MANAGEMENT'S DISCUSSION & ANALYSIS

The following Management's Discussion & Analysis ("MD&A") was prepared as of March 7, 2012 and is provided to assist readers in understanding Cervus Equipment Corporation's ("Cervus" or the "Company") financial performance for the three and twelve month periods ended December 31, 2011 and significant trends that may affect future performance of Cervus. This MD&A should be read in conjunction with the accompanying consolidated financial statements for the period ended December 31, 2011 and the notes contained therein. The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and Cervus' functional and reporting currency is the Canadian dollar. Cervus' common shares trade on the Toronto Stock Exchange under the symbol "CVL".

Additional information relating to Cervus, including Cervus' current annual information form, is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") web site at **www.sedar.com**.

This MD&A contains forward-looking statements. Please see the section "Note Regarding Forward-Looking Statements" for a discussion of the risks, uncertainties and assumptions relating to those statements. This MD&A also makes reference to certain non-IFRS financial measures to assist users in assessing Cervus' performance. Non-IFRS financial measures do not have any standard meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. These measures are identified and described under the section "Non-IFRS Financial Measures".

OVERVIEW OF CERVUS

Cervus is a diversified corporation and has historically operated in two separate business segments, an agricultural equipment segment and a construction and industrial equipment segment. These segments are managed separately and strategic decisions are made on the basis of their respective operating results. The agricultural equipment segment consists primarily of 21 John Deere dealerships with 15 in Alberta, Saskatchewan and British Columbia and 6 in New Zealand. The construction and industrial equipment segment consists primarily of 16 dealerships, 7 Bobcat JCB, and CMI dealerships operating in Alberta and 9 Clark, Sellick, Nissan and Doosan material handling equipment dealerships operating in Alberta, Saskatchewan and Manitoba. Cervus owns directly or indirectly, 100% of Cervus LP, Cervus AG Equipment LP and Cervus Contractors Equipment LP, together with 100% of the outstanding and issued shares of their respective general partners, Cervus GP Ltd., Cervus AG Equipment Ltd. and Cervus Contractors Equipment Ltd. and 60.3% of Agriturf Limited ("Agriturf"), a New Zealand company and its 100% interest in its subsidiary, Agriturf Rental and Leasing Limited. In addition to the aforementioned subsidiaries, Cervus owns a 20% interest in Maple Farm Equipment Partnership ("Maple") that is based in Saskatchewan and Manitoba which is comprised of 7 John Deere dealerships. The cash flow of Cervus is primarily dependent on the results of the underlying limited partnerships and is derived from the flow-through of income of those limited partnerships to Cervus by means of partnership allocations.

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

On January 1, 2011, Cervus adopted IFRSs for financial reporting purposes with a transition date of January 1, 2010. The consolidated financial statements for the year ended December 31, 2011, including comparative information, have been prepared in accordance with IFRSs, *First-time Adoption of International Financial Reporting Standards.* The Company previously prepared its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP").

The adoption of IFRSs has not had a significant impact on the Company's operations and its cash flows. The most significant area of impact in the adoption of IFRSs was IAS12, Income Taxes, which required previously recognized deferred credits as a result of the Company's acquisition of tax losses to be recorded as an adjustment to opening retained earnings and equity. Further information on the impact of the adoption of IFRS by the Company is provided in the "Income Taxes" and "Summary of Quarterly Results" sections of this MD&A, including reconciliations between previous IFRS and IFRS profit, operating profit and other financial matrices.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute "forward-looking statements". These forward-looking statements may include words such as "anticipate", "believe", "could", "expect", "may", "objective", "outlook", "plan", "should", "target" and "will". All statements, other than statements of historical fact, that address activities, events, or developments that Cervus or a third party expects or anticipates will or may occur in the future, including our future growth, results of operations, performance and business prospects and opportunities, and the assumptions underlying any of the foregoing, are forward-looking statements. These forward-looking statements reflect our current beliefs and are based on information currently available to us and on assumptions we believe are reasonable. Actual results and developments may differ materially from the results and developments discussed in the forward-looking statements as they are subject to a number of significant risks and uncertainties, including those discussed under "Business Risks" and elsewhere in this MD&A. Certain of these risks and uncertainties are beyond our control. Consequently, all of the forward-looking statements made in this MD&A are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, Cervus. These forward-looking statements are made as of the date of this MD&A, and we assume no obligation to update or revise them to reflect subsequent information, events, or circumstances unless otherwise required by applicable securities legislation.

In our September 2011 MD&A we discuss that Cervus expects to make quarterly dividend payments to its shareholders of $0.18 per common share. The most recent quarterly dividend payment was made to the shareholders of record as of December 31 on January 15, 2012.

Effective with the March 31, 2012 quarterly dividend, the Company is increasing the dividend by $0.0025 per share per quarter. Further quarterly dividend increases are subject to board approval, however, the Company believes that this quarterly increase will continue as long as the gross dividend remains between 25% and 50% of profit after cash taxes, however, the payments of dividends are always subject to certain risk (see "cautionary note regarding dividends"). If the dividend increase continues, this will increase the dividend by December 31, 2012 to $0.19 per share per quarter or by 5.6% over the past dividend rate of $0.18 per share per quarter.

NON-IFRS MEASURES

Throughout the MD&A, reference is made to EBITDA, which Cervus's management defines as profit before interest, income taxes and depreciation and amortization. Management believes that EBITDA is a key performance measure in evaluating the Company's operations and are important in enhancing investors' understanding of the Company's operating performance. As EBITDA does not have a standardized meaning prescribed by IFRS, it may not be comparable to similar measures presented by other companies. As a result, we have provided reconciliations of profit as determined in accordance with IFRS to EBITDA.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management of Cervus is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") and effected by the Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Management assessed the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2011, based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes that, as of December 31, 2011, Cervus's internal control over financial reporting is effective.

DISCLOSURE CONTROLS

Management, including the CEO and CFO, has evaluated the effectiveness of our disclosure controls and procedures (as defined in the Canadian Securities Administrators National Instrument 52-109). Disclosure controls and procedures are controls and other procedures designed to provide reasonable assurance that information required to be disclosed in documents filed with securities regulatory authorities is recorded, processed, summarized and reported on a timely basis and is accumulated and communicated to the Company's management, including the CEO, CFO, as appropriate to allow timely decisions regarding required disclosure.

The Company's management, inclusive of the CEO and CFO, does not expect that the Corporation's disclosure controls and procedures will prevent or detect all errors. The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of error, if any, within the Corporation have been detected. Based on that evaluation, the CEO and CFO concluded that the disclosure controls and procedures were effective as of December 31, 2011 in providing reasonable assurance around material information relating to the Company and its consolidated subsidiaries.

MARKET OUTLOOK *(see "Note Regarding Forward-Looking Statements")*

AGRICULTURAL EQUIPMENT

Agriculture and Agri-Food Canada has indicated that farm income will somewhat decline in 2011 as increased expenses and reduced program payments will more than offset increased receipts from crop and livestock sales which may impact 2012 sales. However, in their "Medium Term Outlook", the indication is that many of the forces that negatively affect farm income will be offset through the next ten years by the world-wide demand for feed grain, a rising price of crude oil, a near par Canadian dollar when compared to the American dollar, and an increasing Canadian population resulting in increased domestic food demand.

CONSTRUCTION AND INDUSTRIAL EQUIPMENT

In the fourth quarter 2011 Housing Outlook for Alberta, Canada Mortgage and Housing Corporation ("CMHC") is forecasting a 15.3% increase in housing starts for 2012 when compared to 2011, following a decrease of 6.5% in 2011 when compared to 2010. In addition, Business Monitor International in its Canada Shipping Report Q1 2012 report is forecasting real GDP growth in Canada of 2.4%. They also indicate that both imports and exports should increase between 4.0 and 4.5% in 2012.

As described above, market indicators in our agriculture segment, combined with increased oil and gas activity in Alberta, suggest healthy unit sales will continue into 2012 for both our operating segments. Based on the results being experienced by the construction and industrial equipment segment through the year ended December 31, 2011, it appears that improvement in the industry continues to occur from the lows the Company experienced in 2009.

HIGHLIGHTS OF THE YEAR

GROSS REVENUE INCREASED BY $90.5 MILLION OR BY 19.3% TO $559.6 MILLION FOR THE YEAR ENDED 2011 OVER $469.1 MILLION REPORTED IN THE YEAR ENDED 2010. SAME STORE SALES ACCOUNTED FOR $80.2 MILLION OR 17.6% OF THE INCREASE.

PROFIT FOR THE YEAR INCREASED BY $6.6 MILLION OR 57.4% TO $18.1 MILLION FOR THE YEAR ENDED 2011 FROM $11.5 MILLION REPORTED IN THE YEAR ENDED 2010.

BASIC EARNINGS PER SHARE FOR THE YEAR ENDED DECEMBER 31, 2011 INCREASED TO $1.27 PER SHARE OR 54.9% FROM $0.82 PER SHARE FOR THE SAME PERIOD OF 2010.

OVERALL PERFORMANCE

During the year ended December 31, 2011, revenue increased by $90.5 million or 19.3% ($53.7 million from our agricultural equipment segment and $36.8 million from our construction and industrial equipment segment). Same store revenue increased $80.2 million or 17.6% ($43.4 million or 12.7% from our agricultural equipment segment and $36.8 million or 32.5% from our construction and industrial equipment segment).

For the year ended December 31, 2011, overall gross margin increased slightly to 19.0% from 18.9% reported in the same period of 2010, an increase of 0.1 basis points.

The increase in our sales, combined with the marginal change in overall gross profit margins, resulted in an increase in our profit for the year ended 2011 when compared to 2010 of $6.6 million or 57.4%. Selling, general and administrative expenditures decreased to 14.8% of total revenue in 2011 when compared to 15.3% of total revenue for 2010. This is a decrease of 0.6% of total revenue or 4.0% over the prior year.

SELECTED ANNUAL INFORMATION

($ thousands, except per share amounts)	December 31, 2011	December 31, 2010	December 31, 2009[1]
Revenues	559,598	469,131	377,475
Gross profit	106,335	88,729	71,955
Gross margin	19.0%	18.9%	19.1%
Profit before income tax expense	26,026	18,607	18,869
Profit for the year	18,126	11,513	17,177
Profit attributable to shareholders	18,444	11,584	17,177
Net earnings per share			
Basic	1.27	0.82	1.22
Diluted	1.22	0.79	1.19
Cash provided by operating activities	25,795	22,801	7,749
Per share – Basic	1.77	1.67	0.55
EBITDA[2]	35,643	28,263	24,386
EBITDA margin[2]	6.4%	6.0%	6.5%
Per share – basic	2.45	2.00	1.73
Dividends to preferred shares	78	318	-
Dividends declared to shareholders	10,484	10,203	10,152
Per share	0.72	0.72	0.72
Weighted average shares outstanding			
Basic	14,546	14,169	14,095
Diluted	15,061	14,593	14,400
Actual shares outstanding	14,703	14,191	14,140
Closing market price per share	14.72	15.10	12.60
Price earnings ratio[2] – basic	11.9	11.7	10.3
	December 31, 2011	**December 31, 2010**	**January 1, 2010**
Total assets	281,455	260,760	225,846
Long-term liabilities	9,928	11,692	2,331
Total debt	97,736	87,173	62,343
Shareholders' equity	183,719	173,587	163,503
Market capitalization	216,428	214,284	178,164
Net book value per share - diluted	12.20	11.98	11,35

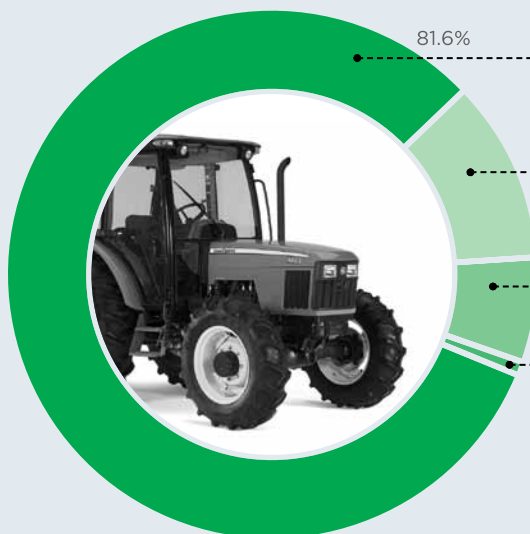
[1] **The December 31, 2009 selected annual data was prepared using previously used Canadian Generally Accepted Accounting Principles. (See "Summary of Quarterly Results" section that describes the impact regarding previously reported income tax expense.)**

[2] **These financial measures are identified and defined under the section "Non-IFRS Financial Measures".**

RESULTS OF OPERATIONS

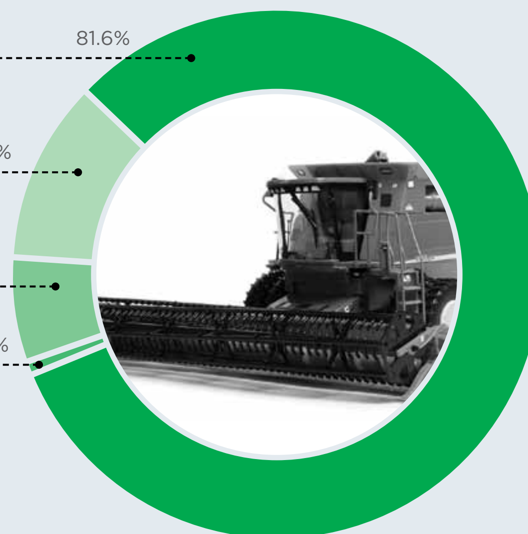
2011 AGRICULTURE

Gross Sales by Segment



2010 AGRICULTURE

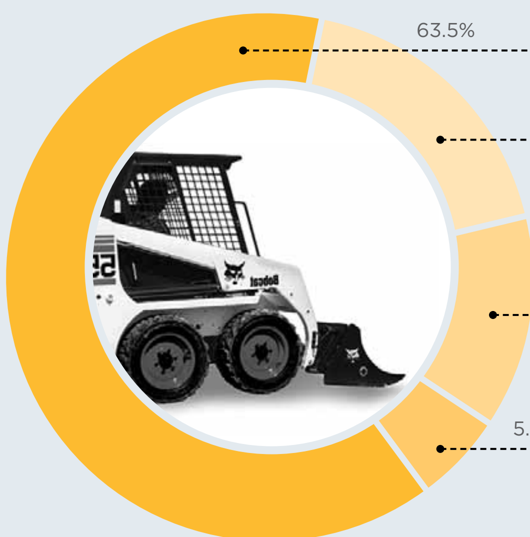
Gross Sales by Segment



2011	Segment	2010
81.6%	**Equipment Sales**	81.6%
11.2%	**Parts**	11.2%
6.5%	**Service**	6.5%
0.7%	**Rental & Other**	0.6%

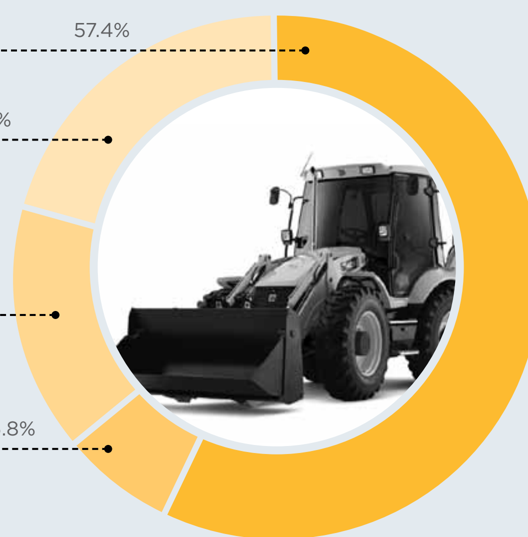
2011 CONSTRUCTION

Gross Sales by Segment



2010 CONSTRUCTION

Gross Sales by Segment



2011	Segment	2010
63.5%	**Equipment Sales**	57.4%
18.1%	**Parts**	20.4%
12.9%	**Service**	15.4%
5.5%	**Rental & Other**	6.8%

REVENUES

($ thousands)	December 31, 2011	December 31, 2010	% change
Revenues by segment:			
Agricultural equipment:			
Equipment	334,264	290,677	15.0
New	206,713	181,423	13.9
Used	127,551	109,254	16.7
Parts	45,992	40,015	14.9
Service	26,600	23,144	14.9
Rental and other	2,966	2,279	30.1
	409,822	356,115	15.1
Construction and industrial segment:			
Equipment	95,177	64,880	46.7
New	85,065	55,212	54.1
Used	10,112	9,668	4.6
Parts	27,180	23,002	18.2
Service	19,252	17,428	10.5
Rental and other	8,167	7,706	6.0
	149,776	**113,016**	**32.5**
Total	**559,598**	**469,131**	**19.3**

AGRICULTURAL EQUIPMENT

Revenue for our agricultural equipment segment increased by $53.7 million or 15.1% ($43.5 million or 12.7% on a same store basis) for the year ended December 31, 2011 when compared to the same period of 2010. Same store sales exclude the results of Agriturf which was acquired in July 2010.

New equipment sales increased by $25.3 million or 13.9% (same store increased by $21.2 million or 12.1%) and used equipment sales increased by $18.3 million or 16.7% (same store increased $16.7 million or 15.6%). The primary reason for the increase in same store sales in the quarter is related to increases seen in both our large agricultural equipment and our consumer products (compact utility tractors and lawn mowing equipment). According to the Association of Equipment Manufacturers' ("AEM") December 2011 Flash Report, Canada Unit Retail Sales, total farm tractors increased by 5.5% and self-propelled combines increased by 7.3% in 2011 when compared to 2010.

Our parts revenue has increased by $6.0 million or 14.9% (same store increased $3.5 million or 9.4%) and our service revenue has increased by $3.5 million or 14.9% (same store increased $2.2 million or 10.0%) during the year ended December 31, 2011 when compared to the same period of 2010. The overall increase in parts and service sales was a combination of our continued effort to market our over-the-counter products and services as well as parts and service required as a result of our increase in new and used equipment sales.

