

Consolidated Financial
Statements of

**CERVUS EQUIPMENT
CORPORATION**

For the years ended December 31, 2015 and 2014



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Cervus Equipment Corporation

We have audited the accompanying consolidated financial statements of Cervus Equipment Corporation, which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Cervus Equipment Corporation as at December 31, 2015 and December 31, 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants

March 15, 2016
Calgary, Canada

CERVUS EQUIPMENT CORPORATION

Consolidated Statements of Financial Position

As at December 31, 2015 and 2014

(\$ thousands)	Note	2015	2014
Assets			
Current assets			
Cash and cash equivalents	5	\$ 11,955	\$ 18,787
Trade and other accounts receivable	6	59,071	58,462
Inventories	7	317,726	324,625
Current portion finance lease receivables	8	584	1,600
Derivative financial asset	17	7,195	6,559
Assets held for sale	9	9,247	181
Total current assets		405,778	410,214
Non-current assets			
Long-term receivables		1,287	1,702
Long-term finance lease receivables	8	878	1,433
Investments in associates, at equity	10	5,762	5,268
Deposits with manufacturers	11	2,657	3,479
Property and equipment	12	141,799	148,948
Deferred tax asset	13	-	24,518
Intangible assets	14	51,008	54,009
Goodwill	14	20,616	19,732
Total non-current assets		224,007	259,089
Total assets		\$ 629,785	\$ 669,303

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

CERVUS EQUIPMENT CORPORATION

Consolidated Statements of Financial Position (continued)

As at December 31, 2015 and 2014

(\$ thousands)	Note	2015	2014
Liabilities			
Current liabilities			
Trade and other accrued liabilities	15	\$ 77,938	\$ 81,237
Customer deposits		3,004	8,594
Floor plan payables	16	168,643	181,801
Dividends payable		3,317	3,233
Income taxes payable		142	-
Current portion of term debt	16	17,917	8,430
Derivative financial liability	17	7,180	6,590
Current portion of finance lease obligation	8	5,713	6,175
Liabilities associated with assets held for sale	9	4,037	-
Total current liabilities		287,891	296,060
Non-current liabilities			
Term debt	16	87,661	92,154
Finance lease obligation	8	16,351	18,334
Debenture payable	16	32,941	32,065
Deferred income tax liability	13	11,648	1,199
Total non-current liabilities		148,601	143,752
Total liabilities		436,492	439,812
Equity			
Shareholders' capital	18	88,270	83,814
Deferred share plan	19	7,098	7,559
Other reserves	18	5,182	6,433
Accumulated other comprehensive income		1,831	192
Retained earnings		89,413	130,036
Total equity attributable to equity holders of the Company		191,794	228,034
Non-controlling interest		1,499	1,457
Total equity		193,293	229,491
Total liabilities and equity		\$ 629,785	\$ 669,303

Approved by the Board:

"Peter Lacey" Director

"Angela Lekatsas" Director

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

CERVUS EQUIPMENT CORPORATION

Consolidated Statements of Comprehensive Income

For the year ended December 31, 2015 and 2014

(\$ thousands)	Note	2015	2014
Revenue			
Equipment sales		\$ 829,922	\$ 741,072
Parts		201,860	150,682
Service		82,288	69,535
Rentals		19,808	18,320
Total revenue		1,133,878	979,609
Cost of sales	20, 22	(926,937)	(792,936)
Gross profit		206,941	186,673
Other (loss) income	21	(1,719)	3,715
Selling, general and administrative expense	22	(179,583)	(157,678)
Income from operating activities		25,639	32,710
Finance income		195	384
Finance costs		(11,428)	(7,656)
Net finance costs	23	(11,233)	(7,272)
Share of profit of equity accounted investees, net of income tax	10	542	712
Income before income tax expense		14,948	26,150
Income tax expense	13	(42,327)	(7,654)
(Loss) income for the period		(27,379)	18,496
Other comprehensive income:			
Foreign currency translation differences for foreign operations		1,639	53
Total comprehensive (loss) income for the period		(25,740)	18,549
(Loss) income attributable to:			
Shareholders of the Company		(27,421)	18,362
Non-controlling interest		42	134
(Loss) income for the period		(27,379)	18,496
Total comprehensive (loss) income attributable to:			
Shareholders of the Company		(25,782)	18,415
Non-controlling interest		42	134
Total comprehensive (loss) income for the period		\$ (25,740)	\$ 18,549
Net (loss) income per share attributable to shareholders of the Company:			
Basic	24	\$ (1.77)	\$ 1.21
Diluted	24	\$ (1.77)	\$ 1.15

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, 2015 and 2014

Attributable to equity holders of the Company										
(\$ thousands)	Note	Share capital	Deferred share plan	Other reserves	Cumulative translation account	Retained earnings	Total	Non-controlling interest	Total equity	
Balance December 31, 2013		\$ 78,126	\$ 6,426	\$ 5,176	\$ 139	\$ 124,982	\$ 214,849	\$ 3,571	\$ 218,420	
Comprehensive loss for the period										
Profit		-	-	-	-	18,362	18,362	134	18,496	
Other comprehensive income										
Foreign currency translation adjustments		-	-	-	53	-	53	-	53	
Total comprehensive income (loss) for the period		-	-	-	53	18,362	18,415	134	18,549	
Transactions with owners, recorded directly in equity										
Dividends to equity holders		-	-	-	-	(12,583)	(12,583)	-	(12,583)	
Distributions to non-controlling interests		-	-	-	-	-	-	(44)	(44)	
Issuance of common shares		1,530	-	-	-	-	1,530	-	1,530	
Shares issued through DRIP		1,040	-	-	-	-	1,040	-	1,040	
Shares issued through deferred share plan		359	(359)	-	-	-	-	-	-	
Shares issued through option plan		69	-	(17)	-	-	52	-	52	
Share-based payment transactions		-	1,492	258	-	-	1,750	-	1,750	
Shares issued for business acquisitions		2,690	-	-	-	-	2,690	-	2,690	
Acquisition of non-controlling interests without a change in control		-	-	-	-	(725)	(725)	(3,603)	(4,328)	
Shares issued in reserve		-	-	1,016	-	-	1,016	-	1,016	
Transactions with owners		5,688	1,133	1,257	-	(13,308)	(5,230)	(3,647)	(8,877)	
Non-controlling interest identified on acquisition		-	-	-	-	-	-	1,399	1,399	
Balance December 31, 2014		\$ 83,814	\$ 7,559	\$ 6,433	\$ 192	\$ 130,036	\$ 228,034	\$ 1,457	\$ 229,491	
Comprehensive loss for the period										
Profit (loss)		-	-	-	-	(27,421)	(27,421)	42	(27,379)	
Other comprehensive income										
Foreign currency translation adjustments		-	-	-	1,639	-	1,639	-	1,639	
Total comprehensive income (loss) for the period		-	-	-	1,639	(27,421)	(25,782)	42	(25,740)	
Transactions with owners, recorded directly in equity										
Dividends to equity holders	18	-	-	-	-	(13,202)	(13,202)	-	(13,202)	
Shares issued through reserve	18	1,524	-	(1,524)	-	-	-	-	-	
Shares issued through DRIP	18	1,133	-	-	-	-	1,133	-	1,133	
Shares issued through deferred share plan	18	1,226	(1,226)	-	-	-	-	-	-	
Shares issued through option plan	18	573	-	(202)	-	-	371	-	371	
Share-based payment transactions		-	765	475	-	-	1,240	-	1,240	
Transactions with owners		4,456	(461)	(1,251)	-	(13,202)	(10,458)	-	(10,458)	
Balance December 31, 2015		\$ 88,270	\$ 7,098	\$ 5,182	\$ 1,831	\$ 89,413	\$ 191,794	\$ 1,499	\$ 193,293	

CERVUS EQUIPMENT CORPORATION
Consolidated Statement of Cash Flows
For the years ended December 31, 2015 and 2014

