CERVUS' MANAGEMENT'S DISCUSSION & ANALYSIS & CONSOLODATED FINANCIAL STATEMENTS

MANAGEMENT'S DISCUSSION & ANALYSIS

The following Management's Discussion & Analysis ("MD&A") was prepared as of March 13, 2013 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, 2012 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, 2012 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") website 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 commercial 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 of 24 John Deere dealership locations with 8 in Alberta, 5 in Saskatchewan, 1 in British Columbia and 10 in New Zealand. The commercial and industrial equipment segment consists of 19 dealership locations with 11 Bobcat/ JCB, Clark, Sellick, Nissan and Doosan material handling and forklift equipment dealerships operating in Alberta, 2 Clark, Sellick, Nissan and Doosan material handling and forklift equipment dealerships operating in Saskatchewan and 1 in Manitoba; and 4 Peterbilt truck dealerships and 1 collision repair center operating in Saskatchewan. Cervus owns directly or indirectly, 100% of Cervus LP, Cervus AG Equipment LP and Cervus Contractors Equipment LP, Cervus Agriculture NZ Ltd. ("Ag New Zealand") and its subsidiary, Cervus Rental & Leasing NZ Ltd., Cervus Collision Center LP and 101169185 Saskatchewan Ltd., 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. 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 and a 35% interest in Windmill Ag Pty Ltd., based in Australia and comprised of 5 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.

Non-IFRS Measures

Throughout the MD&A, reference is made to EBITDA, which Cervus' management defines as earnings before interest, income taxes and depreciation and amortization. Management believes that EBITDA is a key performance measure in evaluating the Company's operations and is 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.

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 Uncertainties" 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 this MD&A we state that the Company expects to continue making quarterly dividend payments to its shareholders. The most recent quarterly dividend payment of $0.19 per share was made to the shareholders of record as of December 31 on January 15, 2013. See "Capital Resources - Cautionary note regarding dividends" for a cautionary note regarding future dividends.

In addition, in this MD&A we make certain statements regarding the expected tax consequences of the plan of arrangement involving Cervus LP and Vasogen Inc. completed in October 2009 pursuant to which Cervus LP converted from a limited partnership structure to the current corporate structure of Cervus Equipment Corporation. See "Business Risks and Uncertainties – Other Risks" for a cautionary note regarding deferred income taxes recorded.

Internal Controls over Financial Reporting

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of Cervus are 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 CEO and the 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.

The CEO and the CFO evaluated, or caused to be evaluated under their supervision, the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2012, 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, the CEO and the CFO concluded that, as of December 31, 2012, Cervus' internal control over financial reporting is effective.

Disclosure Controls

The CEO and the CFO are also responsible for establishing and maintaining adequate disclosure controls and procedures. Disclosure controls and procedures are controls and other procedures designed to provide reasonable assurance that information required to be disclosed in documents filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation and includes controls and procedures designed to ensure that information required to be disclosed in documents filed or submitted under securities legislation is accumulated and communicated to the Company's management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

The CEO and the CFO evaluated, or caused to be evaluated under their supervision, the effectiveness of our disclosure controls and procedures. The CEO and CFO concluded that the disclosure controls and procedures were effective as of December 31, 2012 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 overall farm income will stay relatively flat in 2013 due to relatively cautious economic outlook and that over the medium term, prices of grains, oilseeds and special crops are expected to decline from the recent price peaks seen in 2012, but remain well above historical levels. CIBC Market Outlook remains bullish on agricultural storage, retail and farm equipment stating that with 12-month grain futures at all-time highs, they expect farm spending to be strong in 2013. Deere & Company, in their annual report for 2012 commented that "industry agricultural machinery sales in the U.S. and Canada for 2013 are forecast to remain approximately the same, compared to healthy levels in 2012."

Commercial & Industrial Equipment

In the fourth quarter 2012 Housing Outlook for Alberta, Canada Mortgage and Housing Corporation ("CMHC") is forecasting a 4% increase in housing starts for 2013 when compared to 2012. PACCAR Inc. is calling for flat to slightly higher heavy duty truck markets with a slight market share increase in Canada. In Raymond James Industrial, Infrastructure & Construction report, there is a forecasted decline of approximately 5% which represents a modest contraction in the industry by historical standards.

Overall

Market and economic conditions would indicate that 2013 will be a strong year in our agricultural equipment segment with slight increases expected and will remain relatively flat and stable in our commercial and industrial equipment segment with continued improvement moving into 2014.