Rental revenue increased $687 thousand or 30.1% (same store decreased by $101 thousand or 5.8%) during the year ended December 31, 2011. The primary reason for the increase in total rental revenue is related to the purchase of Agriturf in July 2010.

CONSTRUCTION AND INDUSTRIAL EQUIPMENT

Revenue from our construction and industrial segment increased by $36.7 million or 32.5% for the year ended December 31, 2011 when compared to the same period of 2010.

New equipment sales increased by $29.9 million or 54.1% and used equipment sales increased by $444 thousand or 4.6% during the year ended December 31, 2011 when compared to the same period of 2010. The increase in our new and used equipment sales is primarily due to the increased activity being experienced in the oil and gas sector of Alberta as well as the increased activity in the transportation industry.

Parts revenues have increased $4.2 million or 18.2% and service revenue has increased by $1.8 million or 10.5% during the year ended December 31, 2011 when compared to the same period of 2010. The overall increase in parts and service revenues is consistent with the increase in economic activity being observed in the oil and gas and transportation sectors however many of the light construction customers continue to complete their own service work, resulting in a greater increase in parts revenue compared to service revenue.

Rental income has increased by $461 thousand or 6.0% for the year ended December 31, 2011 when compared to the same period of 2010. This is a combination of changes in our rental activity with decreases in construction equipment rentals and increases in our industrial equipment rentals.

GROSS PROFIT

GROSS PROFIT MARGINS

(percentage)	December 31, 2011	December 31, 2010	% change
Gross profit margin by segment:			
Agricultural equipment	16.6	16.1	3.1
Construction and industrial equipment	25.6	27.8	(7.9)
Total	**19.0**	**18.9**	**0.5**

AGRICULTURAL EQUIPMENT

Gross profit dollars increased by $10.6 million (same store increased $8.8 million or 16.0%) during the year ended December 31, 2011 when compared to the same period of 2010.

The most significant factor affecting the combined gross profit margin has been from the segment's used equipment sales, which was primarily lower in 2010 due to the liquidation of used equipment through auction in the second quarter of 2010 as well as increased margins being experienced in the parts and service departments in 2011 from a combination of inventory purchasing control, increased over-the-counter sales activity and labour efficiencies.

CONSTRUCTION AND INDUSTRIAL EQUIPMENT

Gross profit dollars have increased by $7.0 million or 22.2% during the year ended December 31, 2011 when compared to the same period of 2010. The overall increase in gross margin dollars is directly related to the increase in gross sales activity. The decrease in overall gross margin as a percentage of sales however is primarily related to the change in the segment's revenue mix. Overall whole goods sales increase accounted for 82% of the total revenue increase and the profit margin on whole goods is less than those earned on parts, service and rental sales.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses include depreciation and amortization and share based compensation:

($ thousands)	December 31, 2011	December 31, 2010	% change
Selling, general and administrative expenses by segment:			
Agricultural equipment	50,575	44,499	13.7
Construction and industrial equipment	32,026	27,375	17.0
Total	**82,601**	**71,874**	**14.9**
% of revenue			
Agricultural equipment	12.3	12.5	(1.6)
Construction and industrial equipment	21.4	24.2	(11.6)
Total % of revenue	**14.8**	**15.3**	**(3.3)**

AGRICULTURAL EQUIPMENT

The agricultural equipment segment reported an increase in selling, general and administrative expenses of $6.1 million or 13.7% (same store increased $3.6 million or 8.5%) for the year ended December 31, 2011 when compared to the same period of 2010. The increase in same store selling, general and administrative expenses overall is primarily caused by the increase in personnel costs which represent 63% of the increase

related to general increases in 2011 over 2010 and an increase in commissions expense related to the increase in whole goods sales. The segment has also seen an increase in marketing expenses in an effort to combat increased pressure from competitors and to increase over-the-counter parts sales in the parts department.

CONSTRUCTION AND INDUSTRIAL EQUIPMENT

The construction and industrial equipment segment's selling, general and administrative expenses increased $4.7 million or 17.0% for the year ended December 31, 2011 when compared to the same period of 2010. The primary reason for the overall increase in selling, general and administrative expenses was due to personnel costs which accounted for 71.5% of the increase due to a combination of general salary increases and additions to staff levels due to increased sales activities and an increase in commissions due to higher sales volumes.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization is presented separately as the amounts are included in selling, general and administrative expenses as shown above and for additional information purposes.

DEPRECIATION AND AMORTIZATION

($ thousands)	December 31, 2011	December 31, 2010	$ change
Depreciation and amortization by segment:			
Agricultural equipment			
Depreciation on property and equipment	1,891	1,515	376
Depreciation on property and equipment included in cost of sales	833	391	442
Amortization of intangible assets	787	808	(21)
	3,511	2,714	797
Construction and industrial equipment			
Depreciation on property and equipment	747	564	183
Depreciation on property and equipment included in cost of sales	2,035	2,295	(260)
Amortization of intangible assets	1,660	2,060	(400)
	4,442	4,919	(477)
Total	**7,953**	**7,633**	**320**

AGRICULTURAL EQUIPMENT

The agricultural equipment segment depreciation and amortization increased by $797 thousand (same store increased $91 thousand) during the year ended December 31, 2011 when compared to the same period of 2010. The primary reason for the overall increase in depreciation and amortization was due to the acquisition of Agriturf in July of 2010 and a general increase in capital assets during the year.

CONSTRUCTION AND INDUSTRIAL EQUIPMENT

The construction and industrial equipment segment reported a decrease of $477 thousand for the year ended December 31, 2011 when compared to the same period of 2010. The decrease in the segment's total depreciation and amortization is due to a combination of certain intangible assets that have been fully amortized and a reduction in the segment's rental fleet and general increase in capital assets during the year.

FINANCE INCOME

Finance income is comprised of interest earned on customer accounts receivable, related party advances and held-to-maturity investments. Total finance income was $372 thousand for the year ended December 31, 2011 when compared to $157 thousand for the same period of 2010. The primary reason for the increase in finance income is related to interest earned on money market funds during the year, prior to the advancement of funds to related parties near the end of 2011.

FINANCE COSTS AND OTHER INTEREST

Finance costs are comprised of interest expenses related to the funds loans and borrowings as well as floor plan payables. Interest expense is also recorded on loans and borrowings related to the Company's rental fleet property and equipment which is recorded in cost of sales of each segment as shown below. For the purposes of showing the Company's interest expense, the following analysis includes both the interest expense on financial liabilities recorded in finance costs and interest on financial liabilities recorded directly in cost of sales.

($ thousands)	December 31, 2011	December 31, 2010	$ change
Interest by segment:			
Agricultural equipment			
Interest expense	566	829	(263)
Interest in cost of sales	258	92	166
	824	921	(97)
Construction and industrial equipment			
Interest expense	698	879	(181)
Interest in cost of sales	142	223	(81)
	840	1,102	(262)
Total	**1,664**	**2,023**	**(359)**
% of revenue	**0.3**	**0.4**	**-**

Floor plan liabilities as a percentage of inventories at December 31, 2011 and 2010 were approximately 49% and 45%, respectively.

Overall, the simple average interest rate on the Company's debt for 2011 was 2.6% compared to 3.8% during 2010. The decrease in the simple average interest rate was primarily related to the reduction in interest bearing floor plan payables and the Company taking advantage of interest free programs with our equipment suppliers. As at December 31, 2011, the Company's non-interest floor plans represent approximately 18% of the aggregate floor plans outstanding. In addition during the year the Company received rebates which were applied against interest expense that would otherwise be payable. The amount of rebates received during the year ended December 31, 2011 and 2010 were $1,111 thousand and $648 thousand respectively.

INCOME TAXES

As at December 31, 2011, Cervus has the following tax pools available to be used in future periods:

		($ thousands)
Carrying values in excess of tax values	$	(4,024)
Non-capital losses carry-forward		44,728
Federal investment tax credits		12,842
Capital losses carried forward		19,752
Total estimated future tax asset		73,298
Less: valuation allowance for non-capital and capital losses carried forward		(19,752)
Balance, December 31, 2011	**$**	**53,546**

PROFIT AND COMPREHENSIVE INCOME

The Company has a foreign subsidiary, Agriturf, which, upon consolidation, results in unrealized gains (losses) on currency translation of the financial statements of a foreign operation with a non-Canadian dollar as their functional currency. As a result, a loss of $216 thousand has been recorded as other comprehensive income for the year ended December 31, 2011 and income of $157 thousand for the same period of 2010. This translation adjustment is the only difference between the profit for the period and total comprehensive profit for the years ended December 31, 2011 and 2010.

The profit attributed to shareholders for the period excludes the allocation of profit to non-controlling interests. Under IFRS, the non-controlling interest share of profit is shown in profit for the year. Earnings per share are calculated based on the profit for the year attributed to shareholders of the Company only

($ thousands except net earnings per share)	December 31, 2011	December 31, 2010	% change
Profit for the year:			
Agricultural equipment segment	14,086	9,350	50.7
Add loss allocated to non-controlling interest	318	71	347.9
Profit attributable to shareholders from agricultural equipment segment	14,404	9,421	52.9
Construction and industrial equipment	4,040	2,163	86.8
Profit attributable to shareholders	**18,444**	**11,584**	**59.2**
Profit as a % of total segment revenues, excluding non-controlling interest			
Agricultural equipment	3.4	2.6	30.8
Construction and industrial equipment	2.7	1.9	42.1
Total	**3.2**	**2.5**	**28.0**
Net Earnings Per Share:			
Shares outstanding – basic	**14,546**	**14,169**	**2.7**
Agricultural equipment	0.99	0.67	47.8
Construction and industrial equipment	0.28	0.15	86.7
Total	**1.27**	**0.82**	**54.9**

EBITDA *(See Non-IFRS Financial Measures)*

($ thousands)	December 31, 2011	December 31, 2010	$ change
EBITDA by segment:			
Agricultural equipment			
Profit for the year	14,086	9,350	4,736
Add:			
Interest	824	921	(97)
Future income taxes	5,602	5,555	47
Depreciation and amortization	3,511	2,714	797
EBITDA	**24,023**	**18,540**	**5,483**
% of segment revenue	**5.9**	**5.2**	
Construction and industrial equipment			
Profit for the year	4,040	2,163	1,877
Add:			
Interest	840	1,102	(262)
Future income taxes	2,298	1,539	759
Depreciation and amortization	4,442	4,919	(477)
EBITDA	**11,620**	**9,723**	**1,897**
% of segment revenue	**7.8**	**8.6**	
Total EBITDA	**35,643**	**28,263**	**7,380**
% of revenue	**6.4**	**6.0**	**-**

EBITDA is used by management to monitor its results and compare profitability between itself and other entities in its industries. It is also primarily used to evaluate potential business acquisitions.

For the year ended December 31, 2011, EBITDA increased by $7.7 million when compared to the year ended December 31, 2010. The most significant factor contributing to the increase in EBITDA for the year was the increase in profit before income taxes which amounted to $6.9 million.

SUMMARY OF QUARTERLY RESULTS

The 2010 quarterly results have been restated to reflect the Company's transition to IFRSs. An explanation of the transitional differences is shown below the quarterly summary which includes primarily the increase in deferred share compensation and the change in income taxes as previously shown above and the reconciliation to profit is shown below.

($ thousands, except per share amounts)	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011
Revenues	141,356	186,878	147,091	84,273
Profit (loss) attributable to the shareholders	4,397	8,193	5,912	(58)
Basic earnings (loss) per share	0.30	0.56	0.40	(0.00)
Diluted earnings (loss) per share	0.29	0.54	0.39	(0.00)
Weighted average shares outstanding				
Basic	14,699	14,659	14,618	14,201
Fully diluted	15,211	15,152	15,074	14,654

($ thousands, except per share amounts)	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010
Revenues	109,542	164,461	127,927	67,201
Profit (loss) attributable to the shareholders	2,190	6,753	3,254	(613)
Basic earnings (loss) per share	0.15	0.48	0.23	(0.04)
Diluted earnings (loss) per share	0.15	0.47	0.22	(0.04)
Weighted average shares outstanding				
Basic	14,189	14,176	14,162	14,150
Fully diluted	14,616	14,517	14,504	14,474

The financial data shown above has been prepared in accordance with IFRSs as of the date of transition, being January 1, 2010.

Sales activity for the agricultural segment is normally highest between April and September during growing seasons in Canada and the impact on the growing seasons for New Zealand has not materially impacted the above results as the purchase of Agriturf occurred in July 2010. The construction and industrial equipment sector is not as volatile but does see slower sales activity in the winter months. As a result, profit or loss may not accrue uniformly from quarter to quarter. The primary reason for the change in profit is from increased sales activity being experienced in both segments.

The following is a reconciliation of changes in profit (loss) for the four quarterly periods of 2010 from January 1, 2010, the date of transition to IFRS.

($ thousands)	Note	March 31 , 2010	June 30, 2010	September 30, 2010	December 31, 2010	Total
Profit (loss) previously reported		$ (827)	$ 5,062	$ 10,699	$ 3,196	$ 18,130
Profit attributable to non-controlling interest		-	-	(20)	91	71
Profit attributable to shareholders of the company		(827)	5,062	10,679	3,287	18,201
Change in amortization of deferred share plan	1	(22)	(22)	(27)	(27)	(98)
Change in income taxes	2	236	(1,786)	(3,899)	(1,071)	(6,520)
Profit (loss) as revised		**$ (613)**	**$ 3,254**	**$ 6,753**	**$ 2,189**	**$ 11,583**

Notes to transitional adjustments:

1. Under IFRS 2, Share-Based Payments, awards will continue to be measured at fair value, with compensation expense under share-based plans recognized over the service period. However, IFRS does not permit the attribution of costs on a straight-line basis for stock options with graded vesting provisions whereas Canadian GAAP does.

   As a result, the Company has recalculated reinvested deferred shares and is recognizing the compensation cost over the vesting period which has accelerated some of the overall costs; however, the costs in total will remain the same over the life of the plan.

2. As a result of the Company's transition to IFRS, deferred credits previously recognized as a liability and a reduction in income tax expense have been recorded as an increase in equity as a result of applying IAS 12 Income Taxes. As a result of a business combination completed in 2009, the fair value of the assets purchased exceeded the purchase price resulting in negative goodwill. Under IFRSs, this negative

goodwill would have been brought directly into income and therefore, the balance outstanding at December 31, 2009 has been recorded as a transitional adjustment at January 1, 2010. Consequently, previously recorded deferred credits in profit (loss) have been reversed and shown above as a change in income taxes during the year.

Under previously reported Canadian GAAP, income tax expense represented a proportionate share of deferred credits used to offset the income tax expense that would normally be recorded, resulting in a lower than expected income tax expense. Under IFRS and as explained above, the deferred credits are recognized directly into equity resulting in future income tax expense being calculated and recorded at the Company's effective tax rate using the profit for the period. As a result, the 2010 quarterly income taxes previously reported under Canadian GAAP have been adjusted to reflect the higher tax expense amount recorded under IFRS:

Income Tax Recovery (expense) ($ thousands)	Previously Reported	Reversal of Deferred Credit	Movement of Income Taxes & Deferred Credits Between Periods	Net Change in Income Taxes	Total Income Tax Recovery (expense)
Quarter ending:					
March 31, 2010	$ -	$ -	$ 236	$ 236	$ 236
June 30, 2010	(182)	(2,074)	288	(1,786)	(1,968)
September 30, 2010	(175)	(1,989)	(1,910)	(3,899)	(4,074)
December 31, 2010	(217)	(2,457)	1,386	(1,071)	(1,288)
Total for 2010	$ (574)	$ (6,520)	$ -	$ (6,520)	$ (7,094)

LIQUIDITY

($ thousands, except ratio amounts)	December 31, 2011	December 31, 2010
Current assets	166,948	143,496
Total assets	281,455	260,760
Current liabilities	87,808	75,481
Long-term liabilities	9,928	11,692
Shareholders' equity	183,719	173,587
Working capital (see "Non-IFRS Financial Measures")	79,140	68,015
Working capital ratio (see "Non-IFRS Financial Measures")	2.1	1.9

WORKING CAPITAL

Our working capital increased by $11.1 million to $79.1 million at December 31, 2011 when compared to $68.0 million at December 31, 2010. In accordance with outstanding debt agreements, the Company is required to maintain a working capital ratio of no less than 1.25 to 1.

The Company's ability to generate sufficient cash and cash equivalents is determined by continued strong gross revenue performance, maintaining existing gross margins and controlling its costs. At this time, there are no known factors that management is aware of that would affect its short and long-term objectives of meeting the Company's obligations as they come due. Working capital may fluctuate from time to time based primarily on the use of cash and cash equivalents to fund future business acquisitions as well as due to the seasonal nature of our business. Cash resources can normally be restored by accessing floor plan monies from unencumbered used equipment inventories. Also, the seasonality of our business requires greater use of cash resources in the first and fourth quarter of each year as explained above to fund general operations caused by the cyclical nature of our sales activity.

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. The Company's contractual obligations at December 31, 2011 are described below.

The Company has available for its current use $43.0 million. The credit facilities consist of an operating facility ($15 million), inventory facility ($18 million), rental facility ($7 million) and a capex facility ($3 million). In addition, the Company has an operating bank line of credit with its subsidiary, Agriturf, to a maximum amount of approximately $1.6 million (NZ$2.0 million) in New Zealand. This is reduced by $4.0 million the Company has issued for irrevocable letters of credit described below and $166 thousand (NZ$210 thousand) of financial guarantees provided in New Zealand. Of the $44.6 million available, $1.2 million (NZ$1.5 million) has been drawn by Agriturf, our New Zealand subsidiary. The Company has not drawn on any of the Canadian facilities at December 31, 2011.

The Company has $4.0 million of irrevocable letters of credit issued with $2.4 million issued to John Deere Limited ("JDL") on behalf of our agricultural equipment segment and $1.6 million issued to an equipment supplier of our construction and industrial equipment segment. The letters of credit were provided to the suppliers in an effort to reduce personal guarantees required by JDL of our senior management and as collateral for past business acquisitions and to secure inventory delivery through 2012.

