**$ 16,127**	$ 14,710
Agriculture - Saskatchewan	**327**	327
Agriculture - New Zealand	**2,064**	2,144
Agriculture - Australia	**1,166**	1,230
Industrial Segment		
Industrial	**666**	666
Transportation Segment		
Transportation - Ontario	**2,547**	2,547
Carrying value of goodwill	**$ 22,897**	$ 21,624

10. Intangible Assets and Goodwill (continued)

Annual Impairment Test

The Company performed the annual impairment test of goodwill and intangible assets as at December 31, 2019. The test for impairment is to compare the recoverable amount of the CGUs to their carrying value. Goodwill and intangible assets are assessed for impairment at the CGU level to which they are allocated.

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

- A review of 2019 revenue which was then adjusted through the projection period for the outlook of the CGU at the date of impairment testing. Revenues used in the projection period did not exceed prior historical revenue levels of the CGU, other than the impact of assumed inflation.
- Gross profit margin, expenses and cash requirements for working capital were benchmarked by CGU based on historical amounts as a percent of annual historical revenue.
- The projections were assessed for reasonability against the demonstrated historical performance of the CGUs and the financial budget approved by senior management for a one-year period.
- For the annual impairment testing purposes, the cash flows subsequent to the five-year projection period were extrapolated using a 2.0% growth rate which represents the expected growth in the markets in which the Company operates.

The discount rate applied to each CGU to determine value-in-use, is a post-tax rate that reflects an optimal debt-to-equity ratio and considers the risk-free rate, market equity risk premium, size premium and the risks specific to each CGU's cash flow projections. The post-tax discount rates ranged from 10.3% to 11.5% (pre-tax discount rate of 14.1% to 15.8%). As a result of the analysis, management determined there was no impairment of goodwill or indefinite lived intangible assets.

Sensitivity testing is conducted as part of the annual impairment tests, including stress testing the post-tax discount rate and projected cash flows with all other assumptions being held constant. Had the estimated post-tax discount rate been 1% higher than management's estimates the recoverable amount of the CGUs would continue to exceed their carrying amount. Alternatively, holding the post-tax discount rate unchanged from that utilized in the annual impairment tests, had the annual estimated cash flows of each CGU in the forecast and terminal period decreased by 6%, the recoverable amounts of each CGU would continue to exceed their carrying amounts. A decrease in the cash flow assumption of between 6% and 12% would result in $1.8 million of impairment. Any additional negative changes in the cash flow assumption would cause goodwill to be impaired, with such impairment loss recognized in net earnings.

11. Trade and Other Liabilities

($ thousands)	2019	2018
Trade and other payables	**$ 40,189**	$ 39,548
Non-trade payables and accrued expenses	**17,680**	28,629
Contract liabilities	**2,829**	6,512
Dividends payable (Note 16)	**1,688**	1,556
Income taxes payable	**-**	1,392
Foreign exchange contracts	**797**	76
Total trade and other liabilities	**$ 63,183**	$ 77,713

12. Loans and Borrowings

Bank Indebtedness

At December 31, 2019, the Company has a revolving credit facility (the "Syndicated Facility"), with a syndicate of lenders. The principal amount available under this facility is $120 million. The facility was amended and extended on December 18, 2018. The facility is committed for a four year term, but may be extended on or before the anniversary date with the consent of the lenders. The facility contains an $80 million accordion which the Company may request as an increase to the total available facility, subject to lender approval. As at December 31, 2019, there was $25 million drawn on the facility and $10 million had been utilized for outstanding letters of credit to John Deere. The Company's credit facility bears interest at the lender's prime rate plus the Applicable Margin (currently 0%). Applicable Margin can range from 0% to 1.75% (2018 – 0% to 1.75%) and is based on a liabilities to income ratio.

Term Debt Borrowings

The Syndicated Facility is secured by a general security agreement, a priority agreement; trade accounts receivable, unencumbered inventories, assignment of fire insurance and guarantees from the Company's subsidiaries. As terms under the Syndicated Facility, the Company must maintain certain leverage, income coverage, and asset coverage ratios, which the Company has complied with throughout 2019, see Note 24 for further discussion on covenants. Costs directly attributable to the completion of the Syndicated Facility have been deferred and will be amortized over the four year term.