HIGHLIGHTS OF THE YEAR

- Purchased 4 Peterbilt dealerships and 1 collision repair center dealership ("transportation group"), together with their respective lands and buildings, in Saskatchewan for an aggregate purchase price of $35 million.
- Acquired $57.6 million of real estate assets including $26.3 million from Proventure Income Fund (the "Fund"), $14.4 million through the acquisition of the transportation group and $16.9 million in shop expansions and the construction of a new John Deere store in Saskatoon, Saskatchewan and the preparation of construction of a new John Deere store in Calgary, Alberta.
- Purchased the remaining 39.7% of Cervus Equipment NZ Ltd. for $1.6 million through the issuance of approximately 84 thousand common shares of the Company at $18.90 per share.
- Purchased 5 John Deere dealerships in New Zealand for an aggregate purchase price of $3.6 million with $2.6 million in cash and approximately $1 million through the issuance of approximately 54 thousand common shares of the Company at $18.90 per share.
- The Company issued $34.5 million of convertible debentures for net proceeds of $32.9 million.
- The Company purchased a 34.6% interest in Windmill AG Pty Ltd., an Australian John Deere dealership for approximately $3.1 million. The investment is recorded as an investment in associates, at equity.
- Gross revenue increased by $174.6 million or by 31.2% to $734.2 million for the year when compared to 2011. Same store sales increased 12.7% or $71.2 million.
- Net profit for the year increased by $6.5 million or 35.6% to $24.6 million from the $18.1million reported in 2011.
- Basic earnings per share for the year increased to $1.65 per share or 29.9% from $1.27 per share for 2011.
- Cervus ranked 92nd on the Alberta Venture's list of the 250 highest grossing companies in Alberta.

OVERALL PERFORMANCE

During the year ended December 31, 2012, revenue increased by $174.6 million or 31.2% ($70.7 million from our agricultural equipment segment and $116.5 million from our commercial and industrial equipment segment). Same store revenue increased $71.2 million or 12.7% ($62.5 million or 15.3% from our agricultural equipment segment and $8.7 million or 5.8% from our commercial and industrial equipment segment).

For the year ended December 31, 2012, overall gross margin increased slightly to 19.1% from 19.0% reported in 2011, an increase of 10 basis points. The increase was primarily a result of change in sales mix in our commercial and industrial equipment segment from the purchase of the transportation group in March 2012.

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 2012 when compared to 2011 of $6.5 million or 35.6%. Selling, general and administrative expenditures remained the same in 2012 at 14.8% of total revenue when compared to 2011.