The Company has approximately $6.5 million in cash and cash equivalents on hand as at December 31, 2011 which consists of $8.1 million in money market funds and is reduced by $400 thousand of cheques issued in excess of funds on deposit and $1.2 million (NZ$1.5 million) of credit facilities drawn on by Agriturf. The money market funds are available immediately upon request.

As at December 31, 2011, inventories had increased by $9.0 million to $106.8 million when compared to December 31, 2010. New equipment inventories comprise the bulk of the increase at $7.5 million to $44.3 million at December 31, 2011 (2010 - $36.8 million) and used equipment increased $713 thousand to $46.6 million (2010 - $45.8 million). Parts inventories have also increased by $649 thousand to $15.2 million (2010 - $14.6 million). The primary increase in our inventories, being new equipment has been driven by the substantial increase in equipment sales in our construction and industrial equipment segment.

The nature of the business has a significant impact on the amount of equipment that is owned by our various dealerships. The majority of our agricultural equipment sales come with a trade-in while our construction and industrial equipment sales usually do not have trade-ins. This is why we have a higher amount of used agriculture equipment than used construction and industrial equipment. In addition, the majority of our new John Deere equipment is on consignment from John Deere whereas we purchase the new equipment from our other manufacturers. These factors directly impact the amount of used and new equipment carried on our books. A majority of our product lines in both segments are manufactured in the US with pricing based in US dollars but invoiced in Canadian dollars.

The market value of aged new and used equipment has been affected by the strengthening Canadian dollar over the past couple of years with the average Canadian dollar for 2011 being at par with the American dollar. This provides for less expensive new equipment, causing downward pressure on used equipment pricing. The Company believes that it has minimized the impact of the downward pressure on used equipment pricing by properly valuing current trade-ins. As at December 31, 2011, the Company believes that its recoverable amounts on its used equipment inventories exceed their respective carrying values and no impairment reserve is required or has been recorded.

MARKET RISK

Market risk is the risk that the fair value of financial instruments will fluctuate due to changes in market factors and is comprised of currency risk, interest rate risk and other price risks.

FOREIGN CURRENCY EXPOSURE

Other than the Company's exposure to foreign currency fluctuations on its translation of its foreign subsidiary, Agriturf, the Company is not exposed to fluctuations in foreign currency in its sales and expenditures as they are incurred in Canadian dollars. 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. However, this may cause fluctuations in the sales values assigned to equipment and parts inventories as the Company's price structure is to maintain consistent gross margins. Both sales revenues and gross margins may fluctuate based on the foreign exchange rate in effect at the time of purchase. Certain of the Company's manufacturers also have programs in place to facilitate and/or reduce the effect of foreign currency fluctuations, primarily on new equipment inventory purchases. Based on the Company's results reported from its foreign subsidiary, an increase or decrease of 5% in foreign currency exchange rates would impact the Company's consolidated profit by approximately $40 thousand.

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. Based on the Company's outstanding long-term debt at December 31, 2011, a one percent increase or decrease in market interest rates would impact the Company's annual interest expense by approximately $780 thousand. The Company's other financial instruments are not exposed to interest rate risk.

ENVIRONMENTAL RISKS

Our dealerships routinely handle hazardous and non-hazardous waste as part of their day-to-day operations and though the Company tries to achieve full compliance with applicable laws, from time-to-time, the Company may be involved in, and subject to, incidents and conditions that render us in non-compliance with environmental laws and regulations. The Company has established safety programs to help reduce these risks. The Company is not aware of any material environmental liabilities at this time.

CREDIT RISK

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 repayment obligations. A substantial amount of the Company's revenue is generated from customers in the farming and construction 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 that 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 and deposits with John Deere. The Company's revenues are normally invoiced with payment terms of net, 30 days. The average time to collect the Company's outstanding accounts receivable was approximately 20 days for the year ended December 31, 2011 (17 days for the year ended December 31, 2010) and no single outstanding customer balance, excluding sales contract financing receivables, represented more than 10% of total accounts receivable. The Company mitigates its credit risk by assessing the credit worthiness of its customers on an ongoing basis. The Company closely monitors the amount and age of balances outstanding on an on-going basis and establishes provisions for bad debts based on specific customers' credit risk, historical trends, and other economic information.
The Company's allowance for doubtful collections has increased by $357 thousand to $851 thousand at December 31, 2011 which represents approximately 2.7% of outstanding trade accounts receivable and 0.1% of gross revenue. Write-offs during the year ended December 31, 2011 amounted to $359 thousand (2010 - $273 thousand).

CASH AND CASH EQUIVALENTS

Consistent with the Companies accounting policy choice under IAS7, Statement of Cash Flows, interest paid has been moved into the body of the Statement of Cash Flows, whereas they were previously disclosed as supplementary information. There are no other material differences between the statement of cash flows presented under IFRSs and the statement of cash flows presented under previous Canadian GAAP.

Cervus' primary sources and uses of cash flow for the three and twelve month periods ended December 31, 2011 are as follows:

Operating Activities

Net cash from operating activities was $25.8 million for the year ended December 31, 2011 when compared to $22.8 million for the same period of 2010, an increase of $3.0 million. The primary reason for the increase was a combination of increased profit of $6.6 million and offset by adjustments for non-cash transactions and working capital items of $3.6 million.

Investing Activities

During the year ended December 31, 2011, the Company used $26.4 million in net cash for investing activities. The most significant use of cash for investing activities was the purchase of property and equipment for $9.5 million, net of proceeds, advances made to related parties of $14.7 million and a deposit of $2 million made for the business combination that is expected to close in March 2012.

Financing Activities

During the year ended December 31, 2011, financing activities used $12.5 million in net cash flows. The primary use of cash during the year ended December 31, 2011 was the payment of dividends in the amount of $9.8 million and the repayment of term debt and notes payable in the amount of $2.9 million.

Contractual Obligations

The Company has certain contractual obligations including payments under long-term debt agreements and operating lease commitments. A summary of the Company's principal contractual obligations are as follows:

($ thousands)	Total Carrying Value	Due 2012	Due 2013 Through 2015	Due 2016 Through 2017	Due Thereafter
Long-term debt	10,233	3,343	3,902	-	-
Notes payable	5,129	2,837	2,837	-	-
Operating leases	12,815	2,473	6,759	2,445	1,138
Total contractual obligations	28,177	8,653	13,498	2,445	1,138

The contractual obligations for the long-term debt do not include funds received for land and buildings under construction with amounts advanced of $3.5 million as at December 31, 2011.

CAPITAL RESOURCES

We use our capital to finance our current operations and growth strategies. Our capital consists of both debt and equity and we believe the best way to maximize our shareholder value is to use a combination of equity and debt financing to leverage our operations. A summary of the Company's available credit facilities as at December 31, 2011 is as follows:

($ thousands)	Total Amount	Borrowings	Letters of Credit	Amount Available
Operating and other bank credit facilities	44,552	1,188	4,000	39,364
Floor plan facilities and rental equipment term loan financing	141,410	62,177	-	79,233
Total	185,962	63,365	4,000	118,597

OPERATING AND OTHER BANK CREDIT FACILITIES

As discussed above in the liquidity risk section, operating and other bank credit facilities include both the Canadian and New Zealand amounts. The operating facility borrowing of NZ$1.5 million or CAD $1.2 million represents the Company's advances from its New Zealand bank. We believe that the credit facilities available to the Company and outlined above are sufficient to meet our market share targets and working capital requirements for 2012.

FLOOR PLAN FACILITIES

Floor plan payables consist of financing arrangements for the Company's inventories and rental equipment financing with JDL John Deere Financial, GE Canada Equipment Financing G.P., General Electric Canada Equipment Financing G.P., GE Commercial Distribution Finance Canada, TCF Commercial Finance Canada Inc., and US Bank. At December 31, 2011, floor plan payables related to inventories were $51.9 million and rental equipment term loan financing was $2.5 million. Floor plan payables at December 31, 2011 and December 31, 2010 represented approximately 49% of our inventories, respectively. Floor plan payables fluctuate significantly from quarter to quarter based on the timing between the receipt of equipment inventories and their actual repayment so that the Company may take advantage of any programs made available to the Company by its key suppliers.

OUTSTANDING SHARE DATA

As of the date of this MD&A, there are 14,717 thousand common shares, 99 thousand share options, and 498 thousand deferred shares outstanding. As at December 31, 2011 and 2010, the Company had the following weighted average shares outstanding:

($ thousands)	December 31, 2011	December 31, 2010
Basic weighted average number of shares outstanding	14,546	14,150
Dilutive impact of deferred share plan	498	316
Dilutive impact of share options	17	18
Diluted weighted average number of shares outstanding	15,061	14,484

During the year ended December 31, 2011, 425 thousand series 1 preferred shares, together with cumulative dividends in the amount of $79 thousand, were redeemed for 433 thousand common shares of the Company.

DIVIDENDS PAID AND DECLARED TO SHAREHOLDERS

The Company, at the discretion of the board of directors, is entitled to make cash dividends to its shareholders. The following table summarizes our dividends paid for the year ended December 31, 2011 ($ thousands, except per share amounts):

Record Date	Dividend Per Share	Dividend Payable	Dividends Reinvested	Net Dividend Paid
March 31, 2011	0.18	2,556	159	2,397
June 30, 2011	0.18	2,637	178	2,459
September 30, 2011	0.18	2,643	182	2,461
December 31, 2011	0.18	2,646	197	2,449
Preferred shares		79	-	79
Total dividends/distributions		**10,561**	**716**	**9,845**

Dividends are paid quarterly and are paid on or about the 15th day of the month following the record date. As of the date of this MD&A, all dividends as described above were paid.

DIVIDEND REINVESTMENT PLAN ("DRIP")

The DRIP was implemented to allow shareholders to reinvest quarterly dividends and receive Cervus shares. Shareholders who elect to participate will see their periodic cash dividends automatically reinvested in Cervus shares at a price equal to 95% of the volume-weighted average price of all shares for the ten trading days preceding the applicable record date. Eligible shareholders can participate in the DRIP by directing their broker, dealer, or investment advisor holding their shares to notify the plan administrator, Computershare Trust Company of Canada Ltd., through the Clearing and Depository Services Inc. ("CDS"), or directly where they hold the certificates personally.

TAXATION

Cervus' dividends declared and paid to December 31, 2011 are considered to be eligible dividends for tax purposes on the date paid.

CAUTIONARY NOTE REGARDING DIVIDENDS *(see "Note Regarding Forward-Looking Statements")*

The payment of future dividends is not assured and may be reduced or suspended. Our ability to continue to declare and pay dividends will depend on our financial performance, debt covenant obligations and our ability to meet our debt obligations and capital requirements. In addition, the market value of the Company's common shares may decline if we are unable to meet our cash dividend targets in the future, and that decline may be significant. Under the terms of our credit facilities, we are restricted from declaring dividends or distributing cash if the Company is in breach of its debt covenants. As at the date of this report, the Company is not in violation of any of its covenants.

OFF-BALANCE SHEET ARRANGEMENTS

In the normal course of business, we enter into agreements that include indemnities in favor of third parties, such as engagement letters with advisors and consultants, and service agreements. We have also agreed to indemnify our subsidiary general partner's directors, officers, and employees in accordance with our limited partnership agreement and other agreements. Certain agreements do not contain any limits on our liability and, therefore, it is not possible to estimate our potential liability under these indemnities. In certain cases, we have recourse against third parties with respect to these indemnities. Further, we also maintain insurance policies that may provide coverage against certain claims under these indemnities.

John Deere Credit Inc. ("Deere Credit") provides 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, 2011, payments in arrears by such customers aggregated $242 thousand. In addition, the Company is responsible for assuming all lease obligations held by its customers with Deere Credit, Agrifinance and Roynat Lease Finance for the net residual value of the lease outstanding at the maturity of the contract. At December 31, 2011, the net residual value of such leases aggregated $73.0 million of which the Company believes all are recoverable.

The Company is liable for a potential deficiency in the event that the customer defaults on their lease obligation or retail finance contract. Deere Credit retains 1% of the face amount of the finance or lease contract for amounts that the Company owes Deere Credit under this obligation. The deposits are capped at between 1% and 3% of the total dollar amount of the lease and finance contracts outstanding. The maximum liability that can arise related to these arrangements is limited to the deposits of $1.5 million at December 31, 2011. Deere Credit reviews the deposit account balances quarterly and if the balances exceed the minimum requirements, Deere Credit refunds the difference to the Company.

The Company has issued irrevocable standby Letters of Credit to JDL and another supplier in the aggregate amount of $4.0 million. The Letters of Credit were issued in accordance with the dealership arrangements with the suppliers that would allow the supplier to draw upon the letter of credit if the Company was in default of any of its obligations. Also, the Company's foreign subsidiary, Agriturf, has $166 thousand (NZ$210 thousand) of financial guarantees issued for the purposes of providing financial guarantees to creditors and for a bankcard facility.

TRANSACTIONS WITH RELATED PARTIES

KEY MANAGEMENT PERSONNEL COMPENSATION

In addition to their salaries, the Company also provides non-cash benefits to its directors and executive officers, and contributes to the Company's deferred share plan and the employee share purchase plan on behalf of those directors and executive officers, 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, 2011 and 2010 was:

($ thousands)	**2011**	**2010**
Short-term benefits	$ 1,610	$ 1,136
Share-based payments	332	260
Diluted weighted average number of shares outstanding	$ 1,942	$ 1,396

KEY MANAGEMENT PERSONNEL AND DIRECTOR TRANSACTIONS

Key management and directors of the Company control approximately 34% of the common voting shares of the Company.

During the year ended December 31, 2011, the Company transacted in the normal course of business, $208 thousand (2010 - $202 thousand), of parts sales with a company controlled by one of its Directors.

OTHER RELATED PARTY TRANSACTIONS

The Chief Executive Officer ("CEO") of the Company is the CEO of Proventure Income Fund (the "Fund"). He is also the single largest equity holder of the Company and the Fund. It must be noted that the Company and the Fund share a common board of directors. The Company had the following transactions with the Fund which are in the normal course of business and are recorded at fair value which is the amount agreed to between the two parties:

	2011	**2010**
Expenses	$	$
Real estate rentals	3,086	2,969
Guarantee fees	83	83
Revenue		
Fee for assumption of related party loans	400	-
Management fees ($2.5 thousand per month)	30	30
Interest on advances	91	76

The Company pays a guarantee fee to the Fund equal to 3% per annum for the guaranteed amounts that the Fund has provided to John Deere. This guarantee is a result of guarantees provided to John Deere prior to the establishment of the Fund and for which John Deere has not yet released the Fund from the contractual obligation. At December 31, 2011 and 2010, the Fund has outstanding guarantees with John Deere aggregating $2.75 million.

Certain officers and dealer managers of the Company have provided guarantees to John Deere aggregating $6,400 thousand. During the three and twelve month periods ended December 31, 2011 and 2010, the Company paid those individuals $48 thousand and $192 thousand, respectively, for providing these guarantees. These transactions were recorded at the amount agreed to between the Company and the guarantors and are included in selling, general and administrative expenses.

FOURTH QUARTER RESULTS

($ thousands, except per share amounts)	**Three Months Ended December 31, 2011**	**Three Months Ended December 31, 2010**	**% Change**
Revenues	141,356	109,541	29.0
Cost of sales, includes amortization of $618 (2010 - $884) and interest expense of $150 (2010 - $145)	113,209	86,962	30.2
Gross profit	28,147	22,579	24.7
Other income	831	632	31.5
Selling, general and administrative	(22,025)	(19,682)	11.9
Results from operating activities	**6,953**	**3,529**	**97.0**
Finance income	156	30	420.0
Finance costs	(222)	(385)	(42.3)
Net finance costs	**(66)**	**(355)**	**(81.4)**
Share of profit of equity accounted investees, net of income tax	144	211	(31.8)
Profit before income tax expense	7,031	3,385	107.7
Income tax expense	(2,506)	(1,288)	94.6
Profit for the period	4,525	2,098	115.7
Other comprehensive income			
Foreign currency translation differences for foreign operations	(32)	70	n/a
Total comprehensive income	4,493	2,168	107.2
Profit attributable to shareholders	4,397	2,187	101.0
Net earnings per share			
Basic	0.30	0.15	100.0
Diluted	0.29	0.15	93.3
Cash flow from operations	3,480	13,392	(74.0)
Per share - diluted	0.24	0.94	(74.5)
Dividends declared to common shareholders	2,646	2,554	3.6
Per share	0.18	0.18	-
EBITDA[1]	9,454	6,102	54.9
EBITDA margin[1]	6.7%	5.6%	19.6
Per share - diluted	0.65	0.43	51.1
Weighted average shares outstanding			
Basic	14,699	14,189	3.6
Diluted	15,211	14,616	4.0

[1] These financial measures are identified and defined under the section "Non-IFRS Financial Measures".

REVENUE

($ thousands)	Three Months Ended December 31, 2011	Three Months Ended December 31, 2010	% Change
Revenues by segment:			
Equipment:	78,184	57,606	35.7
New	48,960	34,576	41.6
Used	29,224	23,030	26.9
Parts	9,250	10,655	(13.2)
Service	6,306	6,111	3.2
Rental and other	948	1,279	(25.9)
Agricultural equipment	**94,688**	**75,651**	**25.2**
Equipment:	31,451	20,551	53.0
New	28,779	17,630	63.2
Used	2,672	2,921	(8.5)
Parts	7,786	6,675	16.6
Service	5,315	4,764	11.6
Rental and other	2,116	1,900	11.4
Construction and industrial equipment	**46,668**	**33,890**	**37.7**
Total	**141,356**	**109,541**	**29.0**

Revenue for fourth quarter of 2011 was up $31.8 million (same store $32.5 million) compared to the fourth quarter of 2010. Revenue for the agriculture equipment segment increased $19.0 million ($19.7 million same store) and the construction and industrial equipment segment revenue increased $12.8 million for the fourth quarter of 2011 when compared to the same period during 2010. The agricultural equipment segment increases were primarily caused by increased new and used equipment sales which increased by $20.6 in the fourth quarter of 2011 when compared to 2010. This increase is primarily a result of a relatively short harvest period which provided more time for the customer to consider purchases for the upcoming year. The construction equipment segment increase in sales in the fourth quarter of 2011 when compared to the same period of 2010 is a continuation of the increase in sales activity seen throughout 2011 due to increased oil & gas activity and increased activity in the transportation industry.