12. Loans and Borrowings (continued)

Outstanding Borrowings

($ thousands)	Year of Maturity	2019	2018
Operating and Other Bank Credit Facilities			
Revolving credit facility, lenders prime rate plus the Applicable Margin (currently 0.0%). Applicable Margin can range from 0% to 1.75% and is based on a liabilities to income ratio	2022	**$ 25,000**	$ 20,494
National Australian Bank, Australia, revolving credit facility, interest at 6.48%	2022	**-**	577
ANZ National Bank, New Zealand, flexible credit facility, interest at 4.49%	2020	**788**	-
Capital Facilities			
Farm Credit Corporation, mortgages payable in monthly instalments of $22 thousand including interest at 5.21%, a rate of lenders prime plus 1% per annum (December 31, 2018 - 5.21%)	2019	**-**	109
Farm Credit Corporation, mortgages payable in monthly instalments of $39 thousand including interest at 4.50%, a rate of lenders prime plus 1% per annum (December 31, 2018 - 4.95%)	2024	**3,945**	4,210
Affinity Credit Union, mortgages payable in monthly installments of $17 thousand, including interest at 3.99% per annum (December 31, 2018 - 3.69%)	2020	**5,422**	5,623
Rental Equipment Term Loans			
John Deere finance contracts, New Zealand, payable in monthly instalments including interest at the rate of 4.50% to 6.45% per annum, secured by related equipment	Various	**7,163**	7,332
Hire purchase contracts, Australia, finance contracts payable in monthly installments ranging up to AUD $3 thousand including interest at a rate of 3.95% to 5.35%, secured by related equipment	Various	**861**	1,191
Finance contracts, various, repayable in monthly instalments ranging per month including interest from 2.99% to 4.95%	Various	**267**	81
Total		**43,446**	39,617
Less: current portion		**(9,795)**	(13,964)
Less: deferred debt issuance costs		**(281)**	(530)
Carrying value of term debt at December 31		**$ 33,370**	$ 25,123

12. Loans and Borrowings (continued)

Floor Plan Payables

The Company utilizes floor plan financing arrangements with various suppliers for inventory purchases. The terms of these arrangements may include an interest-free period followed by a term during which interest is charged at rates ranging from 3.95% to 8.85% at December 31, 2019. 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	2019	2018
John Deere Financial, Canada	5.00% - 8.85%	**$ 91,342**	$ 95,907
Wells Fargo Vendor Finance	5.91% - 6.04%	**103**	2,223
John Deere Financial, New Zealand and Australia	5.34% - 5.75%	**21,571**	19,297
PACCAR Financial	3.95% - 4.22%	**67,089**	36,531
Other Floor Plan Facilities	4.95% - 5.75%	**2,274**	3,657
Total floor plan payable		**$ 182,379**	$ 157,615

Pre-Approved Credit Limits and Available Credit Facilities

The Company has various facilities, the amount available under which are limited to the lesser of pre-approved credit limits or the available unencumbered assets. A summary of the Company's maximum pre-approved credit limits on available credit facilities as at December 31, 2019, are as follows:

	December 31, 2019				December 31, 2018			
($ thousands)	Total Limits	Borrowings	Letters of Credit	Amount Available	Total Limits	Borrowings	Letters of Credit	Amount Available
Operating and other bank credit facilities	**122,735**	**25,788**	**9,600**	**87,347**	122,867	21,071	2,400	99,396
Capital facilities	**(a)**	**9,367**				9,942		
Floor plan facilities and rental equipment term loan financing	**(b)**	**190,670**				166,219		
Total borrowing		**225,825**				197,232		
Total current portion long term debt		**(9,795)**				(13,964)		
Total inventory floor plan facilities		**(182,379)**				(157,615)		
Deferred debt issuance costs		**(281)**				(530)		
Total long term debt		**33,370**				25,123		

(a) For capital facilities, the additional amount available under the facilities is limited to the pre-approved credit limit of $9.4 million (December 31, 2018 - $10 million). The Company has unencumbered assets available for financing which are estimated at $7 million as at December 31, 2019 (December 31, 2018 - $2.4 million).

(b) For floorplan facilities, the additional amount available under the facilities is limited to the lesser of the pre-approved credit limit of $449 million (December 31, 2018 - $418 million) or the available unencumbered assets which are estimated at $17 million as at December 31, 2019 (December 31, 2018 - $34 million).

As at December 31, 2019, the Company is in compliance with all its covenants.

12. Loans and Borrowings (continued)

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

	Financial Liabilities			
($ thousands)	**Dividend payable**	**Lease obligation**	**Term debt**	**Total**
Balance at January 1, 2018	1,098	15,777	43,292	60,167
Changes from financing cash (outflows) inflows				
Cash dividends paid	(5,093)	-	-	(5,093)
Payment of finance lease liabilities	-	(5,249)	-	(5,249)
Repayment of term debt	-	-	(4,205)	(4,205)
Total (outflows) inflows from financing cash flows	(5,093)	(5,249)	(4,205)	(14,547)
Effect of changes in foreign exchange rates	-	-	-	-
Liability related changes				
Dividends issued through DRIP	(710)	-	-	(710)
Dividends declared	6,261	-	-	6,261
New finance leases	-	743	-	743
Interest expense	-	-	-	-
Interest paid	-	-	-	-
Total liability related other increase (decrease)	5,551	743	-	6,294
Balance at December 31, 2018	**1,556**	**11,271**	**39,087**	**51,914**
Balance at January 1, 2019, as previously reported	1,556	11,271	39,087	51,914
Impact of change in accounting policy		84,229		84,229
Adjusted balances at January 1, 2019	1,556	95,500	39,087	136,143
Changes from financing cash (outflows) inflows				
Cash dividends paid	(5,867)	-	-	(5,867)
Payment of lease obligation	-	(9,256)	-	(9,256)
Advance of term debt	-	-	4,588	4,588
Total (outflows) inflows from financing cash flows	(5,867)	(9,256)	4,588	(10,535)
Effect of changes in foreign exchange rates	-	(1,037)	(510)	(1,547)
Liability related changes				
Dividends issued through DRIP	(770)	-	-	(770)
Dividends declared	6,769	-	-	6,769
New lease obligation	-	7,676	-	7,676
Interest expense	-	-	-	-
Interest paid	-	-	-	-
Total liability related other increase (decrease)	5,999	7,676	-	13,675
Balance at December 31, 2019	**1,688**	**92,883**	**43,165**	**137,736**