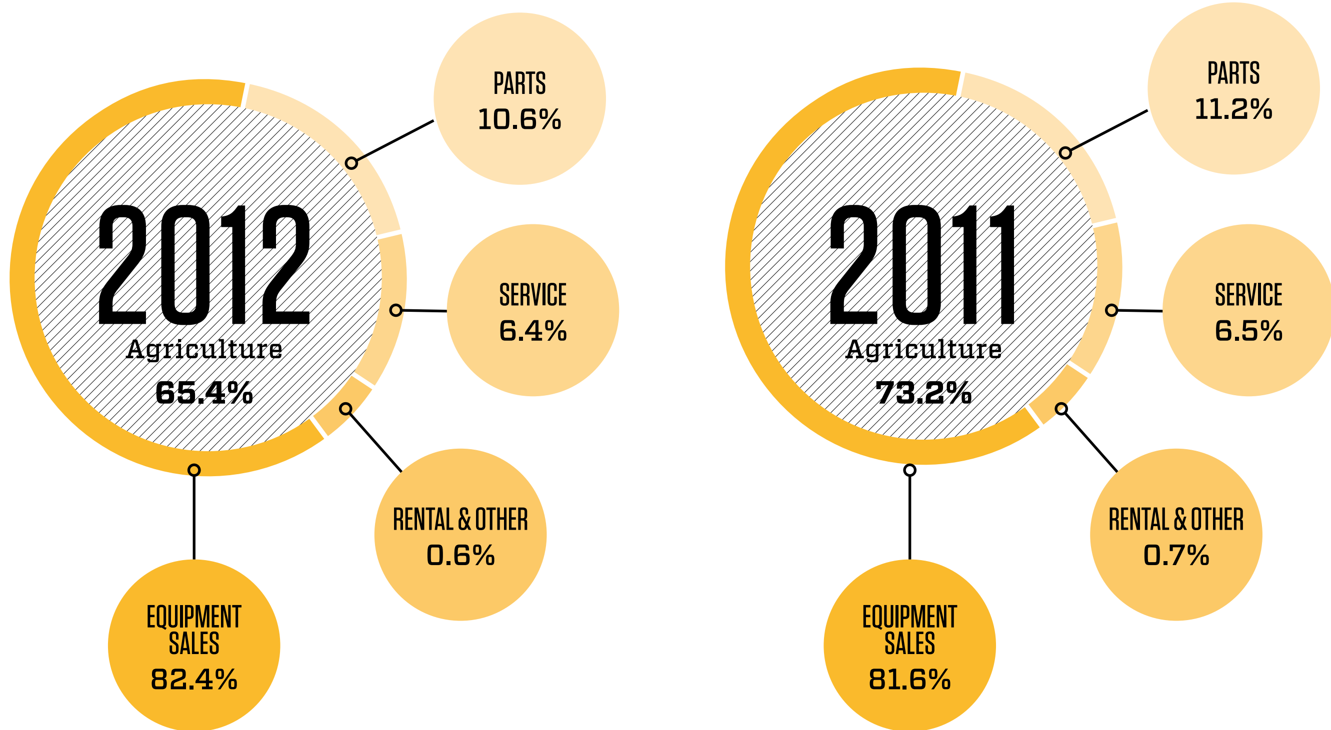
SELECTED ANNUAL INFORMATION

($ thousands, except per share amounts)	2012	2011	% change
Revenues	734,245	559,598	31.2
Gross profit	140,178	106,335	31.8
Gross margin	19.1%	19.0%	0.5
Profit before income tax expense	33,687	26,026	29.4
Profit for the year	24,582	18,126	35.6
Profit attributable to shareholders	24,394	18,444	32.3
Net earnings per share			
Basic	1.65	1.27	29.9
Diluted	1.58	1.22	29.5
Cash provided by operating activities	18,951	25,849	(26.7)
Per share – basic	1.28	1.78	(28.1)
EBITDA[1]	48,412	35,643	35.8
EBITDA margin[1]	6.6%	6.4%	3.1
Per share – basic	3.27	2.45	33.5
Dividends declared to shareholders	11,031	10,484	5.2
Per share	0.745	0.72	3.5
Weighted average shares outstanding			
Basic	14,791	14,546	1.7
Diluted	15,406	15,061	2.3
Actual shares outstanding	14,900	14,703	1.3
Closing market price per share	18.74	14.72	27.3
Price earnings ratio[1] – basic	11.35	11.59	(2.1)
Total assets	401,957	281,455	42.8
Long-term liabilities	69,562	9,928	600.7
Total debt	199,172	97,736	103.8
Shareholders' equity	202,785	183,719	10.4
Market capitalization[1]	279,224	216,428	29.0
Net book value per share – diluted[1]	13.16	12.20	7.9

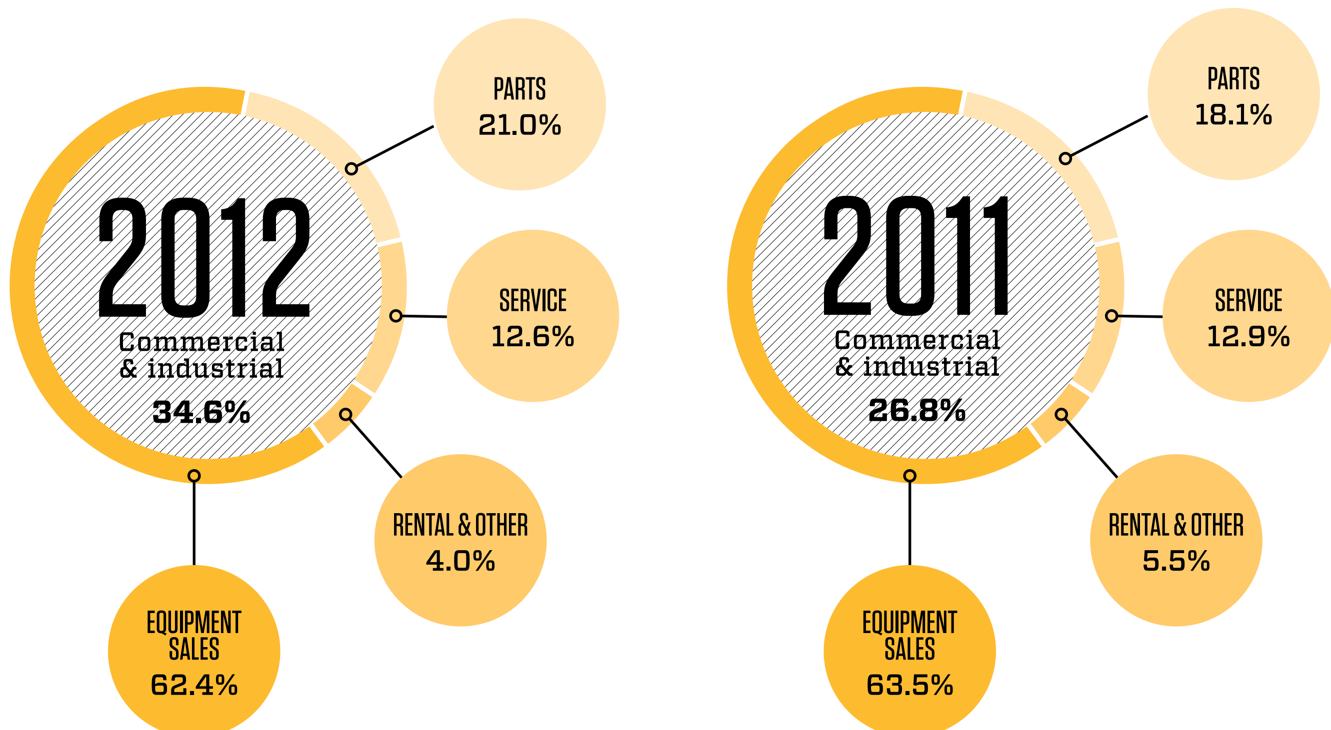
[1] These financial measures are identified and defined under the section "Non-IFRS Financial Measures".