GROSS PROFIT AND GROSS MARGIN

GROSS PROFIT MARGINS

(percentage)	Three Months Ended December 31, 2011	Three Months Ended December 31, 2010	% Change
Gross profit margin by segment:			
Agricultural equipment	18.1	17.9	1.1
Construction and industrial equipment	23.6	26.6	(11.3)
Total	**19.9**	**20.6**	**(3.4)**

Gross profit dollars increased $5.6 million to $28.1 million for the fourth quarter of 2011 when compared to $22.6 million for the same period of 2010. This increase is directly related to the increase in sales revenues. Gross margin however has decreased by 3.4% to 19.9% overall for the fourth quarter of 2011 when compared to 20.6% overall for the same period in 2010. The overall decrease in gross margin is primarily a result of our sales mix in the fourth quarter of 2011 when compared to the same period of 2010. As shown above, whole goods have increased dramatically when compared to the prior year and these are primarily at lower margins than our other product lines.

SELLING, GENERAL, AND ADMINISTRATIVE

Selling, general, and administrative expenses increased $2.3 million or 11.9% in the fourth quarter of 2011 when compared to the same period of 2010. However, as a percentage of revenue, selling, general and administrative expenses decreased to 15.6% from 18.0%. The increase in selling, general and administrative expenses dollars is a combination of personnel costs, due to increases over prior year, commission expenses due to increase in sales volumes as well as marketing expenses.

PROFIT

Profit for the fourth quarter of 2011 was $4.5 million compared to $2.2 million for the fourth quarter of 2010, an increase of $2.3 million or 107%. The agricultural equipment segment contributed $3.7 million ($946 thousand in 2010) and the construction and industrial equipment segment contributed of $800 thousand ($630 thousand in 2010). The primary reason for the increase in profit was due to the increased sales activity.

CASH FLOW FROM OPERATIONS

Cash flow from operations for the three month period ended December 31, 2011 was $3.4 million, a decrease of 74% from the $13.4 million provided in the same period of 2010. The primary reason for the decrease in cash flow was from the net change in non-cash working capital related to accounts receivable collection, inventory purchases and floor plan financing.

CRITICAL ACCOUNTING ESTIMATES

Preparation of unaudited and audited consolidated financial statements requires that we make assumptions regarding accounting estimates for certain amounts contained within the unaudited and audited consolidated financial statements. Our significant accounting estimates include estimating bad debts on accounts receivable; amortization of intangible assets and property, plant, and equipment; the fair value of assets and liabilities acquired in business combinations; estimated impairment of long-lived assets; the fair value of share-based awards; the fair value of goodwill for impairment testing purposes; and estimates of various taxation matters. We believe that each of our assumptions and estimates is appropriate to the circumstances and represents the most likely future outcome. However, because of the uncertainties inherent in making assumptions and estimates regarding unknown future outcomes, future events may result in significant differences between estimates and actual results.

PROVISION FOR DOUBTFUL ACCOUNTS RECEIVABLE

We perform ongoing credit evaluations of our customers and grant credit based upon past payment history, financial condition, and anticipated industry conditions. Customer payments are regularly monitored and a provision for doubtful accounts is established based upon specific situations and overall industry conditions. Our history of bad debt losses has been within expectations and is generally limited to specific customer circumstances. However, given the cyclical nature of the agricultural business in which many of our customers operate, a customer's ability to fulfill its payment obligations can change suddenly and without notice.

DEPRECIATION AND AMORTIZATION OF INTANGIBLE ASSETS AND PROPERTY AND EQUIPMENT

Our intangible assets and property, plant, and equipment are depreciated and amortized based upon estimated useful lives and salvage values. We review our historical experience with similar assets to ensure that these amortization rates are appropriate. However, the actual useful life of the assets may differ from our original estimate due to factors such as technological obsolescence and maintenance activity.

FAIR VALUE OF INVENTORIES

Inventories are recorded at the lower of cost and net realizable value. The most significant area of accounting estimate involves our evaluation of used equipment inventory net realizable value. We perform ongoing quarterly reviews of our used equipment inventories based upon local market conditions and the changes in the U.S. currency exchange rates to determine whether any adjustments are required to our carrying cost of inventory balances to ensure they are properly stated.

FAIR VALUE OF ASSETS AND LIABILITIES ACQUIRED IN BUSINESS COMBINATIONS

The value of acquired assets and liabilities on the acquisition date require the use of estimates to determine the purchase price allocation. Estimates are made as to the valuations of property, plant, and equipment, intangible assets, and goodwill, among other items. In certain circumstances, such as the valuation of property, plant, and equipment and intangible assets acquired, we rely on independent third party valuations.

ASSET IMPAIRMENT

We assess the carrying value of long-lived assets, which include property, plant, and equipment and intangible assets, for indications of impairment when events or circumstances indicate that the carrying amounts may not be recoverable from estimated cash flows. Estimating future cash flows requires assumptions about future business conditions and technological developments. Significant, unanticipated changes to these assumptions could require a provision for impairment in the future.

Goodwill is assessed for impairment at least annually. This assessment includes a comparison of the carrying value of the Cash Generating Unit ("CGU") to its estimated recoverable amount to ensure that the recoverable amount is greater than the carrying value. 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. These valuation methods employ a variety of assumptions, including future revenue growth, expected profit, and profit multiples. Estimating the recoverable amount of a CGU is a subjective process and requires the use of our best estimates. If our estimates or assumptions change from those used in our current valuation, we may be required to recognize an impairment loss in future periods.

TAXATION MATTERS

Income tax provisions, including current and future income tax assets and liabilities, require estimates and interpretations of federal and provincial income tax rules and regulations, and judgments as to their interpretation and application to our specific situation. Although there are tax matters that have not yet been confirmed by taxation authorities, we believe that the provision for the Company's income taxes is adequate.

FAIR VALUE OF SHARE-BASED AWARDS

The fair value of share options granted is determined at the date of grant using the Black-Scholes option-pricing model. The Black-Sholes option valuation model was developed for use in estimating the fair value of traded options that are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including share price volatility. Because changes in subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a single reliable measure of the fair value of our share options granted.

IFRSs CHANGES

At the date of authorization of this MD&A, the following standards and interpretations were issued but not yet effective.

In addition to the issuance of new standards as detailed above, there have also been amendments to existing standards, including IAS 1, "Presentation of Financial Statements" ("IAS 1"), IAS 19, "Employee Benefits" ("IAS 19"), IAS 27, "Consolidated and Separate Financial Statements" ("IAS 27"), IAS 28, "Investments in Associates and Joint Venture" ("IAS 28"), IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7") and IAS 32 "Financial Instruments: Presentation" ("IAS 32").

The amendments to IAS 1 will require that entities group items presented in other comprehensive income ("OCI") based on an assessment of whether such items may or may not be reclassified to profit at a subsequent date. Amendments to IAS 1 are applicable to annual periods beginning on or after July 1, 2012, with early adoption permitted.

Amendments to IAS 19 eliminate an entity's option to defer the recognition of certain gains and losses related to postemployment benefits and require re-measurement of associated assets and liabilities in OCI. Amendments to IAS 19 are applicable on a modified retrospective basis to annual periods beginning on or after January 1, 2013, with early adoption permitted.

IAS 27 has been amended to address the accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements.

IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 through 13 as outlined above. Amendments to IAS 27 and IAS 28 are applicable to annual periods beginning on or after January 1, 2013, with early adoption permitted.

Amendments to IFRS 7 require the disclosure of information that will enable users of an entity's financial statements to evaluate the effect, or potential effect, of offsetting financial assets and financial liabilities, to the entity's financial position. Amendments to IFRS 7 are applicable to annual periods beginning on or after January 1, 2013, with retrospective application required.

The amendments to IAS 32 clarify the criteria that should be considered in determining whether an entity has a legally enforceable right of set off in respect of its financial instruments. Amendments to IAS 32 are applicable to annual periods beginning on or after January 1, 2014, with retrospective application required. Early adoption is permitted.

The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

BUSINESS RISKS AND UNCERTAINTIES

RELIANCE ON OUR KEY MANUFACTURERS AND DEALERSHIP ARRANGEMENTS

Cervus' primary source of income is from the sale of agricultural and construction and industrial equipment and products and services pursuant to agreements to act as an authorized dealer. The agreement with JDL provides a framework under which JDL can terminate a John Deere dealership if such dealership fails to maintain certain performance and equity covenants. Each contract also provides a one-year remedy period whereby the Company has one year to restore any deficiencies.

The Company also has dealership agreements in place with Bobcat, JCB, CMI, Clark, Sellick, Nissan, and Doosan. These agreements are one or two year agreements and are normally renewed annually, except for unusual situations such as bankruptcy or fraud.

The successes of our dealerships depend on the timely supply of equipment and parts from our manufacturers to ensure the timely delivery of products and services to our customers. We also depend on our suppliers to provide competitive prices and quality products. Currently all of our dealership contracts are in good standing with our suppliers. There can be no guarantee that circumstances will not arise which gives these equipment manufacturers the right to terminate their dealership agreements.

DEPENDENCE ON INDUSTRY SECTORS

Authorized John Deere agricultural dealerships sell John Deere agricultural and turf and sport products and equipment. The majority of sales are derived from the agricultural sector. Consequently, grain and livestock prices, weather conditions, Canadian vs. U.S. currency exchange rates, interest rates, disease, Canadian and U.S. government trade policies and customer confidence have an impact on demand for equipment, parts and service.

The retail agricultural equipment industry is very competitive. The Company faces a number of competitors, including other "in-line" John Deere dealerships and other competitors including authorized Agco, Case, Kubota and New Holland dealerships that may be located in and around communities in which the Company's dealerships are located. Deere & Company has a reputation for the manufacture and delivery of high quality, competitively priced products. John Deere has the largest market share of manufacturing and sales of farm equipment in North America. There can be no assurance that John Deere will continue to manufacture high quality, competitively priced products or maintain its market share in the future.

We have mitigated these risks by geographical diversification in Western Canada and New Zealand within the agricultural sector and industry diversification into the construction sector in Alberta.

The construction equipment group sells light and medium construction equipment and is comprised of several lines of equipment from two major manufacturers, Bobcat and JCB. The major competitors are Caterpillar, Komatsu, CNH (Case), John Deere, Volvo, Hitachi and Liebherr. The light and medium construction equipment market is very much dependent upon residential and commercial construction. Based on CMHC's year ended housing report, the 2011 market estimate, though negative, appears to be an improvement over prior years and is expected to somewhat improve in 2012 and later years (see "Note Regarding Forward-Looking Statements").

The industrial equipment group sells material handling equipment from several manufacturers, Clark, Sellick, Nissan, and Doosan being the major suppliers. Their major competitors are Toyota, Hyster, and Caterpillar. The materials handling equipment is primarily sold to oilfield supply companies, building supply companies, warehousing, food processors, and the grocery industry. This customer diversity mitigates to some degree the risks inherent in any one of these customer segments. However, this segment has been impacted negatively by the general slowdown in the oil and gas and construction sectors over the past few years.

Presently the majority of the construction and industrial equipment segment revenue is derived from the sale of Bobcat, JCB, Doosan, Nissan, Clark and Sellick equipment and products. All these equipment manufacturers have established themselves as industry leaders in the Western Canada market for the manufacture and delivery of light construction and industrial equipment. There can be no assurance however that these suppliers will continue to manufacture high quality, competitively priced products or maintain its market share in the future.

OTHER RISKS

Although the Company has conducted investigations of, and engaged legal counsel to review, the corporate, legal, financial and business records of Vasogen Inc., with whom Cervus underwent its conversion from a limited partnership structure to that of a corporation in 2009, there may be liabilities and risks that the Company did not uncover in its due diligence investigation and that these liabilities and risks could have, individually or in the aggregate, a material adverse effect on the business, financial condition and results of operations of Cervus.

The steps under the plan of arrangement, pursuant to which the corporate conversion was completed, were structured to be tax-deferred to the Company and the Company's shareholders based on certain rules under the Income Tax Act (Canada). There is a risk that the tax consequences contemplated by the Company or the tax consequences of the plan of arrangement to the Company and the shareholders may be materially different from the tax consequences anticipated by the Company in undertaking the conversion. While the Company is confident in its current position, there is a risk that the Canada Revenue Agency could successfully challenge the tax consequences of the plan of arrangement or prior transactions of Vasogen. Such a challenge could potentially affect the availability or amount of the tax basis or other tax accounts of Cervus.

NON-IFRS FINANCIAL MEASURES

This MD&A contains certain financial measures that do not have any standardized meaning prescribed by IFRS. Therefore, these financial measures may not be comparable to similar measures presented by other issuers. Investors are cautioned that these measures should not be construed as an alternative to profit or to cash flow from operating, investing, and financing activities determined in accordance with IFRS as indicators of our performance. These measures are provided to assist investors in determining our ability to generate profit and cash flow from operations and to provide additional information on how these cash resources are used. These financial measures are identified and defined below:

EBITDA is defined as profit before interest, taxes, depreciation, and amortization. We believe, in addition to profit, EBITDA is a useful supplemental profit measure as it provides an indication of the financial results generated by our principal business activities prior to consideration of how these activities are financed or how the results are taxed in various jurisdictions and before non-cash amortization expense.

EBITDA margin EBITDA margin is calculated as EBITDA divided by gross revenue.

Price earnings ratio price earnings ratio is calculated by dividing the Company's market capitalization by its total annual profit. Market capitalization is calculated by multiplying the Company's shares outstanding by the current market price of one share.

Working capital working capital is calculated as current assets less current liabilities. Working capital ratio is calculated as current assets divided by current liabilities.

EVENTS AFTER THE REPORTING PERIOD AND PROPOSED TRANSACTIONS

On January 5, 2012, the Company purchased from a related party, the Fund, certain real estate assets. The purchase price for the real estate assets was $26.3 million and was paid to the Fund through an assumption of mortgages of $11.4 million, cash of $12.2 million and a reduction in the advances made to the Fund of $2.7 million.

The Company has agreed in principal to purchase substantially all the assets and liabilities from Frontier Peterbilt Sales Ltd. ("FPSL") and Frontier Collision Center Ltd. ("FCCL") for approximately $18.7 million. FPSL is a full service dealer, including sales, parts and service of principally Peterbilt branded transport equipment and FCCL is primarily in the business of collision repair as an Autopro Collision Centre. FCCL has one location in Saskatoon, Saskatchewan and FPSL operates out of four locations in Saskatoon, Lloydminster, Regina and Estevan, Saskatchewan.

In addition, the Company has agreed in principal to purchase the real properties in which FPSL and FCCL operate for an approximate purchase price of $14.4 million. The purchase price of these properties will be paid by way of $1 million in cash and a two year vendor take back mortgage at a rate of 4.75% per annum. The properties are located in Lloydminster, Saskatoon, Regina and Estevan, Saskatchewan.

The purchase of is subject to, among other things, the negotiation and execution of a definitive binding agreement and the execution of new manufacturer-dealer agreements. There can be no assurance that these conditions precedent, or any other conditions precedent, will

be satisfied. Further, there can be no assurance that the proposed transaction will be completed as proposed or at all. Upon completion of satisfactory due diligence and negotiation of the purchase price and structure, Cervus anticipates closing of the proposed transaction in the first quarter of 2012, assuming all agreements and approvals are in place.

The Company has agreed to purchase certain property consisting of 21.58 acres for the purposes of constructing a new location for its John Deere dealership in Calgary, Alberta. The purchase price for the land is approximately $8.5 million and is subject to a re-zoning condition. The company has paid a $100 thousand deposit and will finance the balance of the purchase price through an approved mortgage already in place. The Company plans to use approximately half the land purchased for the dealership and sub-divide and sell the remaining portion assuming suitable buyers can be located and the properties can be sold on reasonable terms.