13. Leases

(a) Leases as lessee

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

The Company's building leases range from 3 to 20 years in term duration, and typically include options to renew the lease after the initial maturity date. Most of the Company's building leases are for its equipment dealership locations and were entered into as combined leases of land and building. The Company also leases a fleet of vehicles for certain employees that typically run for a period of 5 years. Previously, these building and vehicle leases were classified as operating leases under IAS 17.

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

i. Lease obligation

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

($ thousands)		2019
Less than one year	$	15,471
One to two years		13,945
Two to five years		36,345
More than five years		82,373
Total undiscounted lease obligation	**$**	**148,134**
Accrued interest expense		55,251
Present value of lease obligation	**$**	**92,883**

ii. Right-of-use assets

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

($ thousands)		Buildings		Vehicles		Office equipment		Rental equipment		Total
2019										
Balance at January 1, 2019	$	82,748	$	1,341	$	140	$	6,090	$	90,319
Transfers		-		-		-		(2,093)		(2,093)
Depreciation charge for the year		(8,994)		(406)		(49)		(1,639)		(11,088)
Additions to right-of-use assets		222		955		-		600		1,777
Remeasurements		5,778		118		-		-		5,896
Currency translation effects		(444)		-		(4)		-		(448)
Balance at December 31, 2019	**$**	**79,310**	**$**	**2,008**	**$**	**87**	**$**	**2,958**	**$**	**84,363**

13. Leases (continued)

iii. Amounts recognized in profit or loss

($ thousands)		
2019 - Leases under IFRS 16		
Interest expense on lease liabilities	$	7,140
Income from sub-leasing right-of-use assets presented in 'Rental Income'		1,478
Occupancy expense relating to short-term leases and leases of low-value assets		1,281
2018 - Operating leases under IAS 17		
Lease expense	$	12,347
Sub-lease income presented in 'Rental income'		1,773

iv. Amounts recognized in statement of cash flows

($ thousands)		**2019**
Total cash outflow for leases	**$**	**13,609**

v. Extension options

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

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

(b) Leases as lessor

The Company is the intermediate lessor in several sub-lease arrangements with its customers, whereby equipment is first leased (the "head lease) by the Company (or "intermediate lessor") from its original equipment manufacturer (or "head lessor"), and subsequently sub-leased by the Company to its customers for dedicated use. The head-leases and corresponding sub-leases have terms typically between 1 and 7 years. On the maturity of the lease, the Company will sell the equipment. The difference between the Company's proceeds and the residual value per the lease arrangement remains with the Company.

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

i. Finance leases

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

13. Leases (continued)

(b) Leases as lessor (continued)

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

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

Over the term of the sub-lease, the Company recognizes both interest income on the sub-lease and interest expense on the head lease. During 2019, the Company recognized interest income on lease receivables of $0.3 million (2018 - $0.1 million).

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

($ thousands)		**2019**
Less than one year	$	2,070
One to two years		1,801
Two to five years		2,525
More than five years		-
Total undiscounted lease receivable	**$**	**6,396**
Unearned finance income		571
Net investment in the lease	**$**	**5,825**

ii. Operating leases

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

Rental income recognized by the Company during 2019 was $3.3 million (2018 - $3.5 million).

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

13. Leases (continued)

(b) Leases as lessor (continued)

($ thousands)	2019
2019 - Operating leases under IFRS 16	
Less than one year	920
Between one and five years	604
More than five years	-
Total	1,524
2018 - Operating leases under IAS 17	
Less than one year	3,101
Between one and five years	5,326
More than five years	-
Total	8,427

14. Income Taxes

Tax (Recovery) Expense

($ thousands)	2019	2018
Current income tax expense	**$ 40**	$ 10,436
Deferred income tax (recovery)	**(1,868)**	(1,111)
Income tax (recovery) expense	**$ (1,828)**	$ 9,325

The corporate tax rate decrease in Alberta for current and future periods that was enacted in the second quarter of 2019 resulted in a decrease in the deferred income tax expense. The estimated impact of the corporate tax rate decrease on deferred tax expense for the year ended December 31, 2019 was $0.5 million.