RESULTS OF OPERATIONS

AGRICULTURE Gross Sales by Segment



COMMERCIAL & INDUSTRIAL Gross Sales by Segment



Revenues by Segment

($ thousands)	2012	2011	% change
Agricultural equipment:			
Equipment			
New	257,300	206,713	24.5
Used	138,852	127,551	8.9
Total	396,152	334,264	18.5
Parts	50,701	45,992	10.2
Service	30,885	26,600	16.1
Rental and other	2,815	2,966	(5.1)
	480,553	**409,822**	**17.3**
Commercial and industrial equipment:			
Equipment			
New	140,416	85,065	65.1
Used	17,780	10,112	75.8
Total	158,196	95,177	66.2
Parts	53,524	27,180	96.9
Service	31,939	19,252	65.9
Rental and other	10,033	8,167	22.8
	253,692	**149,776**	**69.4**
Total	**734,245**	**559,598**	**31.2**

Agricultural Equipment

Revenue for our agricultural equipment segment increased by $70.7 million or 17.3% ($62.5 million or 15.3% on a same store basis) for the year ended December 31, 2012 when compared to the same period of 2011. Same store sales exclude the results from the purchase of the 5 additional stores in New Zealand in 2012. Since these sales represent less than 2% of the increase, no further discussion is included in our analysis below.

New equipment sales increased by $50.6 million or 24.5% and used equipment sales increased by $11.3 million or 8.9%. The primary reason for the increase sales were due to increases seen in all our equipment lines, especially 2WD and 4WD tractors, harvest, sprayer, windrower and implements. We have also seen a significant increase in our turf and sport department (compact utility tractors and lawn mowing equipment). According to the Association of Equipment Manufacturers' ("AEM") December 2012 Flash Report, Canada Unit Retail Sales, total farm tractors increased by 4.6% (2WD increased 3.9% and 4WD increased 16.6%) and self-propelled combines increased by 1.1% in 2012 when compared to 2011 which is consistent with increases we experienced in 2012.

Our parts revenue has increased by $4.7 million or 10.2% and our service revenue has increased by $4.3 million or 16.1% during the year ended December 31, 2012 when compared to the same period of 2011. The overall increase in parts and service sales was a combination of an increase in 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.

Commercial & Industrial Equipment

Revenue from our commercial and industrial segment increased by $103.9 million or 69.4% (same store increased $8.7 million or 5.8%) for the year ended December 31, 2012 when compared to the same period of 2011. Same store sales exclude the results of the Company's purchase of the transportation group in March 2012.

New equipment sales increased by $55.4 million or 65.1% (same store increased $5.8 million or 6.9%) and used equipment sales increased by $7.7 million or 75.8% (same store decreased $778 thousand or 7.7%) during the year ended December 31, 2012 when compared to the same period of 2011. The increase in our same store new and used equipment sales is primarily due to the increased activity being experienced in our material handling and forklift equipment group.

Parts revenues have increased $26.3 million or 96.9% (same store increased $1.3 million or 4.9%) and service revenue has increased by $12.7 million or 65.9% (same store increased $2.0 million or 10.6%) during the year ended December 31, 2012 when compared to the same period of 2011. The overall increase in parts and service revenues is due to a combination of an increase in sales activity as well as an increase in external customer work performed as customers are hesitant in purchasing new equipment at this time.

Rental income has increased by $1.9 million or 22.8% (same store increased $305 thousand or 3.7%) for the year ended December 31, 2012 when compared to the same period of 2011.

GROSS PROFIT

Gross profit by segment, is as follows:

($ thousands)	2012	2011	% change
Agricultural equipment:			
Gross margin dollars	81,082	67,930	19.4
Gross margin percentage	16.9%	16.6%	1.8
Commercial and industrial equipment:			
Gross margin dollars	59,096	38,405	53.9
Gross margin percentage	23.0%	25.6%	(10.2)
Total gross margin dollars	**140,178**	**106,335**	**31.8**
Total gross margin percentage	**19.1%**	**19.0%**	**0.5**

Agricultural Equipment

Gross profit dollars increased $13.2 million ($12.2 million or 18.0% on a same store basis) during the year ended December 31, 2012 when compared to the same period of 2011. Overall gross profit margin has remained consistent with gross profit movements between product lines offsetting each other.