(\$ thousands)	Note	2015	2014
Cash flows from operating activities			
Income (loss) for the period		\$ (27,379)	\$ 18,496
Income tax expense	13	42,327	7,654
Depreciation	12	13,033	10,610
Amortization of intangibles	14	4,820	5,833
Equity-settled share-based payment transactions	19	1,077	1,526
Net finance costs	23	13,376	7,968
Unrealized foreign exchange loss (gain)	21	2,810	952
Gain on sale of property and equipment	21	(1,358)	(1,337)
Impairment loss on long term receivables	21	-	472
Non-cash write-down of inventories	7	4,661	1,828
Share of profit of equity accounted investees, net of tax	10	(542)	(712)
Proceeds from investments, at equity, net of purchases	10	-	2,063
Change in non-cash working capital		(7,993)	13,857
		44,832	69,210
Cash taxes paid		(7,760)	(88)
Interest paid		(13,398)	(7,545)
Net cash provided from operating activities		23,674	61,577
Cash flows from investing activities			
Interest received	23	195	384
Purchase of property and equipment	12	(19,539)	(24,777)
Payments for intangible assets	14	(1,479)	(882)
Business acquisitions		-	(76,862)
Final working capital payments on business combination	14	(7,997)	-
Proceeds from disposal of property and equipment		7,255	4,688
Proceeds from asset held for sale		150	3,775
Net cash used in investing activities		(21,415)	(93,674)
Cash flows from financing activities			
Net proceeds from term debt		8,696	50,910
Proceeds from issue of share capital		-	1,530
Proceeds from exercise of share options		371	52
Acquisition of non-controlling interests		-	(3,354)
Cash dividends paid	18	(11,987)	(11,358)
Payment of finance lease liabilities		(7,472)	(1,363)
Increase in deposits with John Deere		838	(639)
Increase in notes payable		-	282
Net cash (used in)/provided from financing activities		(9,554)	36,060
Net increase (decrease) in cash and cash equivalents		(7,295)	3,963
Effect of foreign currency translation on cash		463	146
Cash and cash equivalents, beginning of period		18,787	14,678
Cash and cash equivalents, end of period	5	\$ 11,955	\$ 18,787

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

1. Reporting Entity

Cervus Equipment Corporation (“Cervus” or the “Company”) is an incorporated entity under the Canada Business Corporations Act and is domiciled in Canada. The registered office of the Company is situated at 5201 – 333, 96th Avenue N.E., Calgary, Alberta, Canada, T3K 0S3. The consolidated financial statements of the Company as at and for the year ended December 31, 2015 comprise of the Company and its subsidiaries (“the Group”). The Company is primarily involved in the sale, after-sale service and maintenance of agricultural, transportation, construction, and industrial (“C&I”) equipment. The Company also provides equipment rental, primarily in the construction and industrial equipment segment. The Company wholly owns and operates 64 John Deere agricultural equipment, Bobcat and JCB construction equipment and Clark, Sellick, Doosan material handling equipment and Peterbilt truck dealerships in 38 locations in Western Canada, 11 locations in Ontario, 9 locations on the north island of New Zealand and 6 locations in Victoria, Australia. The Company also holds a 21.4% investment in seven John Deere agricultural equipment dealerships operating in Western Canada. The Company’s shares are listed on the Toronto Stock Exchange (“TSX”) and trade under the symbol “CVL”.

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 15, 2016.

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.

Functional currency

These consolidated financial statements are presented in Canadian dollars which is the Company’s functional currency. 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 wholly-owned subsidiaries.

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

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

2. Basis of Preparation (continued)

Details of the Company's subsidiaries at December 31, 2015 and December 31, 2014 are as follows:

Proportion of ownership interest and voting power held	2015	2014
Cervus AG Equipment LP	100%	100%
Cervus AG Equipment Ltd	100%	100%
Cervus Collision Center LP	100%	100%
Cervus Contractors Equipment LP	100%	100%
Cervus Contractors Equipment Ltd	100%	100%
Cervus Equipment NZ Ltd.	100%	100%
Cervus Rental & Leasing NZ Ltd., a wholly-owned subsidiary of Cervus NZ Equipment Ltd.	100%	100%
DeerStar Systems Inc.	57.1%	57.1%
101169185 Saskatchewan Ltd	100%	100%
520781 Alberta Ltd	100%	100%
Cervus Equipment Holdings Australia Pty Ltd.	100%	100%
Cervus Equipment Australia Pty Ltd.	100%	100%
PPJ Investments Pty	-	100%

Use of judgements and estimates

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

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

Judgements

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

- Classification of a lease arrangement as an operating or finance lease; judgement is required to determine whether substantially all of the significant risks and rewards of ownership are transferred to the customer or remain with the Company; or where the Company is the lessee, whether substantially all the significant risks and rewards of ownership are transferred to the Company or remain with the lessor. (Note 8 & 25)
- Impairment tests; judgement is used in identifying impairment triggers and the cash generating unit or group of cash generating units at which goodwill, intangible assets, and property and equipment are monitored for internal management purposes and identifying an appropriate discount rate for these calculations.

Assumptions and estimation uncertainties

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

- Recoverability of inventories and key assumptions in the net realizable value of inventory (Note 7)
- Impairment tests (including intangible assets and goodwill); estimates on key assumptions related to the future operating results and cash generating ability of the assets. (Notes 14);
- Assets held for sale; estimates of when the sale will be completed and estimates on future cash flows less costs to sell the asset (Note 9)
- Depreciation and amortization expense; assumptions on the useful lives of property and equipment and intangible assets (Note 12 and 14)

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

2. Basis of Preparation (continued)

Determination of fair values

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

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition 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 enjoyed post acquisition, or expenditures avoided, as a result of owning the intangible assets. The fair value of customer lists acquired in a business combination is determined using income based approaches, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows. The fair value of other intangible assets including non-competition agreements is based on the discounted cash flows expected to be derived from the use and any residual value of the assets.

Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Trade and other receivables

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

Other non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible debentures, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

Derivative financial instruments

The fair value of foreign currency derivative financial instruments is calculated based on 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.

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

3. Significant Accounting Policies

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

Business segments

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

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

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

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. The fair value of identifiable assets acquired, if any, are determined using various valuation techniques including income based approaches. The valuation technique involves estimating the future net cash flows and applying the appropriate discount rate to those future cash flows to determine the fair value of the identifiable intangible assets acquired. Goodwill arising on acquisition 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.

Where a business combination is achieved in stages, previously held interests in the acquired entity are remeasured to fair value immediately prior to the date of acquisition. If any resulting gain or loss should arise from the remeasurement, it is recognized in net income during the period.

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

3. Significant Accounting Policies (continued)

Foreign currency translation

Foreign currency transactions

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

Foreign operations

For the purpose of presenting consolidated financial statements, the results of entities and equity components denominated in currencies other than Canadian dollars are translated at the rate of exchange at the date of the transactions and their assets and liabilities at the rates ruling at the balance sheet 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 write-downs of inventory are reversed when economic changes support an increased value. The amount of the write-down is reversed, and the reversal is limited to the amount of the original write-down, so that the new carrying amount is the lower of the cost and the revised net realizable value.

Property and equipment

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

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

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

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

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

3. Significant Accounting Policies (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 and software	Declining balance	30%
Furniture and fixtures, parts and shop equipment	Declining balance	20%

Intangible assets

Intangible assets

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

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

The estimated useful life and amortization method are reviewed at the end of each period, with the effect of any changes in estimate being accounted for on a prospective basis. At each year end, the Company reviews the carrying amounts of the intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

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.

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

3. Significant Accounting Policies (continued)

Investments in associates

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

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

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

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

Assets held for sale

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

Lease arrangements

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

a) The Company as the lessee

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

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

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

3. Significant Accounting Policies (continued)

b) The Company as the lessor

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

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

Impairment

Financial assets (including receivables)

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

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

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

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

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

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

3. Significant Accounting Policies (continued)

Non-financial assets

The amounts for property and equipment and intangible assets with finite useful lives 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 are periodically tested for impairment, and must be tested annually, at a minimum. 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.