Using federal and provincial statutory rates of 26.7% (2018 – 26.9%), the income tax expense for the year can be reconciled to the statement of comprehensive income as follows:

($ thousands)	2019	2018
(Loss) income before income tax expense	**$ (10,446)**	$ 34,102
Expected income tax (recovery) expense	**(2,785)**	9,167
Non-deductible costs and other	**957**	158
Income tax (recovery) expense	**$ (1,828)**	$ 9,325

14. Income Taxes (continued)

Deferred Tax Assets and Liabilities

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

($ thousands)	2018	Recognized in Comprehensive Income	2019
Tangible assets	$ 6,672	$ 15,755	**$ 22,427**
Intangible assets	4,144	(974)	**3,170**
Lease obligation	(3,029)	(18,247)	**(21,276)**
Unrealized foreign exchange and other	1,056	1,598	**2,654**
Net deferred tax liability	$ 8,843	$ (1,868)	**$ 6,975**

The Company has not recognized the benefits associated with net capital losses of $35 million (2018 - $35 million) and non-capital losses of $0.8 million (2018 - $0.9 million), as the timing and ultimate application of these tax loss carryforwards are uncertain.

15. Financial Instruments

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

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

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

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

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

Carrying Value and Fair Value of Financial Assets and Liabilities

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

15. Financial Instruments (continued)

		2019			2018		
			Fair Value			Fair Value	
($ thousands)	**Category**	**Carrying**	Level 1	Level 2	**Carrying**	Level 1	Level 2
Financial Assets							
Cash and cash equivalents [a]	Amortised cost	**$ 7,946**			$ 6,106		
Accounts receivable and other assets [a]	Amortised cost	**72,384**			71,700		
Derivative financial instruments	Fair value through profit and loss	**776**		776	77		77
Other investments	Fair value through profit and loss	**6,548**		6,548	5,238		5,238
Other long-term assets	Amortised cost	**2,576**			3,504		
Finance lease receivables[a]	Amortised cost	**5,821**			349		396
Financial Liabilities							
Trade and other liabilities [a]	Other liabilities	**62,386**			82,046		
Floor plan payables [a]	Other liabilities	**182,379**			157,615		
Term debt [b]	Other liabilities	**43,165**		43,165	39,087		39,087
Derivative financial liability	Held-for-trading	**797**		797	76		76
Lease obligation	Other liabilities	**92,883**			11,271		11,986

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

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

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.

16. 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, 2018	15,675	$ 88,163
Issued under the DRIP plan	52	710
Issued under the deferred share plan	30	276
Repurchased under the NCIB	(198)	(2,609)
Balance at December 31, 2018	15,559	$ 86,540
Issued under the DRIP plan	**68**	**770**
Issued under the deferred share plan	**31**	**370**
Repurchased under the NCIB	**(310)**	**(3,940)**
Balance at December 31, 2019	**15,349**	**$ 83,740**

Common Shares

Shareholders are entitled to:

(i) dividends if, as and when declared by the Board of Directors of the Company;

(ii) one vote per share at meetings of the holders of Common Shares; and

(iii) upon liquidation, dissolution or winding up of Cervus to receive pro rata the remaining property and assets of the Company, subject to the rights of shares having priority over the Common Shares.

Normal Course Issuer Bid

On September 10, 2018, the Company announced a Normal Course Issuer Bid (the "September 2018 Bid"), which commenced on September 13, 2018, to purchase up to a maximum of 1.0 million common shares (the "Shares") for cancellation before September 12, 2019. Cervus appointed Raymond James Ltd. as its broker, to conduct the Bid on behalf of the Company. All purchases were made in accordance with the September 2018 Bid at the prevailing market price of the Shares at the time of purchase. This normal course issuer bid expired on September 12, 2019. Prior to expiry Cervus repurchased and cancelled 0.5 million common shares through the bid at a weighted average price of $12.78 per share.

On September 10, 2019, the Company announced a Normal Course Issuer Bid (the "Bid"), which commenced on September 16, 2019, to purchase up to a maximum of 1.1 million common shares (the "Shares") for cancellation before September 15, 2020. Cervus appointed Raymond James Ltd. as its broker, to conduct the Bid on behalf of the Company.

16. Capital and Other Components of Equity (continued)

Normal Course Issuer Bid (continued)

All purchases are to be made in accordance with the September 2019 Bid at the prevailing market price of the Shares at the time of purchase.

For the year ended December 31, 2019, the Company had repurchased and cancelled 0.3 million common shares at a weighted average price of $12.71 per share under the September 2018 Bid, and no shares had been repurchased under the September 2019 Bid.