CONSOLIDATED FINANCIAL STATEMENTS OF CERVUS EQUIPMENT CORPORATION

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

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, 2011, December 31, 2010 and January 1, 2010, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, 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 as at December 31, 2011, December 31, 2010 and January 1, 2010, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Chartered Accountants

Calgary, Canada - March 7, 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2011, December 31, 2010 and January 1, 2010

($ thousands)	Note	December 31, 2011	December 31, 2010	January 1, 2010
			(Note 34)	(Note 34)
Assets				
Current assets				
Cash and cash equivalents	11	6,536	19,605	13,453
Deposit for business acquisition	33	2,000	-	6,810
Asset held for sale		1,447	-	-
Trade and other accounts receivable	12	50,189	26,067	16,850
Inventories	13	106,776	97,824	89,150
Total current assets		**166,948**	**143,496**	**126,263**
Non-current assets				
Investments in associates, at equity	14	5,146	4,706	1,887
Other long-term assets		112	169	1,420
Deposits with manufacturers	16	1,459	1,715	1,649
Property and equipment	19	29,185	22,018	10,338
Deferred tax asset	9	53,546	61,150	70,068
Intangible assets	17	19,905	22,352	11,021
Goodwill	18	5,154	5,154	3,200
Total non-current assets		**114,507**	**117,264**	**99,583**
Total assets		**$ 281,455**	**$ 260,760**	**$ 225,846**
Liabilities				
Current liabilities				
Trade and other accrued liabilities	20	$ 22,514	$ 19,820	$ 9,981
Customer deposits		5,269	2,148	2,689
Floor plan payables	21	51,944	44,203	40,426
Dividends payable		2,647	2,634	2,545
Current portion of term debt	21	2,957	3,993	4,004
Current portion of notes payable	21	2,477	2,683	367
Total current liabilities		**87,808**	**75,481**	**60,012**
Non-current liabilities				
Term debt	21	7,276	6,438	1,839
Notes payable	21	2,652	5,254	492
Total non-current liabilities		**9,928**	**11,692**	**2,331**
Total liabilities		**97,736**	**87,173**	**62,343**
Equity				
Shareholders' capital	22	72,925	71,641	65,600
Deferred share plan		3,785	2,823	1,882
Other reserves		3,036	2,927	2,882
Accumulated other comprehensive income		150	157	-
Retained earnings		102,084	94,202	93,139
Total equity attributable to equity holders of the Company		181,980	171,750	163,503
Non-controlling interest		1,739	1,837	-
Total equity		**183,719**	**173,587**	**163,503**
Total liabilities and equity		**$ 281,455**	**$ 260,760**	**$ 225,846**

Approved by the Board:

Peter Lacey, Director   Gary Harris, Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2011 and 2010

($ thousands)	Note	2011	2010
			(Note 34)
Revenue			
Equipment sales		$ 429,442	$ 355,557
Parts		73,172	63,017
Service		45,852	40,572
Rentals		11,132	9,985
Total revenue		559,598	469,131
Cost of sales	5	(453,263)	(380,402)
Gross profit		106,335	88,729
Other income		1,839	1,607
Selling, general and administrative	6	(82,601)	(71,874)
Results from operating activities	7	25,573	18,462
Finance income		372	157
Finance costs		(1,265)	(1,716)
Net finance costs		(893)	(1,559)
Share of profit of equity accounted investees, net of income tax	8	1,346	1,704
Profit before income tax expense	14	26,026	18,607
Income tax expense		(7,900)	(7,094)
Profit for the year	9	18,126	11,513
Other comprehensive income			
Foreign currency translation differences for foreign operations		213	260
Total comprehensive income for the year		$ 18,339	$ 11,773
Profit (loss) attributable to:			
Shareholders of the Company		$ 18,444	$ 11,584
Non-controlling interest		(318)	(71)
Profit for the year		$ 18,126	$ 11,513
Total comprehensive income (loss) attributable to:			
Shareholders of the Company		$ 18,437	$ 11,741
Non-controlling interest		(98)	32
Total comprehensive income for the year		$ 18,339	$ 11,773
Net income per share attributable to shareholders of the Company:			
Basic	23	$ 1.27	$ 0.82
Diluted	23	$ 1.22	$ 0.79

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Years Ended December 31, 2011 and 2010

ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

($ thousands)	Note	Share Capital	Preferred Shares	Deferred Share Plan	Other Reserves	Cumulative Translation Account	Retained Earnings	Total	Non-Controlling Interest	Total Equity
Balance, January 1, 2010	34	$ 65,600	$ -	$ 1,882	$ 2,882	-	$ 93,139	$ 163,503	$ -	$ 163,503
Comprehensive income for the year										
Profit or loss		-	-	-	-	-	11,584	11,584	(71)	11,513
Other comprehensive income										
Foreign currency translation adjustments		-	-	-	-	157	-	157	103	260
Total comprehensive income for the year		-	-	-	-	157	11,584	11,741	32	11,773
Transactions with owners, recorded directly in equity										
Dividends to equity holders	22	-	-	-	-	-	(10,521)	(10,521)	-	(10,521)
Shares issued through DRIP	22	579	-	-	-	-	-	579	-	579
Shares issued through deferred share plan	22	5	-	(5)	-	-	-	-	-	-
Share-based payment transactions	24	-	-	946	45	-	-	991	-	991
Employee loans forgiven	24	96	-	-	-	-	-	96	-	96
Issue of preferred shares related to business combination	10	-	5,361	-	-	-	-	5,361	-	5,361
Total transactions with owners		680	5,361	941	45	-	(10,521)	(3,494)	-	(3,494)
Changes in ownership interests in subsidiaries that do not result in a loss of control										
Acquisition of non-controlling interest		-	-	-	-	-	-	-	1,805	1,805
Total transactions with owners		680	5,361	941	45	-	(10,521)	(3,494)	1,805	(1,689)
Balance December 31, 2010		$ 66,280	$ 5,361	$ 2,823	$ 2,927	$ 157	$ 94,202	$ 171,750	$ 1,837	$ 173,587

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the Years Ended December 31, 2011 and 2010

ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

($ thousands)	Note	Share Capital	Preferred Shares	Deferred Share Plan	Other Reserves	Cumulative Translation Account	Retained Earnings	Total	Non-Controlling Interest	Total Equity
Balance December 31, 2010		$ 66,280	$ 5,361	$ 2,823	$ 2,927	$ 157	$ 94,202	$ 171,750	$ 1,837	$ 173,587
Comprehensive income for the year										
Profit or loss		-	-	-	-	-	18,444	18,444	(318)	18,126
Other comprehensive income										
Foreign currency translation adjustments		-	-	-	-	(7)	-	(7)	220	213
Total comprehensive income for the year		-	-	-	-	(7)	18,444	18,437	(98)	18,339
Transactions with owners, recorded directly in equity										
Dividends to equity holders	22	-	-	-	-	-	(10,562)	(10,562)	-	(10,562)
Conversion of shares and cumulative dividends to share capital	22	5,439	(5,361)	-	-	-	-	78	-	78
Shares issued through DRIP	22	674	-	-	-	-	-	674	-	674
Shares issued through deferred share plan	24	80	-	(80)	-	-	-	-	-	-
Share-based payment transactions	24	-	-	1,042	109	-	-	1,151	-	1,151
Shares issued for land purchase	22	382	-	-	-	-	-	382	-	382
Employee loans forgiven	24	70	-	-	-	-	-	70	-	70
Total transactions with owners		6,645	(5,361)	962	109	-	(10,562)	(8,207)	-	(8,207)
Balance December 31, 2011		$ 72,925	-	$ 3,785	$ 3,036	$ 150	$ 102,084	$ 181,980	$ 1,739	$ 183,719

CONSOLIDATED STATEMENT OF CASH FLOWS

For the periods ended December 31, 2011 and 2010

($ thousands)	Note	2011	2010
			(Note 34)
Cash flows from operating activities			
Profit for the year		$ 18,126	$ 11,513
Depreciation		5,505	4,765
Amortization of intangibles	17	2,447	2,868
Forgiveness of employee purchase loans	24	70	95
Equity-settled share-based payment transactions	24	1,150	992
Net finance costs	8	1,292	1,874
Gain on sale of property and equipment		(193)	(393)
Share of profit of equity accounted investees, net of tax	14	(1,346)	(1,704)
Income tax expense	9	7,604	7,094
Change in non-cash working capital		(7,141)	(2,271)
		27,514	24,833
Interest paid		(1,665)	(2,032)
Net cash from operating activities		25,849	22,801
Cash flows from investing activities			
Interest received	8	372	157
Business acquisitions	10	(2,000)	1,680
Advances to related party	12	(14,684)	(617)
Purchase of property and equipment	19	(11,455)	(9,245)
Proceeds from disposal of property and equipment	19	1,965	3,285
Proceeds from investments, at equity, net of purchases	14	905	1,895
Increase in other investments, at cost	15	(1,545)	(1,869)
Net cash used in investing activities		(26,442)	(4,714)
Cash flows from financing activities			
Repayments of term debt	**21**	(121)	493
Dividends		(9,797)	(9,853)
Decrease in deposits with John Deere	16	250	(43)
Repayment of notes payable	21	(2,808)	(2,532)
Net cash used in financing activities		(12,476)	(11,935)
Net decrease in cash and cash equivalents		(13,069)	6,152
Cash and cash equivalents, beginning of year		19,605	13,453
Cash and cash equivalents, end of year	11	$ 6,536	$ 19,605

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2011 and 2010

NOTE 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, 2011 comprise of the Company and its subsidiaries ("the Group"). The Company is primarily involved in the sale, after-sale service and maintenance of agricultural, construction and industrial equipment. The Company also provides equipment rental, primarily in the construction and industrial equipment segment. The Company operates 30 John Deere agricultural equipment, Bobcat and JCB construction equipment and Clark, Sellick, Nissan and Doosan material handling equipment dealerships in 29 locations across Western Canada. Cervus also has a majority interest in Agriturf Limited ("Agriturf"), with six locations on the north island of New Zealand. The Company's shares are listed on the Toronto Stock Exchange ("TSX") and trade under the symbol "CVL".

NOTE 2. BASIS OF PREPARATION

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). These are the first consolidated financial statements prepared in accordance with IFRSs and IFRS 1 "First-time Adoption". An explanation of effect of the transition to IFRS on the financial position, financial performance and cash flows is included in note 34.

The Board of Directors authorized the issue of these consolidated financial statements on March 7, 2012.

Basis of measurement

The consolidated financial statements have been prepared on a going concern and historical cost basis.

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.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

Information about critical assumptions and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Net realizable value of inventories (note 13)
- Valuation allowance for trade accounts receivable (note 12 and 24);
- Impairment of intangible assets and goodwill (notes 17 and 18);
- Recognition of deferred tax assets (note 9); and
- Commitments and contingencies (note 30).

NOTE 3. NEW AND AMENDED IFRSs

Certain new or amended standards or interpretations have been issued by the IASB or IFRIC that are not required to be adopted in the current period. None of these changes in standards or interpretations will have a material effect on the consolidated financial statements or note disclosures as currently presented.

NOTE 4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by all the Group's entities and to all periods presented in these consolidated financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of transition to IFRSs.

Basis of consolidation

These consolidated financial statements include the accounts of the parent company Cervus Equipment Corporation and its wholly-owned subsidiaries, Cervus LP, Cervus Contractors Equipment LP and Cervus AG Equipment LP and their respective general partners, Cervus GP Ltd., Cervus Contractors Equipment Ltd. and Cervus AG Equipment Ltd. and its 60.3% interest in Agriturf.

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 statement 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 acquiree's 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.

Business segments

The Company has historically operated two distinct business segments, an agricultural equipment segment and a construction and industrial equipment segment. These segments are managed separately and strategic decisions are made on the basis of their respective operating results. All business segments' operating results are reviewed regularly by the Company's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The agricultural equipment segment consists primarily of John Deere dealership locations in Alberta, Saskatchewan, British Columbia and New Zealand and the construction and industrial equipment segment consists primarily of Bobcat, JCB, Clark, Sellick, Doosan and Nissan dealership locations in Alberta, Saskatchewan and Manitoba.

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.

Foreign currency translation

The individual financial statements of each Company are stated in the currency of the primary economic environment in which it operates (its functional currency). Transactions in currencies other than the entity's functional currency (foreign currency) are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are recorded at the rates of exchange prevailing at that date. Any resulting gains and losses are included in profit or loss for the period.

For the purpose of presenting consolidated financial statements the results of entities denominated in currencies other than Canadian dollars are translated at the rate of exchange at the date of the transactions and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on retranslation at the closing rate of the opening net assets and results of entities denominated in currencies other than Canadian dollars are recognized in other comprehensive income in the cumulative translation account.

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. Cost shall be assigned using the first-in, first-out (FIFO) or weighted cost-formula for parts inventories. Previous write-downs of inventory are reversed when economic changes support an increased value.

Property and equipment

Buildings, equipment, automotive and trucks, furniture and fixtures, computers, and parts and shop equipment are recorded at cost, less any accumulated depreciation and accumulated impairment losses.

Depreciation is provided for using both the declining balance and straight-line methods at annual rates intended to depreciate the cost of each component of an asset, less its residual values over its estimated useful lives which range from 2 to 8 years. The estimated useful lives, residual values and depreciation method are reviewed at each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The following declining balance rates are used in the calculation of depreciation

Assets	Rate
Buildings	5%
Automotive and trucks and computers	30%
Furniture and fixtures, parts and shop equipment	20%

Short-term rental equipment is depreciated on a straight-line basis at rates ranging from 12% to 20% per annum. Leasehold improvements are depreciated on a straight-line basis over the period of the lease.

Intangible assets

Intangible assets include dealership distribution agreements, trade names, customer lists and non-competition agreements and are recorded at cost and are amortized on a straight-line basis. Dealership distribution agreements and non-competition agreements are amortized over the expected term of the agreements. Customer lists and computer software are amortized over the estimated useful lives of the lists and software. The estimated useful life and amortisation 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 period 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 exits, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The following useful lives are used in the calculation of amortization.

Intangible Assets	Years
Dealership distribution agreements	5
Trade name	5
Customer lists	20
Non-competition agreements	20

Investments on 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.

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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.

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 assets and liabilities are determined based on differences between the accounting and tax bases of assets and liabilities, and are measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. 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.

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/units at the average market price of the shares during the period.

Revenue recognition

Revenue is recorded based on the fair value of the consideration received or receivable. Revenue on agricultural equipment is recorded once all financial obligations have been received and settled. This includes, but is not limited to, the receipt of required equipment deposits, approval of debt loan arrangements, if required, and substantial completion of all required presale work orders and delivery of equipment to customers. Revenue on construction equipment is recorded upon the customer receiving receipt of the related equipment. Rental and service revenue are recognized at the time the service is provided.

Revenue is not recognized before there is persuasive evidence that an arrangement exists, 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.

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. Acquisitions prior to January 1, 2010 have not been restated.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

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. 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, and term debt and notes payable. The designated financial instruments are as follows:

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 for the period in which the change occurs. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. As at December 31, 2011 and 2010 and January 1, 2010, the Company does not have any financial assets classified as held-for-trading.

Financial assets classified as loans and receivables are measured at amortized cost using the effective interest method. Loans and receivables include trade and other accounts receivable, employee housing loan and the loan to Agriturf Limited, both of which are part of other long-term assets.

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 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. As at December 31, 2011, December 31, 2010 and January 1, 2010, the Company's investments in companies in other long-term assets are classified as available-for-sale assets. Initially, available-for-sale assets are recognized at fair value plus any directly attributable transaction costs.

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, dividend payable, floor plan payables, term debt and notes payable.

The Company does not currently have any derivative financial instruments

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.

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

Lease payments

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. 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.

Share capital

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends of preference share capital classified as equity are recognized as distributions within equity.

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 are assessed for specific impairment. 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.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in unrealized gains/losses on available-for-sale financial assets in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognized in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time, or when an indication of impairment exists.

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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

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.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

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 of share-based payment 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. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

NOTE 5. COST OF SALES

The following amounts have been included in cost of sales for the periods ended December 31, 2011 and 2010:

		2011		**2010**
Depreciation of rental equipment	$	2,859	$	2,685
Interest paid on rental equipment financing		400		315
	$	**3,259**	**$**	**3,000**

NOTE 6. OTHER INCOME

Interest and other income for the periods ended December 31, 2011 and 2010 are comprised of the following:

		2011		**2010**
Net gain on sale of property and equipment	$	247	$	408
Net loss on write-down of other long-term assets		(54)		(15)
Other income, including consignment commissions, commissions on extended warranty products, finance fees and other sundry items		1,646		1,214
	$	**1,839**	**$**	**1,607**

NOTE 7. WAGES AND BENEFITS

	2011	2010
Included in cost of sales:		
Short-term wages and benefits	**$ 14,576**	**$ 12,372**
Included in selling, general and administrative expenses:		
Short-term wages and benefits	$ 48,199	$ 41,466
Share-based payments	1,150	992
	49,349	42,458
	$ 63,925	**$ 54,830**

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 at a minimum of 15% to 100% 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 wages and benefits are $649 thousand (2010 - $532 thousand) of contributions made on behalf of the Company's employees.

NOTE 8. FINANCE INCOME AND FINANCE COSTS

Finance income and finance costs for the years ended December 31, 2011 and 2010 are comprised of the following

	2011	2010
Interest income on advances to related party	$ 86	$ 76
Interest income on amounts due the Company	89	26
Interest income on held-to-maturity investments	197	55
Finance income	**372**	**157**
Net foreign exchange loss	-	(8)
Interest expense on financial liabilities	(1,265)	(1,708)
Finance costs	(1,265)	(1,716)
Net finance costs recognized in profit	**$ (893)**	**$ (1,559)**

NOTE 9. INCOME TAXES

Income tax recognized in profit for the years ended December 31, 2011 and 2010 are:

Tax expense (recovery) comprises:	2011	2010
Current tax expense in respect of the current year	$ 296	$ -
Deferred tax	7,604	7,094
Total tax expense relating to continuing operations	$ 7,900	$ 7,094

The expense for the year can be reconciled to the accounting profit (loss) based on using federal and provincial statutory rates of 27.1% as follows:

($ thousands)	2011	2010
Profit before income tax expense	$ 26,025	$ 18,607
Expected income tax expense	$ 7,052	$ 5,322
Non-deductible costs and other	848	1,772
Income tax recovery recognized in profit or loss	$ 7,900	$ 7,094

Deferred tax assets and liabilities

($ thousands)	2011	2010
Tax values over varying value of tangible assets	$ (958)	$ (113)
Carrying value over the tax value of intangible assets	(3,066)	(3,494)
Federal investment tax credits	12,842	12,842
Benefit of tax losses to be carried back to recover taxes paid in prior periods	44,728	51,915
Deferred tax asset	**$ 53,546**	**$ 61,150**

All changes in deferred tax assets and liabilities were recognized in income tax expense.

Unrecognized deferred tax assets

($ thousands)	2011	2010
Deferred tax assets not recognized at the reporting date:		
tax losses (revenue)	$ 215	$ 209
tax losses (capital)	19,537	19,015
	$ 19,752	$ 19,224

The Company's investment tax credits will commence expiring in 2019 and non-capital losses commence expiring in 2027.