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

3. Significant Accounting Policies (continued)

Income tax

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

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

Provisions

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

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

Financial Instruments

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

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

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

3. Significant Accounting Policies (continued)

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

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

Revenue recognition

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

Parts revenue is recognized when the part is delivered to the customer. Service revenue is recognized at the time the service is provided. For long-term service and maintenance contracts, revenue is recognized on a basis proportionate to the work performed. Rentals and operating lease revenue are recorded at the time the service is provided, recognized evenly over the term of the rental or lease agreement with the customer.

Finance income and finance costs

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

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.

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

3. Significant Accounting Policies (continued)

Earnings per share

Basic earnings per share are computed by dividing earnings 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, convertible preferred shares and other 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.

Also included in other reserves are amounts for expired private placement warrants and conversion feature for convertible debenture.

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

4. Standards issued but not yet effective

Certain new or amended standards or interpretations have been issued by the IASB or IFRIC that are required to be adopted in the current or future periods. The new standards, amendments to existing standards effective for annual periods beginning on or after January 1, 2016 and have not been applied in preparing these consolidated financial statements are set out below.

Effective January 1, 2016, the Company will be required to adopt amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets for clarification on acceptable methods of depreciation and amortization. The amendments are to be applied prospectively for the annual period commencing January 1, 2016. The Company does not expect the amendments to have a material impact on the Company's financial statements.

On September 25, 2014, the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process. The amendments will apply for annual periods beginning on or after January 1, 2016. The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The Company does not expect the amendments to have a material impact on the financial statements.

On December 18, 2014, the IASB issued amendments to IAS 1 Presentation of Financial Statements as part of its major initiative to improve presentation and disclosure in financial reports. The amendments are effective for annual periods beginning on or after January 1, 2016. The Company intends to adopt these amendments in its financial statements for annual period beginning on January 1, 2016. The Company does not expect the amendments to have a material impact on the financial statements.

On May 6, 2014 the IASB issued Accounting for Acquisitions of Interests in Joint Operations. The Company intends to adopt the amendments to IFRS 11 in its financial statements for the annual period beginning on January 1, 2016. The Company does not expect the amendments to have a material impact on the financial statements.

On September 11, 2014 the IASB issued Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28). The Company does not intend to early adopt these amendments in its financial statements for the annual period beginning January 1, 2016, as the effective date for these amendments has been deferred indefinitely.

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

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

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

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

5. Cash and Cash Equivalents

(\$ thousands)	2015	2014
Bank and cash balances	\$ 11,685	\$ 18,518
Money market funds	270	269
	\$ 11,955	\$ 18,787

6. Trade and Other Accounts Receivable

(\$ thousands)	2015	2014
Trade receivables	\$ 44,916	\$ 42,391
Contracts in transit	9,467	10,777
Current portion of long-term finance contracts	608	789
Volume bonus	125	352
	55,116	54,309
Allowance for doubtful debts	(1,987)	(1,386)
	53,129	52,923
Prepaid expenses	5,942	5,539
	\$ 59,071	\$ 58,462

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

7. Inventories

(\$ thousands)	2015	2014
New equipment	\$ 165,660	\$ 163,815
Used equipment	100,412	111,505
Parts and accessories	50,195	47,047
Work-in-progress	1,459	2,258
	\$ 317,726	\$ 324,625

During the year ended December 31, 2015, included in costs of sales are amounts related to inventories of \$874,097 thousand (2014 - \$767,379 thousand). The total inventory write-downs recorded during the years ended December 31, 2015 and included in cost of goods sold was \$4,661 thousand (2014 - \$1,828 thousand). The Company's inventory has been pledged as security for floor plan payables under terms of the floorplan agreements and for long-term debt under general security agreements.

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

8. Finance Leases

a) As Lessor - Finance Lease Receivables

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

The Company's net investment in finance lease receivables as at December 31, 2015 and 2014 are as follows:

(\$ thousands)	Gross investment in finance lease receivables		Future finance income		Present value of minimum lease payments receivable	
	2015	2014	2015	2014	2015	2014
Less than one year	\$ 610	\$ 1,686	\$ (26)	\$ (86)	\$ 584	\$ 1,600
Between one and five years	1,135	1,676	(268)	(369)	867	1,307
More than five years	20	237	(9)	(111)	11	126
Total	\$ 1,765	\$ 3,599	\$ (303)	\$ (566)	\$ 1,462	\$ 3,033

b) As Lessee - Finance Lease Liabilities

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

Finance lease liabilities as at December 31, 2015 and 2014 are payable as follows:

(\$ thousands)	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2015	2014	2015	2014	2015	2014
Less than one year	\$ 5,900	\$ 6,398	\$ (187)	\$ (223)	\$ 5,713	\$ 6,175
Between one and five years	17,902	20,844	(2,711)	(3,501)	15,191	17,343
More than five years	1,544	1,401	(384)	(410)	1,160	991
Total	\$ 25,346	\$ 28,643	\$ (3,282)	\$ (4,134)	\$ 22,064	\$ 24,509

9. Assets Held for Sale

In 2015, the Company committed to a plan to sell three buildings and land within Agricultural and C&I segments. Accordingly, these properties and related term debt has been presented as held for sale. The land and buildings with a net book value of \$9,247 thousand are classified as held for sale as is the term debt due at the time of sale of these properties of \$4,037 thousand. The operations located at these properties will be relocated to new facilities or serviced through surrounding areas.

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

10. Equity Accounted Associates

(\$ thousands)	Ownership %	2015	2014
Prairie Precision Network Inc.	22.2%	\$ 29	\$ 29
JD Integrated Solutions Inc. (a)	26.9%	812	550
Maple Farm Equipment Partnership (b)	21.4%	4,921	4,689
		\$ 5,762	\$ 5,268

The Company's share of profit net of tax in its equity accounted investees for the year ended December 31, 2015 was \$542 thousand (2014 - \$712 thousand). All of the Company's investments in associates are measured under the equity method. During the year ended December 31, 2015, the Company did not receive any repayments from its investees (2014 - \$2,063 thousand).

(a) The Company has determined it has significant influence with respect to JD Integrated Solutions Inc. ("JDIS") as the Company holds a seat on JDIS's board of directors.

(b) Maple Farm Equipment Partnership ("Maple") holds investments in seven John Deere agricultural dealerships headquartered in Yorkton, Saskatchewan, and operates in similar markets and geography as the Company's Agricultural segment.

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

(\$ thousands)	2015	2014
Current Assets	\$ 60,772	\$ 57,932
Long-term assets	26,655	31,248
Current liabilities	34,136	34,910
Long-term liabilities	3,969	5,386
Revenue and other income	190,472	203,048
Expenses	189,299	196,466

11. Deposits with Manufacturers

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

The maximum liability that may arise related to these arrangements is limited to the deposits of \$2,657 thousand (December 31, 2014 - \$3,479 thousand). Deere Credit reviews the deposit account balances quarterly and if the balances exceed the minimum requirements, Deere Credit refunds the difference to the Company.