Dividends Declared

($ thousands)	2019	2018
$0.44 per qualifying common share (2018 - $0.40)	**$ 6,769**	$ 6,261

Total dividends paid in cash during the year were $6 million (2018 - $5 million). Dividends payable as at December 31, 2019, was $1.7 million (2018 - $1.6 million).

Dividend Reinvestment Plan

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

Accumulated and Other Comprehensive Income

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

17. Revenue

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

18. Other Income

Other income for the years ended December 31, 2019 and 2018 is comprised of the following:

($ thousands)	2019	2018
Net gain on sale of property and equipment [(a)]	**$ 436**	$ 1,409
Gain on sale of Commercial operations	**-**	480
Unrealized foreign exchange gain (loss)[(b)]	**1,847**	(1,199)
Extended warranty commission	**(34)**	(217)
Financial compensation and consignment commissions	**772**	877
Other income	**823**	2,093
Total other income	**$ 3,844**	$ 3,443

(a) 2018 net gain on sale of property and equipment includes a $0.8 million gain on insurance recoveries, related to the derecognition of capital assets for damage caused by fire, as discussed in Note 9.

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

19. Selling, General and Administrative Expenses By Nature

($ thousands)	2019	2018
Wages and benefits	**101,203**	102,204
Depreciation and amortization	**20,031**	9,884
Occupancy costs including maintenance	**10,008**	21,607
Operating and administrative expenses	**40,036**	39,350
Total selling, general and administrative expenses	**$ 171,278**	$ 173,045

20. Wages and Benefits

($ thousands)	2019	2018
Included in cost of sales:		
Wages and benefits	**$ 38,091**	$ 35,439
Included in selling, general and administrative expenses:		
Wages and benefits	**99,255**	100,690
Share-based payments	**1,948**	1,514
Total wages and benefits included in selling, general and administrative expenses	**101,203**	102,204
Total wages and benefits	**$ 139,294**	$ 137,643

Employee Share Purchase Plan

The Company has an employee share purchase plan available to all employees on a voluntary basis. Under the plan, employees are able to contribute 2% to 4% of their annual salaries, based on years of service. The Company contributes between 15% and 150%, depending on the Company's annual financial performance, on a matching basis to a maximum of $5,000 per year, per employee. The shares are purchased on the open market through a trustee; therefore, there is no dilutive effect to existing shareholders. Included in selling, general and administrative wages and benefits expense are $1.1 million (2018 - $0.9 million) 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, 2019, MTIP expense recognized during the year amounted to $nil (2018 – $0.5 million).

Deferred Share Plan

During 2019, the Company had a deferred share plan (the "Deferred Share Plan") available to officers, directors and executives whereby, if elected, certain payments to these individuals could be deferred, ranging in amounts up to $50 thousand per individual, where the Company also matched the deferred portion. The deferred shares were granted as approved by the board of directors based on 95% of the 10-day average share price prior to the date of grant. The matched component of the plan vests over a period of 5 years (50% after 3 years, 25% after 4 years and 25% after 5 years) and is recorded as selling, general and administrative expense as it vests.

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

20. Wages and Benefits (continued)

Deferred Share Plan (continued)

The Deferred Share Plan and the Management Deferred Share Plan were discontinued for employees in 2020 and no future elections can be made. Existing deferred share plan units as at December 31, 2019 will remain in place and any unvested units will continue to vest according to the vesting schedules mentioned above. Effective January 1, 2020, the Deferred Share Plan will be replaced with a PSU plan, based on the single measure of total shareholder return.

Participants in the Deferred Share Plan were offered in 2019 to redeem all or a portion of their vested and unvested units into common shares. The immediate vesting of the 0.3 million deferred share units resulted in $0.7 million of share-based payment expense recognized for the year ended December 31, 2019.

As at December 31, 2019, the Company has 1.2 million shares reserved for issuance under these plans. As at December 31, 2019, 0.9 million (2018 – 0.8 million) deferred shares have been issued under these plans and remain outstanding. Of the outstanding deferred shares, 0.7 million (2018 – 0.6 million) can be converted to common shares. Total deferred shares payable as of December 31, 2019 was $10 million (2018 - $9 million).

	2019 Number of units	**2018 Number of Units**
Balance, January 1	**801**	696
Units granted	**211**	180
Units redeemed	**(35)**	(36)
Units forfeited	**(65)**	(39)
Balance, end of year	**912**	801

21. Finance Income and Finance Costs

($ thousands)	**2019**	**2018**
Finance income	**$ 687**	$ 854
Interest expense on mortgage and term debt obligations	**(2,338)**	(1,900)
Interest expense on financial liabilities	**(11,681)**	(5,615)
Finance costs	**$ (14,019)**	$ (7,515)
Net finance costs recognized separately	**(12,369)**	(5,498)
Net finance costs recognized in cost of sales	**(963)**	(1,163)
Total net finance costs	**$ (13,332)**	$ (6,661)

22. Earnings per Share

Per Share Amounts

Both basic and diluted earnings per share have been calculated using the net earnings attributable to the shareholders of the Company as the numerator. No adjustments to net earnings were necessary for the years ended December 31, 2019 and 2018.