NOTE 10. BUSINESS COMBINATIONS

a. On July 13, 2010, the Company completed a transaction whereby it has acquired control through a 60.3% equity interest in a subsidiary, Agriturf, a private New Zealand corporation for a purchase price of $2,744 thousand. The estimated purchase price was paid by the conversion of the loan described in note 15:

Net Assets Purchased ($ thousands)	
Accounts receivable	$ 1,104
Inventories	4,632
Property and equipment	4,064
Deposits with John Deere finance	267
Goodwill and other intangibles	993
Accounts payable and accrued liabilities	(1,722)
Floor plan payable	(3,953)
Term debt	(836)
Minority interest	(1,805)
Purchase price of 60.28% partnership interest in Agriturf	**$ 2,744**

Agriturf had existed prior to the purchase date of July, 13, 2010 and had the business combination been effected on the commencement of business in April 2010, the revenue of the Company from continuing operations would have been $2,330 thousand greater, and the income for the period from continuing operations would have been $287 thousand less.

b. On January 4, 2010, Cervus purchased all the issued and outstanding shares of A.R. Williams Materials Handling Ltd., a private company that sells, rents, and services industrial products and equipment in ten locations for an aggregate purchase price of $20,101 thousand of which $6,810 thousand was paid by way of cash deposit at December 31, 2009. The allocation of the purchase price to the net assets acquired based on their fair values is as follows:

Net Assets Acquired ($ thousands)		
Accounts receivable	$	5,600
Inventories		4,782
Prepaid expenses		40
Property and equipment		6,309
Other intangible assets		14,200
Goodwill		666
Accounts payable and accrued liabilities		(3,246)
Floor plans payable		(3,224)
Future income taxes		(1,824)
Long-term debt		(3,202)
	$	20,101
Financed by:		
Cash, net of cash received of $1,680 thousand	$	5,130
425 thousand series 1 preferred shares		5,361
Note payable, non-interest bearing, due in equal annual installments		9,610
Purchase price	$	20,101

Goodwill arose on the acquisition of A.R. Williams Materials Handling Ltd. because the cost of the combination included a control premium. As the acquisition was at the beginning of the year, no additional revenue or income would have occurred.

c. On January 25, 2010, the Company completed the sale of its business and net assets of two wholly owned John Deere dealerships located in Russell, Manitoba and Moosomin, Saskatchewan to Maple Farm Equipment Partnership ("Maple") with an effective date of January 1, 2010. As consideration for the sale of the business and assets, Cervus obtained a 20% partnership interest in Maple which operates various John Deere dealerships in the Provinces of Saskatchewan and Manitoba. The 20% interest in Maple is accounted for using the equity method of accounting. The carrying value of the net assets sold to Maple, effective January 1, 2010 are as follows:

Net Assets Sold ($ thousands)		
Accounts receivable	$	83
Inventories		3,185
Property and equipment		381
Deposits with John Deere finance		260
Accounts payable and accrued liabilities		(76)
Customer deposits		(41)
Floor plan payable		(529)
		3,263
Payable to Cervus, non-interest bearing, due October 31, 2010		(252)
Purchase price of 20% partnership interest in Maple	$	3,011

NOTE 11. CASH AND CASH EQUIVALENTS

($ thousands)		December 31, 2011		December 31, 2010		January 1, 2010
Bank balances	$	-	$	714	$	531
Money market funds		8,064		18,041		12,922
Short-term deposits		-		2,011		-
		8,064		20,766		13,453
Bank overdrafts used for cash management purposes		(1,528)		(1,161)		-
	$	6,536	$	19,605	$	13,453

The Company's bank overdrafts used for cash management purposes are comprised of the use of credit facilities available (see note 21). The company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in note 25.

NOTE 12. TRADE AND OTHER ACCOUNTS RECEIVABLE

($ thousands)	December 31, 2011	December 31, 2010	January 1, 2010
Trade receivables	$ 23,095	$ 15,449	$ 7,685
Advances to related parties	15,123	2,728	2,111
Advances to Chief Executive Officer	2,289	-	-
Prepaid expenses	2,248	2,047	1,340
Volume bonus	221	57	50
Contracts in transit	8,064	6,279	6,183
Allowance for doubtful debts	(851)	(493)	(519)
	$ 50,189	$ 26,067	$ 16,850

The Company's exposure to credit and currency risks, and impairment losses related to trade and other receivables is disclosed in note 25.

The Company has provided a $2.75 million revolving credit facility to Proventure Income Fund (the "Fund") and advanced $12.4 million to Prodev Trust ("Trust"), related parties (see note 31). The Fund's facility expires on November 30, 2013 and the Trust's advance to Prodev was repaid subsequent to year end. The facility and advance are due on demand and bear interest at the rate of prime plus 0.25% which is the rate agreed to between the related parties. The facility can be used for operations, capital acquisitions, and investments and is secured by a general security agreement whereas the advance to the Trust was used to repay an amount owing to the Fund.

NOTE 13. INVENTORIES

($ thousands)	December 31, 2011	December 31, 2010	January 1, 2010
New equipment	$ 44,297	$ 36,755	$ 35,095
Used equipment	46,550	45,837	42,092
Parts and accessories	15,246	14,597	11,553
Work-in-progress	683	635	410
	$ 106,776	$ 97,824	$ 89,150

During the year ended December 31, 2011, inventories recognized as cost of sales amounted to $445,047 thousand (2010 - $371,728 thousand). No write-downs or reversal of write-downs was recorded for the years ended December 31, 2011 and 2010.

NOTE 14. EQUITY ACCOUNTED INVESTEES

($ thousands)	Ownership	December 31, 2011	December 31, 2010	January 1, 2010
101034350 Saskatchewan Ltd.	33.0	$ -	$ -	$ 651
Greenway Sprayers	38.0	-	-	372
Prairie Precision Network Inc.	22.2	29	-	-
1595672 Alberta Ltd.	18.2	400	-	-
Deer Star Systems, Inc.	35.7	906	656	864
Maple Farm Equipment Partnership	20.0	3,811	4,050	-
		$ 5,146	$ 4,706	$ 1,887

The Company's share of profit in its equity accounted investees for the year ended December 31, 2011 was $1,346 thousand (2010 - $1,704 thousand). During the year ended December 31, 2011, the Company received $1,559 thousand (2010 - $1,895 thousand) of repayments from its investees.

Summary financial information for 100% ownership of equity accounted investees is as follows:

($ thousands)	Current Assets	Long-Term Assets	Current Liabilities	Long-Term Liabilities	Income	Expenses
January 1, 2010	10,346	48	5,796	-	-	-
December 31, 2010	36,940	9,628	19,636	1,959	167,953	157,060
December 31, 2011	38,163	11,770	21,754	1,921	170,855	163,897

During the year ended December 31, 2011, the Company purchased 200 Class A voting shares (22.2% interest) of Prairie Precision Network Inc. ("Prairie") for $200 thousand and 200,000 common shares (18.2% interest) of 1595672 Alberta Ltd. for $400 thousand. During the year ended December 31, 2010, the Company purchased a 20% interest in Maple Farm Equipment Partnership ("Maple"), see note 10. In addition, during 2010, the Company Greenway Sprayers discontinued operations and the operations were effectively assumed by each of the joint venturers and 101034350 Saskatchewan Ltd. was sold to Maple for its net book value.

NOTE 15. OTHER LONG-TERM ASSETS

($ thousands)	December 31, 2011	December 31, 2010	January 1, 2010
Investment in companies at cost:			
Employee housing loan, non-interest bearing	$ -	$ -	$ 365
Agriturf Limited loan, unsecured, due on demand, bearing interest at 5% per annum	-	-	883
Agritronics Inc.	-	54	69
Cash surrender value of life insurance	112	115	103
	$ 112	$ 169	$ 1,420

During the year ended December 31, 2011, the Company recorded a write-down of $54 thousand (2010 - $15 thousand) related to the Company's investments in Agritronics Inc. and recorded an adjustment to its cash surrender value of life insurance of $3 thousand decrease (2010 - $12 thousand increase).

The employee housing loan was repaid during the year ended December 31, 2010 and during 2010, the Company advanced funds to Agriturf in the amount of NZ $2,550 thousand and combined with the advances made in 2009, the advances aggregated $3,700 thousand. As described in note 10, the funds were used to purchase a 60.3% equity interest in Agriturf, which transaction was completed on July 13, 2010. Prior to the purchase, the Company recorded interest of $10 thousand and a foreign exchange loss of $45 thousand for the year ended December 31, 2010.

NOTE 16. 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 $1,459 thousand (December 31, 2010 - $1,715 thousand and January 1, 2010 - $1,649 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.

NOTE 17. INTANGIBLE ASSETS

($ thousands)	Dealership Distribution Agreements	Trade Name	Customer Lists	Non-Competition Agreements	Total
Cost					
Balance at January 1, 2010	$ 10,645	$ -	$ 2,790	$ 1,891	$ 15,326
Additions	6,500	3,100	4,600	-	14,200
Balance at December 31, 2010 and December 31, 2011	$ 17,145	$ 3,100	$ 7,390	$ 1,891	$ 29,526
Accumulated amortization					
Balance at January 1, 2010	$ 1,637	$ -	$ 1,532	$ 1,136	$ 4,305
Amortization expense	866	155	1,478	370	2,869
Balance at December 31, 2010	2,503	155	3,010	1,506	7,174
Amortization expense	857	155	1,250	185	2,447
Balance at December 31, 2011	$ 3,360	$ 310	$ 4,260	$ 1,691	$ 9,621
Carrying amounts					
At January 1, 2010	$ 9,008	$ -	$ 1,258	$ 755	$ 11,021
At December 31, 2010	$ 14,642	$ 2,945	$ 4,380	$ 385	$ 22,352
At December 31, 2011	$ 13,785	$ 2,790	$ 3,130	$ 200	$ 19,905

The amortization expense has been recorded in selling, general and administrative expense. No impairment losses have been recognized in the statement of comprehensive income.

For the purpose of impairment testing, goodwill and intangibles assets are allocated to the Company's operating divisions within the Company's business segment which represent the lowest level with the Company at which goodwill and intangible assets are monitored for internal management purposes.

NOTE 18. GOODWILL

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

($ thousands)	December 31, 2011	December 31, 2010	January 1, 2010
Agricultural equipment segment			
AGRO division	$ 1,346	$ 1,346	$ 1,346
Farm and Garden division	327	327	327
Agriturf division	1,288	1,288	-
Construction and industrial equipment segment			
Construction division	1,527	1,527	1,527
Industrial division	666	666	-
	$ 5,154	$ 5,154	$ 3,200

The recoverable amount of the Group's CGU's was based on its value in use. Value in use was determined by discounting the future cash flows generated from the continuing use of the unit. Unless indicated otherwise, value in use as at December 31, 2011 was determined similarly as at January 1 and December 31, 2010. The calculation of the value in use was based on the following key assumptions:

- Cash flows were projected based on past operating experience, actual operating results and the budget projection for 2010, 2011 and 2012 respectively. Cash flows for a further 5 to 10-year period were extrapolated using a constant growth rate of between 1% and 3% for the first five years and zero percent for each year thereafter, which does not exceed the long-term average growth rate for the industry.

- Maintenance capital expenditures were determined for each business unit using the average of historical capital additions made by each business unit over the past 3 years.

- A pre-tax discount rate of 11.5 percent was applied in determining the recoverable amount of the unit. The discount rate was estimated based on past experience, and industry average weighted average cost of capital, which was based on a possible range of debt leveraging of 40 percent at a market interest rate of 6 to 7 percent.

NOTE 19. PROPERTY AND EQUIPMENT

Cost

($ thousands)	Land & Buildings	Short-Term Rental Equipment	Automotive & Trucks	Furniture & Fixtures	Parts & Shop Equipment	Computers & Software	Leasehold Improvements	Total
Balance at January 1, 2010	**66**	**8,069**	**4,656**	**2,065**	**2,422**	**1,572**	**1,869**	**20,719**
Additions	-	6,411	2,009	383	314	441	87	9,645
Disposals	-	(5,738)	(331)	(249)	(156)	(346)	(129)	(6,949)
Acquisitions through business combinations	-	11,716	1,108	516	816	277	157	14,590
Transfer to equity accounted investees	(66)	-	(562)	(166)	(190)	(121)	(142)	(1,247)
Effect of movements in exchange rates	-	181	43	11	24	3	-	262
Balance at December 31, 2010	**-**	**20,639**	**6,923**	**2,560**	**3,230**	**1,826**	**1,842**	**37,020**
Additions	6,526	2,214	1,965	225	414	511	272	12,127
Transfer from inventories	-	1,485	-	-	-	-	-	1,485
Disposals	-	(3,506)	(640)	(11)	(9)	(63)	(259)	(4,488)
Effect of movements in exchange rates	-	342	27	1	18	8	3	399
Balance at December 31, 2011	**6,526**	**21,174**	**8,275**	**2,775**	**3,653**	**2,282**	**1,858**	**46,543**

Accumulated depreciation and impairment

($ thousands)	Land & Buildings	Short-Term Rental Equipment	Automotive & Trucks	Furniture & Fixtures	Parts & Shop Equipment	Computers & Software	Leasehold Improvements	Total
Balance at January 1, 2010	**16**	**2,979**	**2,598**	**1,323**	**1,334**	**938**	**1,193**	**10,381**
Depreciation expense	-	2,684	892	275	349	302	264	4,766
Disposals	-	(2,937)	(159)	(137)	(37)	(316)	(74)	(3,660)
Acquisition through business combination	-	3,394	223	244	273	143	89	4,366
Transfer to equity accounted investee	(16)	-	(423)	(146)	(133)	(67)	(81)	(866)
Effects of movements in exchange rates	-	5	4	1	3	2	-	15
Balance at December 31, 2010	**-**	**6,125**	**3,135**	**1,560**	**1,789**	**1,002**	**1,391**	**15,002**
Depreciation expense	-	2,868	1,441	266	375	406	150	5,506
Disposals	-	(2,223)	(642)	(34)	-	(53)	(256)	(3,208)
Effects of movements in exchange rates		9	11	-	24	13	1	58
Balance at December 31, 2011	**-**	**6,779**	**3,945**	**1,792**	**2,188**	**1,368**	**1,286**	**17,358**
Carrying value								
Balance at January 1, 2010	50	5,090	2,058	742	1,088	634	676	10,338
Balance at December 31, 2010	-	14,514	3,788	1,000	1,441	824	451	22,018
Balance at December 31, 2011	6,526	14,395	4,330	983	1,465	914	572	29,185

Included in property and equipment is $6,233 thousand of land and buildings under construction. It is anticipated that total construction costs will be approximately $12 million for all projects. It is expected that these buildings will be available for occupancy during the first, second and third quarter of 2012. Until the buildings are available for occupancy, no depreciation is recorded on the capitalized amounts. In addition, as part of the purchase of land that is included in the amount, the Company issued 26 thousand common shares for a fair value of $382 thousand (see note 22).

Assets pledged as security

All of the Company's assets are pledged under a general security agreement with the Company's bank. Assets with a carrying amount of $5,152 thousand are pledged as security to a bank in New Zealand on behalf of our subsidiary, Agriturf. In addition, certain of the short-term rental equipment with a carrying amount of $3,313 thousand are pledged as security for the finance company debt described in note 21.

NOTE 20. TRADE AND OTHER PAYABLES

($ thousands)	December 31, 2011	December 31, 2010	January 1, 2010
Trade and other payables	$ 10,494	$ 9,908	$ 4,903
Non-trade payables and accrued expenses	12,020	9,912	5,078
	$ 22,514	$ 19,820	$ 9,981

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 25.

NOTE 21. LOANS AND BORROWINGS

Bank indebtedness

At December 31, 2011, the Company has a combined credit facility agreement aggregating $43,000 thousand. The credit facilities consist of an operating facility ($15,000 thousand), inventory facility ($18,000 thousand), rental facility ($7,000 thousand) and a capex facility ($3,000 thousand). In addition, the Company has an operating bank line of credit with its subsidiary, Agriturf, to a maximum amount of NZ$1,960 thousand in New Zealand. Of the Canadian operating bank line, $2,400 thousand has been utilized for outstanding letters of credit to John Deere (see note 28) and of the New Zealand line of credit, $210 thousand has been utilized as financial guarantees. The Company's credit facilities, excluding Agriturf, bear interest at the Banks prime rate plus the Applicable Margin (currently 0.25%). Applicable Margin is based on the Company's ratio of total debt to earnings before interest, taxes, depreciation and amortization and can range from 0.25% to 0.75%. The Company's credit facilities in New Zealand bear interest at the rate of 6.24% per annum. 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 and the general partner and the New Zealand facility is secured by a general security agreement covering all property. At December 31, 2011 and December 31, 2010, NZ$1,500 thousand has been drawn on the New Zealand facility which for the purposes of consolidation has been included in cash and cash equivalents as described in note 11.

Floor plan payables

The Company utilizes floor plan financing arrangements with various suppliers for inventory purchases. The terms of these arrangements may include a one to eleven-month interest-free period followed by a term during which interest is charged at rates ranging from 0.346% to 7.46%. 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 assessment. Floor plan payables are secured by specific new and used equipment inventories.

Term debt

($ thousands)	December 31, 2011	December 31, 2010	January 1, 2010
Bank term loan, repaid in April 2011 with interest at a rate of prime plus 0.25% per annum	$ -	$ 625	$ 1,875
Farm Credit Corporation, mortgage funding on land and buildings under construction, repayable, interest only until completion at a rate of 4% per annum	3,543	-	-
Finance company, payable in monthly instalments of approximately $223 thousand including interest at prime plus 2.5%, secured by short term rental equipment	2,489	6,120	2,786
John Deere finance contracts, payable in monthly instalments ranging up to $5 thousand including interest at a rate of 4.0% to 5.01%, secured by related equipment	798	437	1,134
John Deere Financial, Australia, finance contracts, payable in monthly instalments ranging up to NZ$5 thousand including interest from 4.75% to 8.15%, secured by related equipment	3,157	3,152	-
Finance contracts, New Zealand, various, repayable in monthly instalments ranging up to NZ$2 thousand per month including interest from 8.35% to 15.57%, secured by related equipment	246	82	-
Finance contracts and fixed rate bank term loans repayable repaid during 2011	-	15	48
	10,233	10,431	5,843
Less current portion	(2,957)	(3,993)	(4,004)
	$ 7,276	$ 6,438	$ 1,839

Notes payable

As part of previous business acquisitions, the Company has certain notes payable due to those vendors. The notes payable are unsecured and are as follows:

($ thousands)	December 31, 2011	December 31, 2010	January 1, 2010
Note payable, non-interest bearing, repayable in annual instalments of $2,838 thousand, effective interest at a rate of 7% per annum.	$ 5,129	$ 7,445	$ -
Notes payable, repaid in July 2011with interest at a rate of 6% per annum	-	325	526
Note payable, repaid in September 2011 including interest at the rate of 6% per annum	-	167	333
	5,129	7,937	859
Less: current portion	(2,477)	(2,683)	(367)
	$ 2,652	$ 5,254	$ 492

NOTE 22. CAPITAL AND OTHER COMPONENTS OF EQUITY

Share capital

($ thousands)	Number Of Preferred Shares	Amount	Number Of Common Shares	Amount	Share Purchase Loan	Total Carrying Amount
Balance January 1, 2010	**-**	**$ -**	**14,140**	**$ 65,766**	**(166)**	**$ 65,600**
Issued in business combination	425	5,361	-	-	-	5,361
Issued under the DRIP plan	-	-	50	579	-	579
Issued under the deferred share plan	-	-	1	5	-	5
Amortized to profit	-	-	-	-	96	96
Balance December 31, 2010	**425**	**5,361**	**14,191**	**66,350**	**(70)**	**71,641**
Conversion of shares and accrued dividends to share capital	(425)	(5,361)	433	5,439		78
Issued under the DRIP plan	-	-	46	674	-	674
Issued under the deferred share plan	-	-	7	80	-	80
Shares issued for land purchase			26	382	-	382
Amortized to profit	-	-	-	-	70	70
Balance December 31, 2011	**-**	**$ -**	**14,703**	**$ 72,925**	**-**	**$ 72,925**

Issuance of common shares

During the period ended December 31, 2011, the Company issued 46 thousand (2010 - 50 thousand) common shares to shareholders participating in the Company's dividend reinvestment plan ("DRIP"), 7 thousand (2010 - 1 thousand) common shares as a result of redemptions of vested shares from the deferred share plan and as described in note 19, for the purchase of certain lands, the Company issued 26 thousand common shares. Also, during 2011, the holders of the 425 thousand Series 1 preference shares exercised their conversion feature and the preference shares, combined with $78 thousand of accrued dividends were converted into 433 thousand common shares of the Company.