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

12. Property and Equipment

Cost	Land and Buildings	Short-term Rental Equipment	Automotive and Trucks	Furniture and Fixtures	Parts and Shop Equipment	Computers and Software	Leasehold Improvements	Total
Balance at January 1, 2014	74,664	22,990	13,836	4,107	5,690	3,453	1,327	\$ 126,067
Additions	8,515	9,219	4,205	982	726	621	509	24,777
Additions for finance lease	-	1,181	-	-	-	-	-	1,181
Additions from business acquisition	5,963	21,975	1,876	279	2,729	640	1,418	34,880
Disposals	-	(5,853)	(795)	(12)	(63)	(74)	(1)	(6,798)
Transfers	-	483	(21)	-	-	-	-	462
Effect of movements in exchange rates	(210)	44	280	2	(268)	15	3	(134)
Balance at December 31, 2014	88,932	50,039	19,381	5,358	8,814	4,655	3,256	180,435
Additions	9,161	5,452	2,604	636	586	571	529	19,539
Additions for finance lease	-	5,026	-	-	-	-	-	5,026
Disposals	(2,668)	(5,152)	(1,555)	(109)	(53)	(76)	(98)	(9,711)
Assets held for sale	(10,361)	-	-	-	-	-	-	(10,361)
Transfers	-	(4,831)	-	1,120	(1,120)	-	-	(4,831)
Effect of movements in exchange rates	108	455	264	28	81	37	37	1,010
Balance at December 31, 2015	85,172	50,989	20,694	7,033	8,308	5,187	3,724	\$ 181,107

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

12. Property and Equipment (continued)

Accumulated Depreciation and Impairment	Land and Buildings	Short-term Rental Equipment	Automotive and Trucks	Furniture and Fixtures	Parts and Shop Equipment	Computers and Software	Leasehold Improvements	Total
Balance at January 1, 2014	2,827	6,088	6,276	2,486	3,259	2,352	883	\$ 24,171
Depreciation expense	1,969	3,545	2,787	538	872	676	223	10,610
Disposals	-	(2,604)	(428)	(26)	(20)	(65)	(29)	(3,172)
Transfers	-	(128)	-	-	-	-	-	(128)
Effects of movements in exchange rates	(6)	25	(52)	2	1	10	26	6
Balance at December 31, 2014	4,790	6,926	8,583	3,000	4,112	2,973	1,103	31,487
Depreciation expense	2,033	4,990	3,080	901	868	757	404	13,033
Disposals	(28)	(2,435)	(1,035)	(148)	(29)	(41)	(98)	(3,814)
Assets held for sale	(1,114)	-	-	-	-	-	-	(1,114)
Transfers	-	(456)	-	-	-	-	-	(456)
Effects of movements in exchange rates	34	(1)	36	58	11	24	10	172
Balance at December 31, 2015	5,715	9,024	10,664	3,811	4,962	3,713	1,419	\$ 39,308

Carrying Value	Land and Buildings	Short-term Rental Equipment	Automotive and Trucks	Furniture and Fixtures	Parts and Shop Equipment	Computers and Software	Leasehold Improvements	Total
Balance at December 31, 2014	84,142	43,113	10,798	2,358	4,702	1,682	2,153	\$ 148,948
Balance at December 31, 2015	79,457	41,965	10,030	3,222	3,346	1,474	2,305	\$ 141,799

Depreciation expense has been recorded in cost of sales in the amount of \$4,900 thousand (2014 - \$3,509 thousand) and selling, general and administrative expenses of \$8,133 thousand (2014 - \$7,101 thousand). Included in total additions were amounts for short-term rental equipment relating to additions for lease arrangements classified as finance lease of \$5,026 thousand (2014 - \$1,181 thousand). At December 31, 2015, land and buildings included construction in progress costs of \$523 thousand. The Company's property and equipment has been pledged as security for its long-term debt.

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

13. Income Taxes

On May 4, 2015, the Company announced that it had entered into an agreement with the Canada Revenue Agency (CRA) regarding their objection to the tax consequences of the conversion of the Company from a limited partnership structure into a corporation in October 2009.

The agreement resulted in a non-cash charge of \$33.4 million related to the write-off of a portion of the Company's deferred tax asset and recognition of \$3.6 million of provincial cash taxes payable for the tax years ended December 31, 2013 and 2014. Under the agreement, the Company had \$1.9 million of unused federal tax attributes which have been applied to reduce 2015 income taxes payable. Total expense recognized due to the CRA settlement was \$36.9 million.

The corporate income tax rate increase in Alberta for current and future periods that was enacted in the second quarter of the year resulted in an estimated increase in the deferred income tax expense for the year ended December 31, 2015 of \$0.4 million.

Tax expense

(\$ thousands)	2015	2014
Current income tax expense	\$ 3,807	\$ 113
Deferred income tax expense	1,572	7,541
Derecognition of deferred tax asset due to CRA settlement	33,395	-
Provincial taxes payable due to CRA settlement	3,553	-
Income tax loss recognized in statement of comprehensive income	\$ 42,327	\$ 7,654

Using federal and provincial statutory rates of 26.4% (2014 – 25.9%), the income tax expense for the year can be reconciled to the statement of profit (loss) as follows:

(\$ thousands)	2015	2014
Profit before income tax expense	\$ 14,948	\$ 26,150
Expected income tax expense	3,946	6,773
Derecognition of deferred tax asset due to CRA settlement	33,395	-
Provincial taxes payable due to CRA settlement	3,553	-
Non-deductible costs and temporary differences between tax and accounting basis	1,433	881
Income tax loss/(recovery) recognized in statement of comprehensive income	\$ 42,327	\$ 7,654

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

13. Income Taxes (continued)

Deferred tax assets and liabilities

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

(\$ thousands)	2014	Impact of CRA Agreement	Recognized in Comprehensive Income	2015
Tax values over carrying value of tangible assets	\$ (9,044)	\$ -	\$ (470)	\$ (9,514)
Carrying value over the tax value of convertible debenture liability	(479)	-	152	(327)
Carrying value over the tax value of intangible assets	(7,785)	-	736	(7,049)
Carrying value over the tax value of finance lease obligation	6,349	-	(443)	5,906
Federal investment tax credits	12,841	(12,960)	(403)	(522)
Non-capital losses	21,437	(20,435)	(1,144)	(142)
Deferred tax asset (liability)	23,319	(33,395)	(1,572)	(11,648)
Reflected in the statement of financial position				
Deferred tax asset	24,518	(24,518)	-	-
Deferred tax liability	(1,199)	(8,877)	(1,572)	(11,648)
Deferred tax asset (liability), net	\$ 23,319	\$ (33,395)	\$ (1,572)	(11,648)

The Company has not recognized the benefits associated with capital losses of \$39,690 thousand (2014 - \$74,025 thousand) and non-capital losses of \$941 thousand (2014 - \$943 thousand), as the timing and ultimate application of these tax loss carryforwards are uncertain.

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

14. Intangible Assets and Goodwill

Intangible assets are comprised of the following:

Cost	Dealership Distribution Agreements	Trade Name	Customer Lists	Non- Competition Agreements	Software Costs	Total
Balance at January 1, 2014	26,447	4,715	10,019	2,081	- \$	43,262
Additions	-	-	-	-	882	882
Additions through business acquisitions	25,601	-	5,944	1,420	-	32,965
Effect of movements in exchange rates	(106)	-	(39)	1	-	(144)
Balance at December 31, 2014	51,942	4,715	15,924	3,502	882	76,965
Additions	-	-	-	-	1,479	1,479
Derecognized	-	(4,715)	-	-	-	(4,715)
Effect of movements in exchange rates	298	-	35	7	-	340
Balance at December 31, 2015	52,240	-	15,959	3,509	2,361 \$	74,069

Accumulated Depreciation and Impairment	Dealership Distribution Agreements	Trade Name	Customer Lists	Non- Competition Agreements	Software Costs	Total
Balance at January 1, 2014	5,676	2,356	7,143	1,948	- \$	17,123
Amortization expense	1,717	2,241	1,791	84	-	5,833
Balance at December 31, 2014	7,393	4,597	8,934	2,032	-	22,956
Amortization expense	2,673	118	1,635	322	72	4,820
Derecognized	-	(4,715)	-	-	-	(4,715)
Balance at December 31, 2015	10,066	-	10,569	2,354	72 \$	23,061

Carrying Value	Dealership Distribution Agreements	Trade Name	Customer Lists	Non- Competition Agreements	Software Costs	Total
Balance at December 31, 2014	44,549	118	6,990	1,470	882 \$	54,009
Balance at December 31, 2015	42,174	-	5,390	1,155	2,289 \$	51,008

Amortization expense of \$4,820 thousand (2014 - \$5,833 thousand) has been recorded in selling, general and administrative expense. Following completion of branding initiative, fully amortized trade name intangibles were derecognized during the year. As of December 2015, the Corporation performed impairment tests, based on value in use of intangible assets.