Weighted Average Number of Common Shares

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

($ thousands)	2019	2018
Issued common shares opening	**15,559**	15,675
Effect of shares issued under the DRIP plan	**42**	31
Effect of shares issued under the deferred share plan	**18**	12
Effect of shares repurchased from NCIB	**(206)**	(62)
Weighted average number of common shares	**15,413**	15,656

Weighted Average Number of Diluted Shares

The calculation of diluted (loss) income per share at December 31, 2019 and 2018 was based on the (loss) income attributable to common shareholders and the weighted average number of common shares outstanding. The weighted average number of common shares outstanding after adjustment for the effects of dilutive potential common shares which consist of the following:

($ thousands)	2019	2018
Weighted average number of common shares (basic)	**15,413**	15,656
Effect of dilutive securities:		
Deferred share plan	**-**	801
Weighted average number of shares (diluted)	**15,413**	16,457

All deferred shares of 0.9 million for the year ended December 31, 2019 have been excluded, as they are considered anti-dilutive.

23. Supplemental Cash Flow Information

($ thousands)	2019	2018
Changes in non-cash working capital:		
Inventory	**(20,443)**	(40,045)
Floorplan	**27,204**	23,703
Trade and other receivables	**4,127**	(18,757)
Trade and other liabilities	**(12,703)**	(1,333)
Total change in non-cash working capital	**(1,815)**	(36,432)

24. Financial Risk Management

Overview

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

Risk Management Framework

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

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

Credit Risk

Trade and Other Receivables

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

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

The Company mitigates its credit risk by assessing the credit worthiness of its customers on an ongoing basis. The Company closely monitors the amount and age of balances outstanding and establishes a provision for bad debts based on specific customers' credit risk, historical trends, and other economic information. In our industries, customers typically pay invoices within 30 to 60 days. No single outstanding customer balance represented more than 10% of total accounts receivable.

24. 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)	2019	2018
Trade receivables	$ 40,565	$ 54,939
Other receivables	7,391	3,930
Total	$ 47,956	$ 58,869

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

($ thousands)	2019	2018
Domestic	$ 33,125	$ 46,267
New Zealand	3,481	4,198
Australia	3,959	4,474
Total	$ 40,565	$ 54,939

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

($ thousands)	2019	2018
Current - 60 days	$ 36,882	$ 50,976
Past due – 61-90 days	2,090	2,191
Past due – 91 to 120 days	568	962
Past due more than 120 days	1,025	810
Total	$ 40,565	$ 54,939

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

($ thousands)	2019	2018
Balance at January 1	$ 1,078	$ 1,579
Additional allowance recorded	362	(213)
Amounts written-off as uncollectible	(285)	(288)
Balance at December 31	$ 1,155	$ 1,078

24. Financial Risk Management (continued)

Guarantees

The Company has irrevocable standby letters of credit to John Deere in the amount of $10 million (2018 - $2.4 million). The letter of credit agreements allow for John Deere to draw upon it in whole or in part in the event of any default by the Company of any or all obligations. The increase in letters of credit from 2018 is due to the replacement of personal guarantees, as described in Note 27.

In addition to these guarantees, the Company has also guaranteed the residual value of certain equipment leases which have been entered into between our Customers and John Deere. For these leases, Cervus is responsible to purchase the equipment from John Deere upon the maturity of the lease between the customer and John Deere. The Company's purchase price for the equipment is the residual value agreed to at the inception of the lease between John Deere, the Customer, and Cervus. On lease maturity, the equipment is purchased by the Company and is included in the Company's used inventory. Cervus regularly assesses residual values of customer equipment under lease with John Deere, to assess its carrying value and if any allowance is necessary. At December 31, 2019, total residual values maturing over the next 12 months was $42 million (2018 – $32 million) and the total residual values maturing in the next five years is $316 million (2018 - $321 million).

Liquidity Risk

The Company's exposure to liquidity risk is dependent on the collection of accounts receivable and the ability to raise funds to meet purchase commitments and financial obligations and to sustain operations. The Company controls its liquidity risk by managing its working capital, cash flows, and the availability of borrowing facilities. As described in Note 12, the Company has available for its current use under its Syndicated Facility, $120 million less $25 million drawn on the facility and $10 million for irrevocable letters of credit issued to John Deere.

The Company expects that continued cash flows from operations in 2020, together with currently available cash on hand and credit facilities, will be sufficient to fund its requirements for investments in working capital, capital assets and dividend payments through the next 12 months. The following are the contractual maturities of financial liabilities existing as at December 31, 2019.