Commercial & Industrial Equipment

Gross profit dollars have increased by $20.7 million (same store increased by $2.7 million or 7.0%) during the year ended December 31, 2012 when compared to the same period of 2011. Gross profit margin decreased by 260 basis points or 10.2% primarily due to lower overall gross margins reported from the transportation group in their parts department primarily and to some degree, the service department.

SELLING, GENERAL & ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses by segment are as follows:

($ thousands)	2012	2011	% change
Agricultural equipment			
Selling, general and administrative	55,126	47,896	15.1
Depreciation and amortization	3,447	2,678	28.7
Total for segment	**58,573**	**50,574**	**15.8**
Commercial and industrial equipment			
Selling, general and administrative	46,540	29,621	57.1
Depreciation and amortization	3,553	2,406	47.7
Total for segment	**50,093**	**32,027**	**56.4**
Total	**108,667**	**82,601**	**31.6**
% of revenue by segment			
Agricultural equipment	**12.2**	**12.3**	**(0.8)**
Commercial and industrial equipment	**19.7**	**21.4**	**(7.9)**
Total	**14.8**	**14.8**	**-**

Agricultural Equipment

The agricultural equipment segment reported an increase in selling, general and administrative expenses of $8.0 million (same store increased $6.4 million or 12.6%) for the year ended December 31, 2012 when compared to the same period of 2011. The primary reason for the increase in selling, general and administrative expenses is due to general increases in payroll and increased commissions on increases in gross sales. In addition, depreciation and amortization has increased due primarily to land and building additions during the year from construction of a new building in Saskatoon, SK, and from the purchase of assets from Proventure Income Fund (the "Fund") at the beginning of 2012.

Commercial & Industrial Equipment

The commercial and industrial equipment segment's selling, general and administrative expenses increased $18.1 million (same store increased $3.9 million or 12.1%) for 2012 when compared to 2011. The primary reason for the overall increase in selling, general and administrative expenses was due to the purchase of the transportation group and the business development and professional fees related to the purchase as well as general increases to wages and benefits and commissions due to increased sales activity. In addition, depreciation and amortization also has increased primarily from land and building additions during the year from construction of facilities in Edmonton, AB and from the purchase of assets from the Fund at the beginning of 2012 and from the depreciation and amortization of land and building additions and intangibles related to the purchase of the transportation group in March 2012.

NET FINANCE COSTS

Finance Income

Finance income is comprised of interest earned on customer accounts receivable, contract lease receivables, related party advances and held-to-maturity investments. Total finance income was $1.2 million (same store was $566 thousand) for the year ended December 31, 2012 when compared to $380 thousand in 2011. The primary reason for the increase in same store finance income is related to interest earned on advances to related parties and interest on amounts due the Company on accounts receivable. Overall finance income has increased primarily due to interest income earned on finance contracts from the purchase of the transportation group.

Finance Costs & Other Interest

Finance costs are comprised of interest expenses related to the Company's loans and borrowings as well as floor plan payables and other financial liabilities. Interest expense is also recorded on loans and borrowings related to the Company's rental fleet which is recorded in cost of sales.

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 by segment.

($ thousands)	2012	2011	% change
Agricultural equipment:			
Interest expense	2,599	566	359.2
Interest in cost of sales	167	257	(35.0)
Total for segment	**2,766**	**824**	**235.8**
Commercial and industrial equipment:			
Interest expense	1,937	698	177.5
Interest in cost of sales	92	142	(35.2)
Total for segment	**2,029**	**840**	**141.5**
Total	**4,795**	**1,664**	**188.2**
As a % of revenue			
Agricultural equipment	**0.6**	**0.2**	**200.0**
Commercial and industrial equipment	**0.8**	**0.6**	**33.3**
Total	**0.7**	**0.3**	**133.3**

Overall interest expense has increased $3.1 million (same store increased $2.8 million) during the year ended December 31, 2012 when compared to the same period in 2011. The increase is primarily related to a combination of interest recorded on the $34.5 million debentures since July 24, 2012 of $1.1 million, interest on vendor take back mortgage for the purchase of the transportation group properties of $467 thousand and mortgage interest on land and building additions and properties purchased from the Fund, a related party, of $1.0 million.

Floor plan liabilities as a percentage of inventories at December 31, 2012 were 42.9% compared to 49.0% at December 31, 2011, a reduction of 6.1%. In addition during the period, the Company received rebates which were applied against interest expense that would otherwise be payable. The amount of rebates received during 2012 was $1.3 million and $1.1 million for 2011.

As a result of the Company's debenture issue in July 2012, the Company issued $34.5 million of 6% convertible debentures of which accrued interest and amortization of conversion features has resulted in a gross increase in finance costs of $1.1 million. The convertible debentures, including interest payable, costs and conversion feature results in an effective interest rate of 9.1% related to the debentures. The debenture funds were used for a combination of repayments on floor plan liabilities and the repayment of mortgage funding for land and buildings.