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

14. Intangible Assets and Goodwill (continued)

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

(\$ thousands)	
Balance at January 1, 2014	\$ 6,866
Additions through business acquisition	12,876
Impact of translation of goodwill held in foreign currencies	(10)
Balance at December 31, 2014	\$ 19,732
Valuation adjustment on business combination	480
Impact of translation of goodwill held in foreign currencies	404
Balance at December 31, 2015	\$ 20,616

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

(\$ thousands)	2015	2014
Agricultural Segment		
Agricultural - Alberta	\$ 11,988	\$ 11,509
Agricultural - Saskatchewan	327	327
Agricultural - New Zealand	2,274	1,946
Agricultural - Australia	1,287	1,210
Commercial and Industrial Segment		
Commercial	1,527	1,527
Industrial	666	666
Transportation Segment		
Transportation - Ontario	2,547	2,547
	\$ 20,616	\$ 19,732

As at December 31, 2014 the Company had accrued \$7,517 thousand for holdback payments for outstanding consideration for the acquisition of the shares of Evergreen Equipment Ltd. The Company had an adjustment to goodwill of \$480 thousand during the year ended December 31, 2015 upon payment of the final holdback amounts for the acquisitions of Deer-Country Equipment (1996) Ltd. and Evergreen Equipment Ltd.

The Company conducted the annual impairment test of goodwill at December 31, 2015. The recoverable amount of the cash generating units (CGUs) was determined using value in use calculations. Value in use was determined by discounting the future cash flow forecasts for a five-year period and applying discount rates ranging from 11.0% to 11.8% based on the Company's post-tax weighted average cost of capital and risks specific to the particular CGU. Future cash flow estimates were based on historical performance of the CGUs adjusted for prospective changes in the business and economic climate. No growth rate was applied to extrapolate these cash flows into perpetuity.

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

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

14. Intangible Assets and Goodwill (continued)

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

15. Trade and Other Payables

(\$ thousands)	2015	2014
Trade and other payables	\$ 48,980	\$ 48,990
Non-trade payables and accrued expenses	28,958	32,247
	\$ 77,938	\$ 81,237

16. Loans and Borrowings

Bank indebtedness

At December 31, 2015, the Company has a revolving credit facility with a syndicate of underwriters. The principal amount available under this facility is \$100,000 thousand. The facility was amended and extended on December 21, 2015. The facility is committed for a two year term, but may be extended on or before the anniversary date with the consent of the lenders. The facility contains an \$80,000 thousand accordion which the Company may request as an increase to the total available facility, subject to lender approval. As at December 31, 2015 there was \$52,000 thousand drawn on the facility and \$2,400 thousand had been utilized for outstanding letters of credit to John Deere. The Company's credit facility bears interest at the lender's prime rate plus the Applicable Margin (currently 1.50%). Applicable Margin can range from 0.25% to 2.00% (2014 – 0% to 1.50%) and is based on a liabilities to income ratio. The Canadian facility is secured by a general security agreement, a priority agreement; trade accounts receivable, unencumbered inventories, assignment of fire insurance and guarantees from the Company's subsidiaries. As terms under the Canadian credit facility, the Company must maintain certain leverage, income coverage, and asset coverage ratios, which the Company has complied with throughout 2015, see note 26 for further discussion on covenants. Costs directly attributable to the completion of the Syndicated Facility have been deferred and will be amortized over the two year term.

In addition, New Zealand has a \$1,500 thousand credit facility agreement which is secured by a general security agreement covering all property, at December 31, 2015 \$1,500 thousand was drawn against this facility (2014 - \$500 thousand).

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

16. Loans and Borrowings (continued)

Term Debt

(\$ thousands)	Year of Maturity	2015	2014
Revolving credit facility, lenders prime rate plus the Applicable Margin (currently 1.50%). Applicable Margin can range from 0.25% to 2.00% and is based on a liabilities to income ratio	2017	\$ 52,000	\$ 41,605
Farm Credit Corporation, mortgages payable in monthly instalments ranging from \$39 thousand to \$95 thousand including interest at a rate of lenders prime plus 1% per annum	2017	23,707	25,415
Farm Credit Corporation, mortgages payable in monthly instalments of \$36 thousand including interest at a rate of lenders prime plus 1% per annum	2019	4,962	4,962
Affinity Credit Union, mortgages payable in monthly installments ranging from \$8 thousand to \$17 thousand, including interest at lenders prime plus 1% per annum	2016	9,979	10,266
ANZ National Bank Ltd., New Zealand, mortgage payable, interest only at the rate of 6.88% per annum	2017	1,545	1,168
National Australian Bank, Australia, mortgage, payable monthly payments of \$25K and a floating interest rate (December 31, 2015 and 2014 - 6.44%)	2017	3,211	3,303
Finance contracts, payable in monthly interest instalments ranging up to \$4 thousand including interest of 90 day bankers acceptance plus 3.7%, secured by short-term rental equipment	Various	2,509	3,909
John Deere finance contracts, New Zealand, payable in monthly instalments including interest at the rate of 5.5% per annum, secured by related equipment	Various	8,757	7,429
Hire purchase contracts, Australia, finance contracts payable in monthly installments ranging up to AU\$5 thousand including interest at a rate of 5.85% to 9.75%, secured by related equipment	Various	1,340	1,279
Finance contracts, various, repayable in monthly instalments ranging per month including interest from 4.00% to 9.09%	Various	1,938	1,712
		109,948	101,048
Less current portion		(17,917)	(8,430)
Less liabilities held for sale		(4,037)	-
Less deferred debt issuance costs		(333)	(464)
		\$ 87,661	\$ 92,154

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

16. Loans and Borrowings (continued)

Floor Plan Payables

The Company utilizes floor plan financing arrangements with various suppliers for inventory purchases. The terms of these arrangements may include an interest-free period followed by a term during which interest is charged at rates ranging from 2.45% to 7.25% at December 31, 2015. 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	2015	2014
John Deere Financial, Canada	3.95%	\$ 75,367	\$ 76,661
GE Capital Vendor Finance	3.00% - 5.19%	23,113	34,895
John Deere Financial, New Zealand and Australia	7.05 - 7.25%	11,835	9,124
PACCAR Financial	2.99% - 3.56%	47,600	47,557
CIBC Floor Plan Facility	2.45%	6,901	8,742
Other Floor Plan Facilities	3.00% - 6.44%	3,827	4,822
Total Floor Plan Payable		\$ 168,643	\$ 181,801

Convertible Debenture

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

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

Aggregate interest and accretion and amortization expense recorded in finance costs to December 31, 2015 was \$2,946 thousand (2014 - \$2,870 thousand). Changes in the debenture liability are as follows:

(\$ thousands)	2015	2014
Face value of convertible debenture	\$ 34,500	\$ 34,500
Discount to face value at issuance under effective interest method	(4,251)	(4,251)
Cumulative amortization of discount through December 31	2,692	1,816
Carrying value of debenture payable at December 31	\$ 32,941	\$ 32,065

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

16. Loans and Borrowings (continued)

For these credit facilities, the amount available under which are limited to the lesser of pre-approved credit limits or the available unencumbered assets. A summary of the Company's maximum pre-approved credit limits on available credit facilities as at December 31, 2015 are as follows:

(\$ thousands)	2015		2014	
	Total Limits	Borrowings	Total Limits	Borrowings
Operating and other bank credit facilities	\$ 100,832	\$ 52,832	\$ 103,284	\$ 42,707
Capital facilities	64,131	42,800	64,169	44,546
Floor plan facilities and rental equipment term loan financing	479,243	182,959	507,927	195,596
Total borrowing	\$ 644,206	\$ 278,591	\$ 675,380	\$ 282,849
Total current portion long term debt		(17,917)		(8,430)
Total liabilities held for sale		(4,037)		-
Total inventory floor plan facilities		(168,643)		(181,801)
Deferred debt issuance costs		(333)		(464)
Total long term debt	\$ 644,206	\$ 87,661	\$ 675,380	\$ 92,154

17. Financial instruments

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

Financial instruments recorded at fair value on the balance sheet 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.