Issuance of preference shares

As described above, the preference shares were converted to common shares during 2011. The Company issued these 425 thousand non-voting convertible redeemable Series 1 preference shares as part of the business combination described in note 10. Each Series 1 preference share was entitled to a cumulative dividend at the rate of 7% per annum on the stated amount at the discretion of the Company.

On April 6, 2011, the Company redeemed and converted the 425 thousand Series 1 preference shares plus cumulative and unpaid dividends in the amount of $78 thousand for 433 thousand common shares.

Common shares and preference shares

The Company has unlimited authorized share capital for all common shares, preference shares and Series 1 preference shares.

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, Agriturf.

Dividends

The Company has declared and paid the following dividends:

($ thousands)	2011	2010
$0.72 per qualifying common share	$ 10,484	$ 10,203
7% of face value of $4,540 to date of redemption	78	318
	$ 10,562	**$ 10,521**

Dividend reinvestment plan

The Company has a Dividend Reinvestment Plan ("DRIP") entitling shareholders to reinvest cash distributions in additional common shares. The DRIP allows shareholders to reinvest distributions into new shares at 95 percent of the average share price of the previous 10 trading days prior to distribution. During the year ended December 31, 2011, the Company issued 46 thousand (2010 – 50 thousand) shares under this plan.

NOTES 23. EARNINGS PER SHARE

Per share amounts

Both basic and diluted earnings per share have been calculated using the profit attributable to the shareholders of Cervus as the numerator. No adjustments to profit were necessary for the years ended December 31, 2011 and 2010. 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 of shares)	2011	2010
Issued common shares January 1	14,191	14,140
Effect of shares issued under the DRIP plan	26	10
Effect of shares issued under the deferred share plan	4	-
Effect of shares issued under conversion of series 1 preferences shares	319	-
Effect of shares issued for the purchase of land	6	-
Weighted average number of common shares at December 31	**14,546**	**14,150**

Diluted earnings per share

The calculation of diluted earnings per share at December 31, 2011 and 2010 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 of shares)	2011	2010
Weighted average number of common shares (basic)	14,546	14,150
Effect of dilutive securities:		
Deferred share plan	498	316
Share options	17	18
Weighted average number of shares (diluted) at December 31	**15,061**	**14,484**

NOTE 24. SHARE BASED PAYMENTS

Included in share based payments are the following:

($ thousands)	2011	2010
Deferred share plan	1,041	947
Share options	109	45
Weighted average number of shares (diluted) at December 31	**1,150**	**992**

Deferred share plan

As at December 31, 2011, 498 thousand (2010 – 316 thousand) deferred shares have been issued under the deferred share plan and remain outstanding. As at December 31, 2011, the matching component of the plan aggregated $2,169 thousand (2010 - $1,580 thousand) of which $1,116 thousand (2010 - $680 thousand) has been amortized into compensation expense. Of the outstanding deferred shares, 332 thousand (2010 – 262 thousand) can be converted to common shares.

Share purchase loans

The Company has provided loans to certain employees for shares issued under the Company's private placement offerings and to pay for the exercise of share options. The loans bear interest at the rate of 4% per annum. The employees have provided the shares as security for the loans. During the year ended December 31, 2011, $70 thousand (2010 - $96 thousand) has been forgiven and recorded as compensation expense. The share capital on the face of the balance sheet is disclosed net of the employee share purchase loans.

Share option plan

The Company has a share option plan available to officers, directors and employees with grants under the plan approved from time to time by the board of directors. The exercise price of each option equals the market price of the shares at the date of grant. The plan provides for vesting, at the discretion of the board, and the options expire after five years from the date of grant. All options are to be settled by physical delivery of share certificate.

Changes in the outstanding options, all of which are not exercisable at December 31, 2011, are as follows:

(thousands except for weighted average exercise price)	Number Outstanding	Weighted Average Exercise Price
Outstanding, January 1, 2010	33	$ 6.20
Granted under share option plan in 2010	37	12.05
Outstanding at December 31, 2010	**70**	**9.30**
Granted under share option plan in 2011	29	17.67
Outstanding at December 31, 2011	**99**	**$ 11.72**

The weighted average remaining life of the options is 3.8 years (4.1 years). During the year ended December 31, 2011, 29 thousand (2010- 38 thousand) share options were granted and no options have been exercised or forfeited.

The fair value of the 2011 awards, calculated using the Black-Scholes option pricing model, was between $10.05 and $10.59 per share using a risk free interest rate between 1.43% and 1.7%, expected life of 5 years, expected annual distribution of 4.1% and an expected share price volatility of 100%. No forfeitures are expected to occur.

The fair value of the 2010 awards, calculated using the Black-Scholes option pricing model, was between $6.25 and $6.37 per share using a risk free interest rate of between 1.43% and 1.98%, expected life of 5 years, expected annual distribution of 5.98% and an expected share price volatility of 101%. No forfeitures are expected to occur.

Expected volatility is estimated considering historic average share price volatility.

For the year ended December 31, 2011, $109 thousand (2010 - $45 thousand), has been recorded as compensation cost and respective increase in other reserves related to the share options.

NOTE 25. FINANCIAL INSTRUMENTS

Credit risk

Exposure to credit risk

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

	Carrying Amount		
($ thousands)	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Cash and bank balances	$ 6,536	$ 19,605	$ 13,453
Trade and other accounts receivables	47,940	24,020	16,029
	$ 54,476	$ 43,625	$ 29,482

The maximum exposure to credit risk for loans and receivables at the reporting date by geographic region was:

	Carrying Amount		
($ thousands)	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Domestic	$ 46,541	$ 22,225	$ 16,029
New Zealand	1,399	1,795	-
	$ 47,940	$ 24,020	$ 16,029

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

	Carrying Amount		
($ thousands)	**December 31, 2011**	**December 31, 2010**	**January 1, 2010**
Current	$ 36,365	$ 15,912	$ 11,257
Past due – 30 – 60 days	8,061	2,855	1,522
Past due – 61 to 120 days	330	1,308	733
Past due more than 120 days	3,184	3,945	2,517
	47,940	24,020	16,029

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

	2011	**2010**
Balance at January 1	**$ 493**	**$ 519**
Additional allowance recorded	716	249
Amounts written-off as uncollectible	(358)	(275)
Balance at December 31	**$ 851**	**$ 493**

In our industries, customers typically pay invoices within 30 to 60 days. The average time to collect Company's outstanding accounts receivable was approximately 20 days for the year ended December 31, 2011 (2010 – 17 days). No single outstanding customer balance represented more than 10% of total accounts receivable.

The Company mitigates its credit risk by assessing the credit worthiness of its customers on an ongoing basis. The Company closely monitors the amount and age of balances outstanding and establishes a provision for bad debts based on specific customers' credit risk, historical trends, and other economic information. For the year ended December 31, 2011 and 2010, 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.

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments.

December 31, 2011 ($ thousands)	Carrying Amount	Contractual Cash Flows	6 Months Or Less	7-12 Months	1-2 Years	2 – 5 Years
Bank overdraft	$ 1,188	$ 1,188	$ 1,188	$ -	$ -	$ -
Trade and other accrued liabilities	22,514	22,514	22,514	-	-	-
Floor plans payable	51,944	51,944	51,944	-	-	-
Dividends payable	2,647	2,647	2,647	-	-	-
Term debt payable	10,233	7,245	1,770	1,573	3,456	446
Notes payable	5,129	5,675	-	2,837	2,838	-
	$ 93,655	$ 91,213	$ 80,063	$ 4,410	$ 6,294	$ 446

Included in term debt payable is $3,543 thousand of mortgage funds that have been received for land and buildings under construction. The contractual repayment of this amount has not been included above as at the date of this report, the full amount and repayment terms are not known.

Currency risk

The company's exposure to foreign currency risk is nominal based on the notional amounts of the trade receivables, bank overdraft and trade payables outstanding at December 31, 2011 and 2010.

Sensitivity analysis

A strengthening or weakening of the Canadian dollar by 5% against the New Zealand dollar at December 31, 2011 would have increased (decreased) equity by $100 thousand and profit or loss by $40 thousand. This analysis is based on foreign currency exchange rate the Company considered to be reasonably possible at the end of the reporting period and assumes that all other variables, including interest rates, remain constant.

Interest rate risk

At the reporting dates, the interest bearing financial instruments was:

	Carrying Amount		
($ thousands)	December 31, 2011	December 31, 2010	January 1, 2010
Floor plan payables	$ 51,944	$ 44,203	$ 40,426
Term debt	10,233	10,431	5,843
Notes payable	5,129	7,937	859
	$ 67,306	$ 62,571	$ 47,128

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates would not affect profit or loss. A change in 100 basis points in interest rates would have increased or decreased equity for the three months ended December 31, 2011 by approximately $572 thousand (2010 -$548 thousand).

Fair value of financial instruments

The carrying amounts of cash and cash equivalents, trade and other accounts receivable, trade and other accrued liabilities, floor plan payables and dividends payable approximate their fair values given the short-term maturity of these instruments. 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.

NOTE 26. OPERATING LEASES

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	$	2,473
Between 1 and 5 years		8,357
More than 5 years		1,985
	$	12,815

NOTE 27. DETERMINATION OF FAIR VALUES

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

I. PROPERTY, PLANT AND EQUIPMENT

The fair value of property and equipment recognized as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. 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 replacement cost when appropriate.

II. INTANGIBLE ASSETS

The fair value of trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the trademark being owned. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, 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 is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

III. INVENTORIES

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the common 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.

IV. TRADE AND OTHER RECEIVABLES

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

V. SHARE-BASED PAYMENT TRANSACTIONS

The fair value of the employee share options and the share appreciation rights is measured using the Black-Scholes option-pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

NOTE 28. 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 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 developing and monitoring 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 an external audit firm. The audit firm 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 and construction and industrial equipment industries. This results in a concentration of credit risk from customers in these industries. A significant decline in economic conditions within these industries would increase the risk customers will experience financial difficulty and be unable to fulfill their obligations to the Company. The Company's exposure to credit risk arises from granting credit sales and is limited to the carrying value of accounts receivable and deposits with manufacturers (see note 16). 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 receivables as deemed necessary and dependent on the value of the receivable.

Guarantees

The Company has irrevocable standby letters of credit to John Deere and another supplier in the amount of $3,100 thousand (December 31, 2010 - $2,400; January 1, 2010; $1,500 thousand). As part of the Company's purchase of its 60.3% equity interest in Agriturf, an additional $900 thousand irrevocable standby letter of credit was issued to John Deere during 2010. The letter of credit agreements allow for John Deere and the other supplier 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. At December 31, 2011, the Company's contractual obligations are described in note 21 and 26 above. As described in note 21, the Company has available for its current use, $15,000 and NZ$1,960 thousand of operating credit facilities less $4,000 thousand for irrevocable letters of credit issued to John Deere and other suppliers.

The Company believes that it has sufficient operating funds available as described above to meet expected operational expenses for a period of 60 days, including the services of financial obligations.

Market risk

Market risk is the risk that changes in the market place such as foreign exchange rates, interest rates and equity 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

The Company is exposed to foreign currency fluctuations on its loan to Agriturf Limited however are not exposed to fluctuations in foreign currency to the extent that all sales and expenditures are incurred in Canadian dollars. However, 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. This may cause fluctuations in the sales values assigned to equipment and parts inventories as the Company's price structure is to maintain consistent gross margins. Both sales revenues and gross margins may fluctuate based on the foreign exchange rate in effect at the time of purchase. Certain of the Company's manufacturers also have programs in place to facilitate and/or reduce the effect of foreign currency fluctuations, primarily on new equipment inventory purchases.

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.

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 initiative 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 insurance when this is effective.

Compliance with Company standards is supported by a program of periodic reviews undertaken by an Internal Audit firm. 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/unitholder 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) total debt to adjusted equity ratio (calculated as total debt divided by adjusted equity) and; b) adjusted assets to adjusted equity ratio (adjusted assets divided by adjusted equity). 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.

During 2011 and 2010, the Company's strategy has remained unchanged and was to maintain the total debt to equity and total adjusted net assets to adjusted equity ratio at no greater than 4 to 1 in order to comply with its dealership arrangements with John Deere and to meet its covenant conditions with the Company's lender. The total debt to adjusted equity ratios and total adjusted net assets to adjusted equity ratios were as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Total debt	$ 97,736	$ 87,173	$ 62,343
Adjusted equity:			
Total equity	$ 183,719	$ 173,587	$ 163,503
Less intangible assets and goodwill	(25,059)	(27,506)	(14,220)
Adjusted equity	$ 158,660	$ 146,081	$ 149,283
Total debt to adjusted equity ratio	0.62 to 1	0.59 to 1	0.41 to 1
Adjusted assets:			
Total assets	$ 281,455	$ 260,760	$ 225,846
Less other intangible assets and goodwill	(25,059)	(27,506)	(14,220)
Adjusted assets	$ 256,396	$ 233,254	$ 211,626
Adjusted equity (above)	$ 158,660	$ 146,081	$ 149,283
Adjusted assets to adjusted equity ratio	1.62 to 1	1.60 to 1	1.42 to 1

There were no changes in the Company's approach to capital management in the period. Other than the Company's subsidiary Agriturf, neither the Company, nor any of its other subsidiaries are subject to externally imposed capital requirements. The Company is in the process of providing a guarantee to the New Zealand bank that is financing the operation cash flow of the foreign operation. The guarantee is being put in place to limit additional capital contributions to the subsidiary at this time.

NOTE 29. SEGMENT INFORMATION

The Company has two reportable segments which include the agricultural equipment segment which primarily distributes agricultural related equipment and services and the construction and industrial equipment segment which includes primarily the sale of construction and industrial equipment and related services. These two business segments are described in note 4 and are considered to be the Company's two strategic business units. The two 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 CEO reviews internal management reports on a monthly basis. The following is a summary of financial information for each of the reportable segments.

The Company allocates corporate expenditures to each individual segment based on a direct allocation method. Total corporate related expenditures, excluding income taxes, that have been allocated for the year ended December 31, 2011 are $1,045 thousand (2010 - $225 thousand).

December 31, 2011	Agricultural Equipment	Construction & Industrial Equipment	Total
Revenue	$ 409,822	$ 149,776	$ 559,598
Profit for the year	14,086	4,040	18,126
Share of profit of equity accounted investees	1,346	-	1,346
Investment in associates	4,717	-	4,717
Depreciation and amortization	3,511	4,433	7,944
Interest income	236	136	372
Interest expense	824	840	1,664
Capital expenditures	8,954	2,781	11,735
Reportable segment assets	175,390	105,856	281,246
Reportable segment liabilities	67,898	29,502	97,400
Other intangible assets	4,896	15,009	19,905
Goodwill	2,960	2,194	5,154

December 31, 2010	Agricultural Equipment	Construction & Industrial Equipment	Total
Revenue	$ 356,114	$ 113,017	$ 469,131
Profit for the year	9,350	2,163	11,513
Share of profit of equity accounted investees	1,704	-	1,704
Investment in associates	4,706	-	4,706
Depreciation and amortization	2,714	4,919	7,633
Interest income	110	47	157
Interest expense	921	1,101	2,022
Capital expenditures	6,044	3,286	9,330
Reportable segment assets	166,821	93,939	260,760
Reportable segment liabilities	51,888	34,649	86,537
Other intangible assets	5,683	16,669	22,352
Goodwill	2,960	2,194	5,154

The Company primarily operates in Western Canada but has a subsidiary, Agriturf, which operates in the agricultural equipment segment in New Zealand. The operations were purchased in July 2010. Gross revenue and non-current assets for the geographic segment were $23,777 thousand (2010 - $13,547 thousand) and $6,342 thousand (2010 - $6,830 thousand) respectively.

NOTES 30. COMMITMENTS AND CONTINGENCIES

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, 2011 payments in arrears by such customers aggregated $242 thousand (December 31, 2010 - $228 thousand; January 1, 2010 - $588 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, 2011, the net residual value of such leases aggregated $73,009 thousand (December 31, 2010 - $56,455 thousand; January 1, 2010 - $58,732 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.

NOTES 31. 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:

	2011	2010
Short-term benefits	$ 1,610	$ 1,136
Share-based payments	332	260
	1,942	1,396

Key management personnel and director transactions

Key management and directors of the Company control approximately 32% of the common voting shares of the Company. In October 2011, the Company provided its Chief Executive Officer (“CEO”) and an immediate family member with a $10,212 thousand short-term loan to assist them in transactions involving securities held in their Registered Retirement Savings Plans as a result of recent amendments to the Income Tax Act (Canada). The loan bears interest at the rate of bank prime plus 0.25%. As at December 31, 2011 and as disclosed in note 12, the amount outstanding is $2,289 thousand. The outstanding amount plus accrued interest was repaid subsequent to year end.