Income Taxes

As at December 31, 2012, Cervus has the following tax pools available to be used in future periods:

	($ thousands)
Carrying values in excess of tax values of tangible assets	$ (930)
Carrying values in excess of tax values of intangible assets	(2,830)
Carrying values in excess of tax values of convertible debenture	(676)
Non-capital losses carry-forward	35,791
Federal investment tax credits	12,842
Capital losses carried forward	19,705
Total estimated deferred tax asset	**63,902**
Less: amount of non-capital and capital losses carried forward for which no deferred tax asset has been recognized	**(19,705)**
Balance, December 31, 2012	**$ 44,197**

For the year ended December 31, 2012, deferred income tax expense amounted to $9.1 million. The Company's combined tax rate is 25.8% and its effective tax rate is 27.0%. The difference between the combined tax rate and the effective rate is primarily related to the excess carrying values of tangible and intangible assets over their respective tax values (see "Business Risks and Uncertainties – Other Risks").

PROFIT & COMPREHENSIVE INCOME

The Company has a foreign subsidiary, AG New Zealand, 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, income of $71 thousand has been recorded as other comprehensive income for the year ended December 31, 2012 and $213 thousand for the same period of 2011. This translation adjustment is the only difference between the profit for the year and total comprehensive profit.

The profit attributed to shareholders for the period excludes the allocation of profit to non-controlling interests. 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):	**2012**	**2011**	**% change**
Profit for the year:			
Agricultural equipment segment	18,129	14,086	28.7
Allocation to non-controlling interest	(188)	318	N/A
Profit attributable to shareholders from agricultural equipment segment	17,941	14,404	24.6
Commercial and industrial equipment	6,453	4,040	59.7
Profit attributable to shareholders	**24,394**	**18,444**	**32.3**
Net profit attributable to shareholders as a % of total segment revenues			
Agricultural equipment	3.7	3.4	8.8
Commercial and industrial equipment	2.5	2.7	(7.4)
Total	**3.3**	**3.2**	**3.1**
Net Earnings Per Share:			
Shares outstanding – basic	**14,791**	**14,546**	**1.7**
Agricultural equipment	1.22	0.99	23.2
Commercial and industrial equipment	0.43	0.28	53.6
Total	**1.65**	**1.27**	**29.9**

EBITDA (SEE NON-IFRS FINANCIAL MEASURES)

($ thousands)	2012	2011	$ change
EBITDA by segment:			
Agricultural equipment			
Profit for the year	18,129	14,086	4,043
Add:			
Interest	2,766	824	1,943
Deferred income taxes	6,322	5,602	720
Depreciation and amortization	4,836	3,511	1,325
EBITDA	**32,053**	**24,023**	**8,031**
% of segment revenue	**6.7**	**5.9**	
Commercial and industrial equipment			
Profit for the year	6,453	4,040	2,413
Add:			
Interest	2,029	840	1,189
Deferred income taxes	2,783	2,298	485
Depreciation and amortization	5,094	4,442	651
EBITDA	**16,359**	**11,620**	**4,738**
% of segment revenue	**6.4**	**7.8**	
Total EBITDA	**48,412**	**35,643**	**12,769**
% of revenue	**6.6**	**6.4**	

EBITDA is used by management to monitor its results and compare profitability between itself and other entities in its industries.

For the year ended December 31, 2012, EBITDA increased by $12.8 million or 35.8% when compared to the year ended December 31, 2011. The most significant factor contributing to the increase in EBITDA for the year was the increase in net profit before income taxes which amounted to $7.7 million.

Of the $4.1 million increase in profit in the agriculture equipment segment, $1.1 million of the increase comes from an increase in the segment's share of profit from equity accounted investees, improved results from AG New Zealand and an increase in same store profit.

The increase in profit of $2.4 in the commercial and industrial equipment segment was primarily a result of profit from the acquisition of the transportation group in March 2012.

SUMMARY OF QUARTERLY RESULTS

($ thousands, except per share amounts)	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012
Revenues	193,128	234,680	196,654	109,782
Profit attributable to the shareholders	6,912	8,836	7,428	1,218
Basic earnings per share	0.46	0.60	0.50	0.08
Diluted earnings per share	0.45	0.57	0.49	0.08
Weighted average shares outstanding				
- Basic	14,895	14,825	14,719	14,715
- Fully diluted	15,513	15,416	15,278	15,240

($ 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

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. The commercial and industrial equipment sector is not as volatile but does see slower sales activity in the winter months. As a result, earnings or losses may not accrue uniformly from quarter to quarter. The primary reason for the change in net profit for the four quarters of 2012 when compared to 2011 is from the acquisition of the transportation group in March 2012 and the increase in same store profit in the agricultural equipment segment.