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

17. Financial instruments (continued)

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

(\$ thousands)	Category	2015		2014			
		Carrying value	Fair Value		Carrying value	Fair Value	
			Level 1	Level 2		Level 1	Level 2
Financial Assets							
Cash and cash equivalents ^(a)	Loans and receivable	\$ 11,955			\$ 18,787		
Trade and other accounts receivable ^(a)	Loans and receivable	59,071			58,462		
Derivative financial instruments	Held-for-trading	7,195		7,195	6,559		6,559
Long term receivables ^(a)	Loans and receivable	1,287			1,702		
Finance lease receivables	Loans and receivable	1,462		1,469	3,033		3,033
Deposits with manufacturers ^(a)	Loans and receivable	2,657			3,479		
Financial Liabilities							
Trade and other accrued liabilities ^(a)	Other liabilities	77,938			81,237		
Customer deposits ^(a)	Other liabilities	3,004			8,594		
Floor plan payables ^(a)	Other liabilities	168,643			175,035		
Dividends payable ^(a)	Other liabilities	3,317			3,233		
Term debt ^(b)	Other liabilities	105,578			100,584		
Derivative financial liability	Held-for-trading	7,180		7,180	6,590		6,590
Finance lease obligation	Other liabilities	22,064		22,606	24,509		24,881
Debenture payable ^(c)	Other liabilities	\$ 32,941	34,500		\$ 32,065	35,297	

(a) The carrying value approximates fair value for cash and cash equivalents, trade and other accounts receivable, trade and other accrued liabilities, floor plan payables, and dividends payable in the fair value hierarchy due to the immediate or short-term maturity.

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

(c) Debenture payable is measured at amortized cost using the effective interest method. The fair value of debenture payable at December 31, 2015 is the quoted market trading price for the debentures as at December 29, 2015, as the debentures did not trade on December 31, 2015.

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.

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

18. Capital and Other Components of Equity

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

Share capital

(thousands)	Number of common shares	Total carrying amount
Balance at January 1, 2014	15,012	\$ 78,126
Issued under the DRIP plan	52	1,040
Issued under the deferred share plan	38	359
Issued common shares	67	1,530
Issued for business acquisitions	148	2,690
Issued under the share option plan	8	69
Balance at December 31, 2014	15,325	83,814
Issued under the DRIP plan	71	1,133
Issued under the deferred share plan	113	1,226
Issued under the share option plan	30	573
Issued from reserve	67	1,524
Balance at December 31, 2015	15,606	\$ 88,270

Common shares

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

Issuance of common shares

During the year ended December 31, 2015, the Company issued 71 thousand (2014 - 52 thousand) common shares to shareholders participating in the Company's dividend reinvestment plan ("DRIP"), 113 thousand (2014 - 38 thousand) common shares as a result of redemptions of vested shares from the deferred share plan, and 30 thousand (2014 - 8 thousand) common shares as a result of share options exercised, and 67 thousand (2014 - nil) common shares from other reserves.

Dividends declared

(\$ thousands)	2015	2014
\$0.85 per qualifying common share	\$ 13,202	\$ 12,583

Total dividends paid in cash during the year were \$11,987 thousand (2014 - \$11,358 thousand). Dividends payable as at December 31, 2015 was \$3,317 thousand (2014 - \$3,233 thousand), which includes amounts for DRIP of \$230 thousand (2014 - \$288 thousand).

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

18. Capital and Other Components of Equity (continued)

Dividend reinvestment plan

The Company has a Dividend Reinvestment Plan ("DRIP") entitling shareholders to reinvest cash dividends in additional common shares. The DRIP allows shareholders to reinvest dividends into new shares at 95 percent of the average share price of the previous 10 trading days prior to distribution. As at December 31, 2015, the company has 46 thousand shares reserved for issuance under this plan.

Accumulated and Other Comprehensive Income

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

Other reserves

Other reserves consists of contributed surplus of accumulated stock option expense less the fair value of the options at the grant date that have been exercised and reclassified to share capital. Also included in other reserves are amounts for expired private placement warrants, and conversion feature for convertible debenture. Changes in other reserves were as follows:

(\$ thousands)	2015	2014
Balance at January 1	\$ 6,433	\$ 5,176
Share-based compensation	475	258
Exercise of stock options	(202)	(17)
Shares issued in reserve	(1,524)	1,016
Balance at December 31	\$ 5,182	\$ 6,433

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

19. Share Based Payments

Included in share based payments are the following:

(\$ thousands)	2015	2014
Deferred share plan	\$ 602	\$ 1,267
Share options	475	259
	\$ 1,077	\$ 1,526

Deferred share plan

The Company has a deferred share plan available to officers, directors and employees whereby, if elected, certain payments to these individuals can be deferred, ranging in amounts up to \$50 thousand per individual, where the Company also matches the deferred portion. The deferred shares are granted as approved by the board of directors based on 95% of the 10-day average share price prior to the date of grant. The matched component of the plan vests over a period of 5 years (50% after 3 years, 25% after 4 years and 25% after 5 years) and is recorded as selling, general and administrative expense as it vests. As at December 31, 2015, the Company has 1,069 thousand shares reserved for issuance under this plan. As at December 31, 2015, 677 thousand (2014 – 745 thousand) deferred shares have been issued under the deferred share plan and remain outstanding. The total deferred share plan balance as at December 31, 2015, was \$7,098 thousand (2014 - \$7,559 thousand). As at December 31, 2015, the matching component of the plan to date has aggregated \$4,421 thousand (2014 - \$4,224 thousand) of which \$3,819 thousand (2014 - \$3,067 thousand) has been amortized into selling, general and administrative expense to date. Of the outstanding deferred shares, 572 thousand (2014 – 609 thousand) can be converted to common shares.

20. Cost of Sales

The following amounts have been included in cost of sales for the years ended December 31, 2015 and 2014:

(\$ thousands)	2015	2014
Depreciation of rental equipment	\$ 4,900	\$ 3,509
Interest paid on rental equipment financing	2,143	696
	\$ 7,043	\$ 4,205

21. Other income

Other income for the years ended December 31, 2015 and 2014 are comprised of the following:

(\$ thousands)	2015	2014
Net gain on sale of property and equipment	\$ 1,358	\$ 1,337
Net loss on acquiring controlling interest of subsidiary	-	(472)
Extended warranty commission	172	397
Financial compensation and consignment commissions	1,446	2,022
Unrealized foreign exchange (loss) (a)	(2,810)	(952)
Other (loss) income	(1,885)	1,383
	\$ (1,719)	\$ 3,715

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

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

22. Wages and Benefits

(\$ thousands)	2015	2014
Included in cost of sales:		
Wages and benefits	\$ 38,464	\$ 32,858
Included in selling, general and administrative expenses:		
Wages and benefits	105,654	92,766
Share-based payments	1,077	1,526
	106,731	94,292
	\$ 145,195	\$ 127,150

Employee share purchase plan

The Company has an employee share purchase plan available to all employees on a voluntary basis. Under the plan, employees are able to contribute 2% to 4% of their annual salaries, based on years of service. The Company contributes between 15% and 150% on a matching basis to a maximum of \$5,000 per year, per employee. The shares are purchased on the open market through a trustee; therefore, there is no dilutive effect to existing shareholders. Included in selling, general and administrative expenses are \$1,337 thousand (2014 - \$1,393 thousand) of expenses incurred by the Company to match the employee contributions.