During the year ended December 31, 2011, the Company transacted in the normal course of business, $208 thousand (2010 - $202 thousand) of parts and service sales with a company controlled by a Director.

Other related party transactions

The CEO of the Company is the CEO of Proventure Income Fund (the "Fund"). He is also the single largest equity holder of the Company and the Fund. It must be noted that the Company and the Fund share a common board of directors. In addition to transactions discussed elsewhere in these financial statements, the Company had the following transactions with the Fund which are in the normal course of business and are recorded at fair value which is the amount agreed to between the two parties:

		2011		2010
Expenses:				
Real estate leases	$	3,086	$	2,969
Guarantee fees	$	83	$	83
Revenue:				
Fee for assumption of related party loan	$	400	$	-
Management fees for administration	$	30	$	30
Interest on advances	$	91	$	76

The Company receives $2.5 thousand per month to carry out all administrative and management tasks related to the Fund's operations.

As part of the Fund's restructuring actions in 2011, the Company agreed to loan Prodev Trust (see note 12) funds to repay the Fund. The Company charged the Fund $400 thousand as a financing fee for the completing the transaction.

The Company pays a guarantee fee to the Fund equal to 3% per annum for the guaranteed amounts that the Fund has provided to John Deere. This guarantee is a result of guarantees provided to John Deere prior to the establishment of the Fund and for which John Deere has not yet released the Fund from the contractual obligation. At December 31, 2011 and 2010, the Fund has outstanding guarantees with John Deere aggregating $2,750 thousand.

Certain officers and dealer managers of the Company have provided guarantees to John Deere aggregating $6,400 thousand. During the year ended December 31, 2011 and 2010, the Company paid those individuals $192 thousand for providing these guarantees. These transactions were recorded at the amount agreed to between the Company and the guarantors and are included in selling, general and administrative expense.

NOTE 32. SUBSIDIARIES

Details of the Company's subsidiaries at December 31, 2011 and December 31, 2010 are as follows:

Name of subsidiary	Proportion of ownership interest and voting power held
Cervus GP Ltd	100%
Cervus AG Equipment Ltd	100%
Cervus Contractors Equipment Ltd	100%
Agriturf Ltd.	60.28%
Agriturf Equipment Leasing Ltd, a wholly-owned subsidiary of Agriturf Ltd.	60.28%
Cervus LP	100%
Cervus AG Equipment LP	100%
Cervus Contractors Equipment LP	100%

NOTE 33. EVENTS AFTER THE REPORTING PERIOD

A) On or about January 5, 2012, the Company purchased from a related party, the Fund, certain real estate assets. The purchase price for the real estate assets was $26.3 million and was paid to the Fund through an assumption of mortgages of $11.4 million, cash of $12.2 million and a reduction in the advances made to the Fund of $2.7 million.

B) In March 2012, the Company has agreed to purchase substantially all the assets and liabilities from Frontier Peterbilt Sales Ltd. ("FPSL") and Frontier Collision Center Ltd. ("FCCL") for approximately $18.7 million cash. FPSL is a full service dealer, including sales, parts and service of principally Peterbilt branded transport equipment and FCCL is primarily in the business of collision repair as an Autopro

Collision Centre. FCCL has one location in Saskatoon, Saskatchewan and FPSL operates out of four locations in Saskatoon, Lloydminster, Regina and Estevan, Saskatchewan. The Company believes that the purchase will further expand and diversify its operations. Related to this acquisition, the Company paid $2 million in 2011, which is held on an escrow account at December 31, 2011.

C) In March 2012, the Company has also agreed to purchase the real properties in which FPSL and FCCL operate for approximately $14.4 million. The Company will pay $1 million in cash and the vendor will assume a 2 year mortgage at a rate of 4.75% per annum.

D) The Company has agreed to purchase certain property for the purposes of constructing a new location for a John Deere Dealership in Calgary, Alberta. The purchase price of the land is approximately $8,524 thousand and is subject to a re-zoning condition. The Company has paid a $100 thousand deposit and expects to finance the balance of the purchase price through an approved mortgage already in place.

NOTE 34. TRANSITION TO IFRS

As stated in note 2, these are the Company's first consolidated financial statements prepared in accordance with IFRSs.

The accounting policies set out in note 4 have been applied in preparing the consolidated financial statements for the period ended December 31, 2011, the comparative information presented in these consolidated financial statements for the period ended December 31, 2010 and in the preparation of the consolidated statement of financial position for the periods ended December 31, 2010 and the opening IFRS consolidated statement of financial position at January 1, 2011, the Company's date of transition to IFRSs.

The Company's accounting policies under IFRS differ from those previously followed under Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The resulting adjustments arising from events and transactions on January 1, 2010 (the "transition date"), to IFRS are recognized directly into opening retained earnings at that date.

The Company applied the following exemptions and exceptions included in IFRS 1:

A) ELECTED EXEMPTIONS FROM FULL RETROSPECTIVE APPLICATION

In preparing these consolidated financial statements in accordance with IFRS 1, the Company has applied certain of the optional exemptions from full retrospective application of IFRS. The optional exemptions applied are described as follows:

(I) BUSINESS COMBINATIONS

The Company has applied the business combinations exemption in IFRS 1 to not apply IFRS 3, "Business Combinations" retrospectively to past business combinations. Accordingly, the Corporation has not restated business combinations that took place prior to the transition date.

(II) PROPERTY, PLANT AND EQUIPMENT

The Company has elected not to apply the fair value exemption in IFRS 1. Instead, the Company has elected to apply IAS 16 retrospectively to its property, plant and equipment by using historic cost amounts as at January 1, 2010.

(III) SHARE BASED COMPENSATION TRANSACTIONS

The Company has elected to apply IFRS 2, "Share based compensation" to equity instruments granted after November 7, 2002, which have not vested by the transition date.

(IV) RE-ASSESSMENT OF LEASE DETERMINATION

The Company has elected to apply the exemption to not re-assess lease arrangements at the date of transition, but to apply the outcome of the assessment based on requirements under Canadian GAAP.

(V) BORROWING COSTS

The Company has applied the borrowing costs exception in IFRS 1 and will not apply IAS 23 "Borrowing Costs" with full retrospection. The Company will capitalize borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after the transition date.

B) MANDATORY EXCEPTIONS TO RETROSPECTIVE APPLICATION

In preparing these consolidated financial statements in accordance with IFRS 1 the Company has applied a mandatory exception from full retrospective application of IFRS. Hindsight was not used to create or revise estimates and accordingly the estimates previously made by the Company under Canadian GAAP are consistent with those under IFRS.

C) CHANGES TO THE CASH FLOW

Interest paid and received and income taxes paid have moved into the body of the Statement of Cash Flows, whereas they were previously disclosed as supplementary information. There were no other material adjustments to the cash flow statement as a result of the conversion to IFRS.

As a result of applying IFRS 1, the following tables outline the effect of adjusted amounts previously reported.

RECONCILIATION OF EQUITY REPORTED UNDER CANADIAN GAAP TO EQUITY REPORTED UNDER IFRS ON TRANSITION DATE (AS AT JANUARY 1, 2010)

Assets	**Foot Notes**	**Canadian GAAP January 1, 2010**	**Transitional Adjustments**	**IFRS January 1, 2010**
Current assets				
Cash and cash equivalents		$ 13,453	$ -	$ 13,453
Deposit for business acquisition		6,810	-	6,810
Trade and other accounts receivable	1	13,399	1,340	14,739
Advances to related party		2,111	-	2,111
Future income tax asset	2	7,986	(7,986)	-
Inventories		89,150	-	89,150
Prepaid expenses and deposits	1	1,340	(1,340)	-
Total current assets		**134,249**	**(7,986)**	**126,263**
Non-current assets				
Investments in associates, at equity		$ 1,887	$ -	$ 1,887
Other long-term assets		1,420	-	1,420
Deposits with manufacturers		1,649	-	1,649
Other intangible assets		11,021	-	11,021
Equipment		10,338	-	10,338
Goodwill		3,200	-	3,200
Deferred tax asset	2	62,082	**7,986**	70,068
Total non-current assets		**91,597**	**7,986**	**99,583**
Total assets		**$ 225,846**	**$ -**	**$ 225,846**

Liabilities and Equity	Foot Notes	Canadian GAAP January 1, 2010	Transitional Adjustments	IFRS January 1, 2010
Current liabilities				
Accounts payable and accrued liabilities		$ 9,981	$ -	$ 9,981
Customer deposits		2,689	-	2,689
Floor plan payables		40,426	-	40,426
Dividends payable		2,545	-	2,545
Current portion of deferred credit	3	7,148	(7,148)	-
Current portion of term debt		4,004	-	4,004
Current portion of notes payable		367	-	367
Total current liabilities		**67,160**	**(7,148)**	**60,012**
Non-current liabilities				
Term debt		1,839	-	1,839
Notes payable		492	-	492
Deferred credit	3	57,261	(57,261)	-
Total non-current liabilities		**59,592**	**(57,261)**	**2,331**
Total liabilities		**126,752**	**(64,409)**	**62,343**
Equity				
Share capital	4	65,766	(166)	65,600
Share purchase loans	4	(166)	166	-
Deferred share plan	6	1,814	68	1,882
Contributed surplus	5	2,882	(2,882)	-
Other reserves	5	-	2,882	2,882
Retained earnings	3, 6	28,798	64,341	93,139
Total equity		**99,094**	**64,409**	**163,503**
Total liabilities and shareholders' equity		**$ 225,846**	**$ -**	**$ 225,846**

Notes to reconciliation of equity reported under Canadian GAAP to equity reported under IFRS on transition date (as at January 1, 2010).

1. Prepaid expenses and deposits were reclassified in order to be disclosed as part of trade and other accounts receivables.

2. Future income tax asset was reclassified to be disclosed as part of the deferred tax asset which is disclosed as a non-current asset.

3. Balances relating to deferred credits, which relates to the acquisition of tax losses, were written off in opening retained earnings, as the recognition of deferred credits in relation to acquired carry-forward losses is not permitted under the IFRS.

4. The share purchase loans account was reclassified to shareholders' capital in order to adhere to the requirements of IFRS which requires the account to be presented on a net basis on the face of the balance sheet. The breakdown of the account will be disclosed in the shareholders' equity note.

5. Contributed surplus is not a 'term' used under IFRS. This account balance was renamed to 'other reserves' in order to conform to the requirements of IFRS.

6. The matching component of the deferred share plan was being amortized into income on a straight-line basis over the vesting period whereas under IFRS, the matching component is being amortized into income over the term of each grant's vesting period.

RECONCILIATION OF EQUITY REPORTED UNDER CANADIAN GAAP TO EQUITY REPORTED UNDER IFRS FOR THE YEAR ENDED DECEMBER 31, 2010

Assets	**Foot Notes**	**Canadian GAAP December 31, 2010**	**Transitional Adjustments**	**IFRS December 31, 2010**
Current assets				
Cash and cash equivalents		$ 19,605	$ -	$ 19,605
Trade and other accounts receivable	1	21,292	2,047	23,339
Advances to related party		2,728	-	2,728
Future income tax asset	2	6,418	(6,418)	-
Inventories		97,824	-	97,824
Prepaid expenses and deposits	1	2,047	(2,047)	-
Total current assets		**149,914**	**(6,418)**	**143,496**
Non-current assets				
Investments in associates, at equity		4,707	-	4,707
Other long-term assets		168	-	168
Deposits with manufacturers		1,715	-	1,715
Other intangible assets		22,352	-	22,352
Equipment		22,018	-	22,018
Goodwill		5,154	-	5,154
Deferred tax asset	2	54,732	**6,418**	61,150
Total non-current assets		**110,846**	**6,418**	**117,264**
Total assets		**$ 260,760**	**$ -**	**$ 260,760**

Liabilities and Equity	Foot Notes	Canadian GAAP December 31, 2010	Transitional Adjustments	IFRS December 31, 2010
Current liabilities				
Accounts payable and accrued liabilities		$ 19,820	$ -	$ 19,820
Customer deposits		2,148	-	2,148
Floor plan payables		44,203	-	44,203
Dividends payable		2,634	-	2,634
Current portion of deferred credit	3	5,898	(5,898)	-
Current portion of term debt		3,993	-	3,993
Current portion of notes payable		2,683	-	2,683
Total current liabilities		**81,379**	**(5,898)**	**75,481**
Non-current liabilities				
Term debt		6,438	-	6,438
Notes payable		5,254	-	5,254
Deferred credit	3	51,991	(51,991)	-
Total non-current liabilities		**63,683**	**(51,991)**	**11,692**
Total liabilities		**145,062**	**(57,889)**	**87,173**
Equity				
Share capital	4	71,711	(70)	71,641
Share purchase loans	4	(70)	70	-
Deferred share plan	6	2,658	165	2,823
Contributed surplus	5	2,927	(2,927)	-
Other reserves	5	-	2,927	2,927
Accumulated other comprehensive income		157	-	157
Retained earnings	3, 6	36,478	57,724	94,202
Total equity attributable to equity holders of the Company		**113,861**	**57,889**	**171,750**
Non-controlling interest	7	1,837	-	1,837
Total equity		**115,698**	**57,889**	**173,587**
Total liabilities and shareholders' equity		**$ 260,760**	**$ -**	**$ 260,760**

Notes to reconciliation of equity reported under Canadian GAAP to equity reported under IFRS for the year ended December 31, 2010.

1. Prepaid expenses and deposits were reclassified in order to be disclosed as part of trade and other accounts receivables.

2. Future income tax asset was reclassified to be disclosed as part of the deferred tax asset which is disclosed as a non-current asset.

3. Balances relating to deferred credits, which relates to the acquisition of tax losses, were written off in opening retained earnings, as the recognition of deferred credits in relation to acquired carry-forward losses is not permitted under the IFRS.

4 The share purchase loans account was reclassified to shareholders' capital in order to adhere to the requirements of IFRS which requires the account to be presented on a net basis on the face of the balance sheet. The breakdown of the account will be disclosed in the shareholders' equity note.

5. Contributed surplus is not a 'term' used under the IFRS. This account balance was renamed to 'other reserves' in order to conform to the requirements of IFRS.

6. The matching component of the deferred share plan was being amortized into income on a straight-line basis over the vesting period whereas under IFRS, the matching component is being amortized into income over the term of each grant's vesting period.

7. Non-controlling interest has been reclassified in order to be disclosed as part of total equity.

RECONCILIATION OF COMPREHENSIVE INCOME REPORTED UNDER CANADIAN GAAP TO COMPREHENSIVE INCOME REPORTED UNDER IFRS FOR THE YEAR ENDED DECEMBER 31, 2010

	Foot Notes	Canadian GAAP December 31, 2010	Transitional Adjustments	IFRS December 31, 2010
Revenue				
Equipment sales		$ 355,557	$ -	$ 355,557
Parts		63,017	-	63,017
Service		40,572	-	40,572
Rentals		9,985	-	9,985
		469,131	-	469,131
Cost of sales		380,402	-	380,402
Gross profit		**88,729**	**-**	**88,729**
Other income	1	-	1,607	1,607
Selling, general and administrative	2, 3	(66,829)	(5,045)	(71,874)
Interest	4	(1,708)	1,708	-
Depreciation and amortization	2	(4,948)	4,948	-
Results from operating activities		**15,244**	**3,218**	**18,462**
Foreign exchange loss	1	(8)	8	-
Gain on disposal of assets	1	393	(393)	-
Finance income	1	1,371	(1,214)	157
Finance costs	4	-	(1,716)	(1,716)
Net finance costs		**1,756**	**(3,315)**	**(1,559)**
Share of profit of equity accounted investees, net of income tax		1,704	-	1,704
Profit before income taxes		**18,704**	**(97)**	**18,607**
Income tax expense	3, 5	(574)	(6,520)	(7,094)
Profit before non-controlling interest		18,130	(6,617)	11,513
Loss attributed to non-controlling interest	6	71	(71)	-
Profit for the year		**18,201**	**(6,688)**	**11,513**
Other comprehensive income		**156**	**-**	**156**
Total comprehensive income for the year		**$ 18,357**	**$ (6,688)**	**$ 11,669**

Notes to reconciliation of comprehensive income reported under Canadian GAAP to comprehensive income reported under IFRS for the year ended December 31, 2010.

1. Gain on disposal of assets and foreign exchange losses were previously classified as other income (expense) after the results from operating activities whereas under IFRSs, these amounts have been reclassified to other income as a component of the results from operating activities. In addition, the Company previously reported its interest and other income as combined amounts whereas under IFRSs, the amounts are required to be separately reported and disclosed.

2. The Company previously classified its depreciation and amortization expense related to its selling, general and administrative expense function separately under previous Canadian GAAP whereas in accordance with IFRSs, depreciation and amortization expenses have been reclassified to selling, general and administrative expense.

3. The matching component of the deferred share plan was being amortized into income on a straight-line basis over the vesting period under previous Canadian GAAP whereas under IFRSs, the matching component is being amortized into income over the term of each vesting period resulting in an additional expense to be recorded of $97 thousand.

4. The Company previously classified interest expense as a component of results from operating activities whereas under IFRSs, interest expense has been reclassified as finance costs after the results from operating activities.

5. Balances relating to deferred credits, which relates to the acquisition of tax losses, were written off in opening retained earnings as at January 1, 2010, as the recognition of deferred credits is not permitted under the IFRS. As a result, the previously recorded reduction in income tax expense of $6.52 million has been reversed and recorded as an adjustment to retained earnings.

6. Under IFRSs, the loss attributed to non-controlling interest is presented as an allocation of iprofit for the period whereas under previous Canadian GAAP, non-controlling interest in the consolidated profit was presented as an income in arriving at profit for the period.

Material adjustments to the statement of cash flows for the year ended December 31, 2010.

Consistent with the Companies accounting policy choice under IAS7, Statement of Cash Flows, the interest paid and received has been moved into the body of the Statement of Cash Flows and included in net cash from operating activities and net cash used in investing activities, whereas they were previously disclosed as supplementary information. There are no other material differences between the statement of cash flows presented under IFRSs and the statement of cash flows presented under previous Canadian GAAP.