($ thousands)	Carrying amount	Contractual principal maturities	12 months or less	1 – 2 Years	2 – 5 Years	5+ Years
Trade and other accrued liabilities	$ 62,386	62,386	62,386	-	-	-
Floor plans payable	182,379	182,379	182,379	-	-	-
Dividends payable	1,688	1,688	1,688	-	-	-
Term debt payable	43,165	43,446	9,795	3,397	30,254	-
Derivative financial liability	797	797	797			
Lease obligation	92,883	148,134	15,471	13,945	36,345	82,373
Total contractual maturities of financial liabilities	$ 383,298	438,830	272,516	17,342	66,599	82,373

24. Financial Risk Management (continued)

Market Risk

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

Commodity Price

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

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

Currency Risk

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

Further, a portion of the Company's owned inventory is floor planned in U.S. dollars. As such, U.S. dollar denominated floor plan payables are exposed to fluctuations in the U.S. dollar exchange rate until the unit is sold and the floorplan is repaid. The fluctuation in the U.S. dollar floorplan payable is recorded in unrealized gain/loss on foreign exchange within other income. When the equipment is sold, equipment is priced based on the prevailing spot USD/CAD exchange rate at the time of sale, plus applicable margin. In so doing, the Company's proceeds on sale directly offset the prevailing U.S. Dollar 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 $0.3 million (2018 - $0.1 million), based on the U.S. dollar floor plan balances at December 31, 2019.

24. Financial Risk Management (continued)

From time to time the Company also enters into foreign exchange forward contracts to provide the Company Canadian dollar cost certainty for equipment ordered for the Customer from the manufacturer in U.S. dollars, having quoted the customer a fixed Canadian dollar price at the time the order was placed. In addition, the Company is exposed to foreign currency fluctuation related to translation adjustments upon consolidation of its Australian and New Zealand operations. These foreign subsidiaries report operating results in Australia and New Zealand dollars, respectively. Movements in these currencies relative to the Canadian dollar will impact the results of these operations upon consolidation.

Interest Rate Risk

The Company's cash flow is exposed to changes in interest rates on its floor plan arrangements and certain term debt which bear interest at variable rates. The cash flows required to service these financial liabilities will also fluctuate as a result of changes in market interest rates. The Company mitigates its exposure to interest rate risk by utilizing excess cash resources to buy-down or pay-off interest bearing contracts, and by managing its floor plan payables and inventory levels to maximize the benefit of interest-free periods, where available.

Interest Bearing Financial Instruments

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

($ thousands)	2019	2018
Fixed Rate		
Lease obligation	**92,883**	11,271
Variable Rate		
Floor plan payables		
Floor plan payables - interest bearing	**180,650**	155,705
Floor plan payables - interest free period [a]	**1,729**	1,910
Term debt	**43,446**	39,617
Total interest bearing financial instruments	**$ 318,708**	$ 208,503

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

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. A change in 100 basis points in interest rates would have increased or decreased interest costs for the year ended December 31, 2019 by approximately $2.3 million (2018 -$2.0 million).

Capital Risk Management

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

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

24. Financial Risk Management (continued)

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

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

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

Covenant Compliance

The Company must meet certain financial covenants as part of its current Syndicated Facility, and the Company was in compliance as at December 31, 2019. The covenants under the Syndicated Credit Facility are consistent in principle with the internal ratios used by the Company in determining appropriate capital levels, however calculations are not directly comparable, as the Company's internal ratios are broader to consider all stakeholders, while the Syndicate Covenants are specifically tailored by the Syndicate for their specific security position. The three core covenants under the Syndicated Credit Facility, as contained in the Syndicated Credit agreement requires:

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

The specific calculations of the covenants under the Syndicated lending agreement include numerous lender, and agreement specific, non-IFRS measures. The specific calculations and defined terms thereof are available for retrieval at www.SEDAR.ca. The Company's compliance as at December 31, 2019 with the covenants contained in the Syndicated Credit Agreement is set out below:

	As at December 31, 2019		**As at December 31, 2018**	
	Covenant	**Result**	Covenant	Result
Total Liabilities to Tangible Net Worth*	Less than 4.0:1.0	**2.64**	Less than 4.0:1.0	2.39
Fixed Charge Coverage Ratio*	Greater than 1.1:1.0	**1.57**	Greater than 1.1:1.0	2.38
Asset Coverage Ratio*	Greater than 3.0:1.0	**6.24**	Greater than 3.0:1.0	11.82

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

25. Segment Information

For management purposes, the Corporation is organized into divisions based on the nature of the services and products provided. Management monitors the operating results of each division separately for the purpose of making decisions about resource allocation and performance assessment. The Corporation has four reportable segments, as described in Note 3.

In 2019, the Company changed the composition of its reportable segments to include the Corporate segment, which reports activities not directly attributable to an operating segment. Corporate expenses consist of certain overheads and shared services provided to the divisions, along with public company costs, salaries, share-based compensation, office and administrative costs relating to corporate employees and officers, and interest cost on general corporate borrowings. Prior period financial information for 2018 has also been restated to reflect the change in segment composition.