Mid-term management incentive plan

The Company offers a mid-term incentive plan (the "MTIP") to certain senior key employees. Under the MTIP, participants receive annual grants of performance share units ("PSUs") which are settled in cash based on the achievement of performance targets at the end of a three year performance period. A liability for MTIP obligation is recognized at its fair value of cash payable, and is re-measured each reporting period until the liability is settled on the third anniversary of initial grant. Any changes in the liability are recognized in the statement of comprehensive income. For the year ended December 31, 2015 MTIP liability for executives was \$467 thousand (\$2014 - 1,081 thousand).

23. Finance income and Finance Costs

(\$ thousands)	2015	2014
Finance Income	\$ 195	\$ 384
Interest expense on convertible debenture	(2,946)	(2,870)
Interest expense on mortgage and term debt obligations	(3,897)	(1,750)
Interest expense on financial liabilities	(4,585)	(3,036)
Finance Costs	\$ (11,428)	\$ (7,656)
Net finance costs recognized separately	(11,233)	(7,272)
Net finance costs recognized in cost of sales	(2,143)	(696)
Total Net Finance Costs	\$ (13,376)	\$ (7,968)

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

24. 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, 2015 and 2014. The weighted average number of shares for the purposes of diluted earnings per share can be reconciled to the weighted average number of basic shares as follows:

(\$ thousands)	2015	2014
Issued common shares opening	15,325	15,012
Effect of shares issued under the DRIP plan	39	29
Effect of shares issued under the deferred share plan	57	22
Effect of shares issued under the share option plan	22	7
Effect of shares issued through reserve	38	-
Effect of shares issued for business acquisitions	-	25
Effect of shares issued through common shares issuance	-	52
Weighted average number of common shares	15,481	15,147

Diluted earnings per share

The calculation of diluted earnings per share at December 31, 2015 and 2014 was based on the profit attributable to common shareholders and the weighted average number of common shares outstanding after adjustment for the effects of dilutive potential common shares which consist of the following:

(\$ thousands)	2015	2014
Weighted average number of common shares (basic)	15,481	15,147
Effect of dilutive securities:		
Deferred share plan	-	745
Share options	-	11
Weighted average number of shares (diluted)	15,481	15,903

The above table excludes all deferred share units and options for the year ended December 31, 2015 (677 thousand) as they are considered anti-dilutive.

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

25. Operating Leases

a) As Lessee

The Company leases a number of lands and building facilities, office equipment and vehicles. The leases typically run for a period of between 3 and 10 years with options to renew the leases on the lands and buildings after that date. The land and building leases do not include any provisions for transfer of title, nor does the Company participate in the residual value of the land and buildings. Therefore, it was determined that substantially all the risks and rewards of ownership of the land and buildings remains with the landlord. As such, the Company has determined that the leases are operating leases.

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

Less than 1 year	\$ 6,161
Between 1 and 5 years	15,206
More than 5 years	3,513
	\$ 24,880

b) As Lessor

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

Less than 1 year	\$ 4,495
Between 1 and 5 years	11,963
More than 5 years	1,701
	\$ 18,159

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

26. Financial Risk Management

Overview

The Company has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; and operational risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

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

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

Credit risk

Trade and other receivables

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

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

26. Financial Risk Management (continued)

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

(\$ thousands)	2015	2014
Trade and other accounts receivables	\$ 55,116	\$ 54,309
Long term receivables	1,287	1,702
Long term lease receivables	1,462	3,033
Derivative financial asset	7,195	6,559
Deposits with manufacturers	2,657	3,479
	\$ 67,717	\$ 69,082

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

(\$ thousands)	2015	2014
Domestic	\$ 46,819	\$ 48,467
New Zealand	5,030	2,963
Australia	3,267	2,879
	\$ 55,116	\$ 54,309

The aging of loans and receivables at the reporting date was:

(\$ thousands)	2015	2014
Current - 60 days	\$ 46,964	\$ 45,871
Past due – 61-90 days	3,772	3,043
Past due – 91 to 120 days	3,132	2,808
Past due more than 120 days	1,248	2,587
	\$ 55,116	\$ 54,309

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

(\$ thousands)	2015	2014
Balance at January 1	\$ 1,386	\$ 681
Additional allowance recorded (recovery)	835	821
Amounts written-off as uncollectible	(234)	(116)
Balance at December 31	\$ 1,987	\$ 1,386

In our industries, customers typically pay invoices within 30 to 60 days. The average time to collect Company's outstanding accounts receivable was approximately 19 days for the year ended December 31, 2015 (2014 – 19 days). No single outstanding customer balance represented more than 10% of total accounts receivable.

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

26. Financial risk management (continued)

The Company mitigates its credit risk by assessing the credit worthiness of its customers on an ongoing basis. The Company closely monitors the amount and age of balances outstanding and establishes a provision for bad debts based on specific customers' credit risk, historical trends, and other economic information. For the year ended December 31, 2015 and 2014 all customer balances provided as bad debts were calculated based on 25% of accounts between 90 to 120 days outstanding and 85% on amounts over 120 days outstanding unless allowance for certain specified accounts requires a greater amount to be allowed for.

Guarantees

The Company has irrevocable standby letters of credit to John Deere in the amount of \$2,400 thousand (2014 - \$2,400 thousand). The letter of credit agreements allow for John Deere to draw upon it in whole or in part in the event of any default by the Company of any or all obligations.

Liquidity risk

The Company's exposure to liquidity risk is dependent on the collection of accounts receivable and the ability to raise funds to meet purchase commitments and financial obligations and to sustain operations. The Company controls its liquidity risk by managing its working capital, cash flows, and the availability of borrowing facilities. As described in Note 16, the Company has available for its current use, \$100,000 thousand and NZ\$1,500 thousand of operating credit facilities less \$2,400 thousand for irrevocable letters of credit issued to John Deere.

The Company believes that it has sufficient operating funds available as described above to meet expected operational expenses, including the services of financial obligations.

The following are the contractual maturities of financial liabilities existing as at December 31, 2015.

(\$ thousands)	Contractual					
	Carrying amount	principal maturities	12 months or less	1 – 2 Years	2 – 5 Years	5+ Years
Trade and other accrued liabilities	\$ 77,938	77,938	77,938	-	-	-
Floor plans payable	168,643	168,643	168,643	-	-	-
Dividends payable	3,317	3,317	3,317	-	-	-
Term debt payable	109,615	109,948	17,917	84,476	7,555	-
Derivative financial liability	7,180	7,180	7,180	-	-	-
Finance lease obligation	22,064	22,064	5,713	4,850	10,341	1,160
Debenture payable	32,941	34,500	-	34,500	-	-
	\$ 421,698	423,590	280,708	123,826	17,896	1,160

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

26. Financial risk management (continued)

Market risk

Market risk is the risk that changes in the market place such as foreign exchange rates, interest rates and commodity prices that will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing return.

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 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, US 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. At the time of sale, the Company determines a margin based on the replacement cost of the inventory at the time of sale, not the initial cost of the inventory at the time of purchase. In so doing, the company's objective is to obtain a target margin on the sale of inventory, by calculating the sale margin based on the cost of repaying the US dollar floorplan as at the sale date. If the Company was unable to recapture fluctuations in the US/CAD dollar in the sales price for equipment floor planned in US dollars, a \$0.01 change in the U.S. exchange rate would have increased (decreased) profit or loss by \$264 thousand (2014 - \$260 thousand), based on the U.S. dollar floor plan balances at December 31, 2015. From time to time the Company also enters into foreign exchange forward contracts to manage exposure on timing difference between the payout of floorplan and receipt of funds from a customer.

In addition, the Company is exposed to foreign currency fluctuation related to translation adjustments upon consolidation of its Australian and New Zealand operations. These foreign subsidiaries report operating results in Australia and New Zealand dollars, respectively. Movements in these currencies relative to the Canadian dollar will impact the consolidated results of these operations. Based on the Company's results reported from its foreign subsidiaries, a strengthening or weakening of the Canadian dollar by 5% against the New Zealand dollar at December 31, 2015 would have increased (decreased) profit or loss by \$559 thousand (2014 - \$54 thousand). A strengthening or weakening of the Canadian dollar by 5% against the Australian dollar at December 31, 2015 would have increased (decreased) profit or loss by \$172 thousand (2014 - \$20 thousand).