LIQUIDITY

($ thousands, except ratio amounts)	2012	2011
Current assets	219,823	166,948
Total assets	402,633	281,455
Current liabilities	129,610	87,808
Long-term liabilities	69,562	9,928
Shareholders' equity	202,785	183,719
Working capital (see "Non-IFRS Financial Measures")	90,213	79,140
Working capital ratio (see "Non-IFRS Financial Measures")	1.7	1.9

Working Capital

Our working capital increased by $11.1 million to $90.2 million at December 31, 2012 when compared to $79.1 million at December 31, 2011. In accordance with outstanding debt agreements, the Company is required to maintain a working capital ratio of no less than 1.25 to 1 and as at December 31, 2012, the ratio is 1.7 to 1. As at the date of this report, the Company is in compliance with all of its covenants.

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 new and used equipment inventories and available mortgage financing. 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, 2012 are described below.

The Company has bank credit facilities available for its current use of $54.3 million as follows:

Type of facility	($ thousands)	Borrowed
Operating	15,000	—
Inventory	18,000	1,946
Rental equipment	7,000	—
Capital asset purchase	3,000	1,672
Lease loan	5,500	1,727
Used truck and trailer	2,200	—
Flexible rate term loan (NZ$1,342)	1,103	1,103
Flexible credit (NZ$1,500)	1,233	1,233
Overdraft (NZ$250)	206	—
Commercial credit card (NZ$50)	41	—
Financial guarantee (NZ$1,200)	970	—
Total	**54,253**	**7,681**

Inventories

As at December 31, 2012, inventories had increased by $66.0 million (same store increased $51.4 million) to $172.8 million when compared to December 31, 2011 balance of $106.8 million. New equipment inventories comprise the bulk of the increase at $39.3 million (same store increased $31.9 million) to $83.6 million and used equipment increased $19.8 million (same store increased $18.0 million) to $65.7 million. Parts inventories have also increased by $7.0 million (same store increased $2.3 million) to $22.2 million. Work-in-process increased by $588 thousand (same store decreased by $10 thousand) to $1.3 million.

On a same store basis, inventories increased by $51.4 million over the prior year. The agriculture equipment segment accounted for $36.2 million of the inventory increase and the commercial and industrial equipment segment accounted for $15.2 million of the increase over the prior year. The primary increase in our inventories, being equipment has been driven by the substantial increase in equipment sales in both of our segments as well as the timing of delivery to our customers of new equipment received in both of our segments.

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 commercial and industrial equipment sales usually do not have trade-ins. This is why we have a higher amount of used agriculture equipment than used commercial 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. As at December 31, 2012, 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, Ag New Zealand, 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 and its foreign equity investment, an increase or decrease of 5% in foreign currency exchange rates would impact the Company's consolidated profit by approximately $12 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, 2012, a one percent increase or decrease in market interest rates would impact the Company's annual interest expense by approximately $1.4 million.

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 17 days for the year ended December 31, 2012 (20 days for the year ended December 31, 2011) 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 $65 thousand to $916 thousand at December 31, 2012 which represents approximately 3.4% of outstanding trade accounts receivable and 0.1% of gross revenue. Write-offs during the year ended December 31, 2012 amounted to $793 thousand (2011 - $358 thousand).

Cash & Cash Equivalents

Cervus' primary sources and uses of cash flow for the year ended December 31, 2012 are as follows:

Operating Activities

Net cash from operating activities was $19.0 million for the year ended December 31, 2012 when compared to $25.8 million for the same period of 2011, a decrease of $6.8 million. The primary reason for the decrease in operating cash flow was from the use of $21.7 million in cash resources for net repayments of working capital items, primarily inventories and related floor plan financing. We used a net $35.7 million for increases in inventory levels and repayments of floor plan facilities during the year. This was offset by an increase in accounts payable and customer deposits of $13.3 million.

Investing Activities

During the year ended December 31, 2012, the Company used $44.2 million in net cash for investing activities. The most significant use of cash for investing activities was the purchase of property and equipment for $42.6 million, net of proceeds, business acquisitions used $22.3 million and we received $15.4 million from loans made to related parties.

Financing Activities

During the year ended December 31, 2012, financing activities provided $26.8 million in cash flows. The issuance of the debenture in July 2012 provided $33.2 million of cash, we paid $9.9 million in dividends during the year and term debt, net of repayments, provided $6.7 million from the financing of land and building acquisitions.

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 2013	Due 2014 through 2015	Due 2016 through 2017	Due thereafter
Long-term debt	43,686	4,657	20,323	2,973	15,733
Notes payable	2,652	2,652	-	-	-
Convertible Debenture	30,534	-	-	30,534	-
Operating leases	8,480	2,168	3,510	1,536	1,266
Total contractual obligations	85,352	9,477	23,833	35,043	16,999

The contractual obligations for the long-term debt obligations include $12.7 million due in 2014 through 2015 for the vendor take back mortgage for land and buildings purchased in the acquisition of the transportation group which we intend to enter into a long-term finance agreement and $3.4 million is included in the due thereafter column for construction in progress financing received for which no terms of repayment have been established.