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

($ thousands)	Agriculture	Transportation	Industrial	Corporate	Total
Segmented income figures					
Year ended December 31, 2019					
Revenue					
Equipment sales	$ 596,155	$ 193,957	$ 23,281	$ -	**$ 813,393**
Parts	106,829	100,594	11,465	-	**218,888**
Service	46,286	31,849	9,743	-	**87,878**
Rentals and other	6,172	3,853	8,850	-	**18,875**
Total revenue	$ 755,442	$ 330,253	$ 53,339	$ -	**$ 1,139,034**
Total other income	524	2,516	704	100	**3,844**
Depreciation and amortization	13,836	6,641	3,440	452	**24,369**
Finance income	201	-	6	480	**687**
Finance expense including amounts in costs of sales	(7,695)	(4,009)	(336)	(1,979)	**(14,019)**
(Loss) income for the year before income tax	(7,588)	5,151	1,327	(9,336)	**(10,446)**
Capital additions	7,867	814	493	6,497	**15,671**
Segmented assets and liabilities as at December 31, 2019					
Reportable segment assets	$ 379,702	$ 174,340	$ 27,651	$ 34,030	**$ 615,723**
Intangible assets	24,241	10,039	3,735	-	**38,015**
Goodwill	19,684	2,546	667	-	**22,897**
Reportable segment liabilities	219,230	107,997	13,159	48,199	**388,585**

25. Segment Information (continued)

($ thousands)	Agriculture	Transportation	Industrial	Corporate	Total
Segmented income figures					
Year ended December 31, 2018					
Revenue					
Equipment sales	$ 783,788	$ 228,569	$ 29,478	$ -	$ 1,041,835
Parts	95,925	96,118	14,085	-	206,128
Service	41,442	31,078	10,340	-	82,860
Rentals and other	5,730	6,391	7,092	-	19,213
Total revenue	$ 926,885	$ 362,156	$ 60,995	$ -	$ 1,350,036
Total other income	1,463	292	1,003	685	3,443
Depreciation and amortization	7,295	5,969	1,847	-	15,111
Finance income	399	-	(12)	467	854
Finance expense including amounts in costs of sales	(2,718)	(3,247)	(72)	(1,478)	(7,515)
Income (loss) for the year before income tax	34,199	7,122	2,253	(9,472)	34,102
Capital additions	9,216	887	619	2,132	12,854
Segmented assets and liabilities as at December 31, 2018					
Reportable segment assets	$ 362,843	$ 122,022	$ 31,079	$ 22,284	$ 538,228
Intangible assets	27,614	10,975	4,051	-	42,640
Goodwill	18,411	2,546	666	-	21,624
Reportable segment liabilities	182,496	73,737	12,348	25,948	294,529

The Company primarily operates in Canada, but includes subsidiaries in Australia (Cervus Australia Pty Ltd.) and in New Zealand (Cervus NZ Equipment Ltd.), which together operate 15 agriculture equipment dealerships. Gross revenues for the year ended December 31, 2019, for the New Zealand and Australian territories were $184 million (2018 – $191 million). Non-current assets for New Zealand and Australia as at December 31, 2019, were $30 million (2018 – $22 million). The Australia and New Zealand operations are included in the Agriculture Segment.

26. Commitments and Contingencies

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

Financing Arrangements

John Deere Credit Inc. (“Deere Credit”) and other financing companies provide financing to certain of the Company’s customers. A portion of this financing is with recourse to the Company if the amounts are uncollectible. At December 31, 2019, payments in arrears by such customers aggregated $1.4 million (2018 - $0.8 million).

In addition, the Company is responsible for assuming all lease obligations held by its customers with Deere Credit and other financing companies through recourse arrangements for the net residual value of the lease outstanding at the maturity of the contract. At December 31, 2019, the net residual value of such leases aggregated $316 million (2018 - $321 million). Management believes that the potential liability in relation to the amounts outstanding is negligible and consequently, no accrual has been made in these financial statements in relation to any potential loss on assumed lease obligations.

27. Related Party Transactions

Key Management Personnel Compensation

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

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

($ thousands)	**2019**	2018
Short-term benefits	**$ 2,515**	$ 3,050
Share-based payments	**550**	1,184
Total	**$ 3,065**	$ 4,234

Other Related Party Transactions

During 2019, certain officers and dealer managers of the Company provided guarantees to John Deere aggregating $7 million (2018 – $7 million). During the year ended December 31, 2019 and 2018, the Company paid those individuals $0.2 million (2018 - $0.2 million) for providing these guarantees. In December 2019, these guarantees were replaced with letters of credit, as mentioned in Note 24. This compensation for guarantees was recorded at the amount agreed to between the Company and the guarantors, are included in selling, general and administrative expense and has been fully paid during the year.