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

26. Financial risk management (continued)

Interest rate risk

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

(\$ thousands)	2015	2014
Fixed Rate		
Debenture payable	\$ 32,941	\$ 32,065
Finance lease obligation	22,064	24,509
Variable Rate		
Floor plan payables		
Floor plan payables - interest bearing	149,750	145,947
Floor plan payables - interest free period ^(a)	18,893	35,854
Term debt	109,948	101,048
	\$ 333,596	\$ 339,423

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

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. A change in 100 basis points in interest rates would have increased or decreased equity for the year ended December 31, 2015 by approximately \$2,590 thousand (2014 -\$2,027 thousand).

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict innovation and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including maintaining insurance coverage.

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

26. Financial risk management (continued)

Compliance with Company standards is supported by a program of periodic reviews in consultation with Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Company.

Capital risk management

The Company's objective when managing its capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for Shareholders and benefits for other stakeholders and to provide an adequate return to Shareholders by pricing products and services commensurately with the level of risk. In the management of capital, the Company monitors its adjusted capital which comprises all components of equity (i.e. shares issued, accumulated earnings, shareholder distributions and dilutive instruments).

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

The Company uses the following ratios in determining its appropriate capital levels; a) a debt to total capital ratio (total interest bearing debt divided by total interest bearing debt plus book value of equity); b) an adjusted debt to adjusted earnings ratio (adjusted debt divided by adjusted earnings); c) an adjusted debt to adjusted assets ratio (calculated as adjusted debt divided by adjusted assets); d) a fixed charge coverage ratio (calculated as adjusted earnings divided by contractual principle, interest, dividend, and operating lease payments); and e) an asset coverage ratio (tangible assets divided by specific drawn amounts under certain credit facilities). Adjusted assets comprise all components of assets other than other intangible assets and goodwill. Adjusted equity comprises of all components of shareholders' equity and is reduced by other intangible assets and goodwill.

The Company must meet certain financial covenants as part of its current Canadian credit facility, all of which the Company was in compliance as at December 31, 2015. The relating three core covenants are summarized as:

- Maintaining "total liabilities to tangible net worth ratio" not exceeding 4.0:1.0 calculated from adjusted total liabilities over adjusted equity.
- Maintaining "fixed charge coverage ratio" greater to or equal to 0.95:1.0, calculated as adjusted EBITDA net of any Canadian debt or equity financing utilized over the sum of interest expense, scheduled principal payments, operating lease payments, and distributions paid to shareholders in the twelve months prior to the calculation date. The fixed charge coverage ratio will increase to 1.00:1 commencing on December 31, 2016 until March 30, 2017, and to 1.10:1 for the period from March 31, 2017 onwards.
- Maintaining "asset coverage ratio" greater than 3.0:1.0, calculated as North American adjusted net tangible total assets less consolidated debt excluding floor plan liabilities, plus debt due under the Canadian credit facility, divided by the amount due under the Canadian credit facility.

There were no changes in the Company's approach to capital management in the period. Neither the Company, nor any of its other subsidiaries are subject to externally imposed capital requirements, other than as identified in Note 16.

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

27. Segment information

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

Each of these business segment operations are supported by a single shared corporate head office. Certain corporate head office expenses are allocated to the business segments under either specific identification approach or a usage based metric. The corporate head office also incurs certain costs which are considered as public company costs, which are allocated to the segments based on the gross margin of the Canadian operations. Total corporate related expenditures, excluding income taxes, that have been allocated for the year ended December 31, 2015 are \$7,001 thousand (2014 - \$6,424 thousand).

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

(\$ thousands)	Agricultural Equipment	Transportation Equipment	Commercial and Industrial Equipment	Other ¹	Total
Segmented income figures					
Year ended December 31, 2015					
Revenue	\$ 711,343	\$ 300,579	\$ 121,956		\$ 1,133,878
Income (loss) for the period attributable to shareholders	13,288	(3,470)	(291)	\$ (36,948)	(27,421)
Share of profit of equity accounted investees	542	-	-		542
Depreciation and amortization	8,951	5,250	3,652		17,853
Finance income	179	14	2		195
Finance expense including amounts in costs of sales	(6,758)	(5,172)	(1,641)		(13,571)
Capital additions, including finance leases	12,998	9,749	1,818		24,565
Segmented assets as at December 31, 2015					
Reportable segment assets	\$ 380,131	\$ 165,342	\$ 84,312		\$ 629,785
Reportable segment liabilities	254,510	120,447	61,535		436,492
Investment in associates	5,762	-	-		5,762
Intangible assets	28,767	14,985	7,256		51,008
Goodwill	15,876	2,547	2,193		20,616

[1] – The impact of the CRA settlement as discussed in Note 13 have not been allocated to the business segments.

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements
For the years ended December 31, 2015 and 2014

27. Segment information (continued)

(\$ thousands)	Agricultural Equipment	Transportation Equipment	Commercial and Industrial Equipment	Total
Segmented income figures				
Year ended December 31, 2014				
Revenue	\$ 631,673	\$ 188,838	\$ 159,098	\$ 979,609
Income (loss) for the period attributable to shareholders	16,061	(876)	3,177	18,362
Share of profit of equity accounted investees	712	-	-	712
Depreciation and amortization	6,351	3,885	6,207	16,443
Finance income	218	151	15	384
Finance expense including amounts in costs of sales	(4,980)	(1,927)	(1,445)	(8,352)
Capital additions, including finance leases	21,046	2,204	2,708	25,958
Segmented assets as at December 31, 2014				
Reportable segment assets	\$ 386,260	\$ 169,848	\$ 113,195	\$ 669,303
Reportable segment liabilities	231,500	139,009	69,303	439,812
Investment in associates	5,268	-	-	5,268
Intangible assets	29,665	16,640	7,704	54,009
Goodwill	14,992	2,547	2,193	19,732

The Company primarily operates in Canada but includes subsidiaries in Australia (Cervus Australia PTY Ltd.) and, in New Zealand (Cervus NZ Equipment Ltd.) which operate 15 agricultural equipment dealerships. Gross revenue and non-current assets for the geographic territories of New Zealand and Australia were \$133,736 thousand (2014 - \$139,487 thousand) and \$29,140 thousand (2014 - \$26,577 thousand) respectively.

28. Commitments and contingencies

Financing Arrangements

John Deere Credit Inc. ("Deere Credit") and other financing companies provide financing to certain of the Company's customers. A portion of this financing is with recourse to the Company if the amounts are uncollectible. At December 31, 2015 payments in arrears by such customers aggregated \$376 thousand (2014 - \$304 thousand). In addition, the Company is responsible for assuming all lease obligations held by its customers with Deere Credit and other financing companies through recourse arrangements for the net residual value of the lease outstanding at the maturity of the contract. At December 31, 2015, the net residual value of such leases aggregated \$194,987 thousand (2014 - \$166,703 thousand). Management believes that the potential liability in relation to the amounts outstanding is negligible and consequently, no accrual has been made in these financial statements in relation to any potential loss on assumed lease obligations.

CERVUS EQUIPMENT CORPORATION

Notes to the Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

29. Related party transactions

Key management personnel compensation

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

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

(\$ thousands)	2015	2014
Short-term benefits	\$ 3,096	\$ 2,684
Share-based payments	387	573
	\$ 3,483	\$ 3,257

Key management personnel and director transactions

Key management and directors of the Company control approximately 27% of the common voting shares of the Company.

Other related party transactions

Certain officers and dealer managers of the Company have provided guarantees to John Deere aggregating \$6,500 thousand. During the year ended December 31, 2015 and 2014, the Company paid those individuals \$195 thousand (2014 - \$184 thousand) for providing these guarantees. These transactions were recorded at the amount agreed to between the Company and the guarantors, are included in selling, general and administrative expense and have been fully paid during the year.