In July 2012, the Company completed a financing of $34.5 million principal amount (including $4.5 million via exercise of over-allotment option) of convertible debentures. The convertible debentures have an annual coupon rate of 6.00%, payable semi-annually on January 31 and July 31, mature on July 31, 2017 and are convertible, at the holder's option, into common shares at a conversion price of $26.15 per common share. On or after July 31, 2015 and prior to the maturity date, the convertible debentures may be redeemed in whole or in part, at our option, at a price equal to their principal plus accrued interest thereon, provided the average market price of the common shares on the date on which notice is given is not less than 125% of the conversion price of $26.15 per common share. The convertible debentures trade on the Toronto Stock Exchange under the symbol "CVL.DB".

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, 2012 is as follows:

($ thousands)	Total amount	Borrowings	Letters of credit	Amount available
Operating and other bank credit facilities	16,233	1,233	900	14,100
Term loans	1,103	1,103	-	-
Floor plan facilities and rental equipment term loan financing	287,369	96,122	-	191,247
Total	304,705	98,458	900	205,347

Operating & 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 2013.

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, 2012, 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, 2012 and December 31, 2011 represented approximately 42.9% and 49.0% of our inventories, excluding work-in process, 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 14,917 thousand common shares, 91 thousand share options, and 566 thousand deferred shares outstanding. The Company also has $34.5 million principal amount of convertible debentures, convertible at the holder's option, into common shares at a conversion price of $26.15 per common share (see "Contractual Obligations"). As at December 31, 2012 and 2011, the Company had the following weighted average shares outstanding:

($ thousands)	2012	2011
Basic weighted average number of shares outstanding	14,791	14,546
Dilutive impact of deferred share plan	600	498
Dilutive impact of share options	15	17
Diluted weighted average number of shares outstanding	15,406	15,061

Dividends Paid & 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, 2012 ($ thousands, except per share amounts):

Record date	Dividend per share	Dividend payable	Dividends reinvested	Net dividend paid
March 31, 2012	0.1825	2,686	207	2,479
June 30, 2012	0.1850	2,725	210	2,515
September 30, 2012	0.1875	2,790	331	2,459
December 31, 2012	0.1900	2,831	206	2,625
Total dividend		**11,032**	**954**	**10,078**

The Company expects that dividends will continue to be paid quarterly on or about the 15th day of the month following the record date (see "Capital Resources – Cautionary note regarding dividends"). 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, 2012 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 directors, officers, and employees and those of our subsidiaries, in accordance with our governing legislation, our constating documents 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, 2012, payments in arrears by such customers aggregated $184 thousand. In addition, the Company is responsible for assuming all lease obligations held by its customers with Deere Credit for the net residual value of the lease outstanding at the maturity of the contract. At December 31, 2012, the net residual value of such leases aggregated $95.0 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 $1.9 million at December 31, 2012. 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 $1.5 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.

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, 2012 and 2011 was:

($ thousands)	2012	2011
Short-term benefits	$ 1,651	$ 1,274
Share-based payments	444	332
	$ 2,095	$ 1,606

Key Management Personnel & Director Transactions

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

Other Related Party Transactions

Certain officers and dealer managers of the Company have provided guarantees to John Deere as required by John Deere aggregating $6,400 thousand. The guarantees are kept in place until released by John Deere. During the three and twelve month periods ended December 31, 2012 and 2011, the Company paid those individuals $192 thousand, respectively, for providing these guarantees which represents a similar amount to guarantee fees paid to financial institutions. These transactions were recorded at the amount agreed to between the Company and the guarantors and are included in selling, general and administrative expenses.

The Chief Executive Chair of the Company was the CEO of Proventure Income Fund (the "Fund") until the sale of the Fund in September 2012. In January 2012, the Company purchased certain real estate assets from the Fund for $26.3 million. The purchase price was paid through a combination of cash of $12.2 million, assumption of mortgages of $11.4 million and a reduction in advances made to the Fund of $2.7 million of which $1.1 million remains outstanding at December 31, 2012.

FOURTH QUARTER RESULTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2012 & 2011

($ thousands, except per share amounts)	**2012**	**2011**	**% change**
Revenues	193,128	141,356	36.6
Cost of sales	155,952	113,209	38.7
Gross profit	37,176	28,147	28.2
Other income (loss)	(18)	831	28.5
Selling, general and administrative	(28,768)	(22,025)	30.6
Results from operating activities	8,390	6,953	20.7
Finance income	293	156	87.8
Finance costs	(1,492)	(222)	572.1
Net finance costs	(1,199)	(66)	1,716.7
Share of profit of equity accounted investees, net of income tax	504	144	250.0
Profit before income tax expense	7,695	7,031	9.4
Income tax expense	(784)	(2,506)	(68.7)
Profit for the period	**6,911**	**4,525**	**52.7**
Profit for the period allocated to shareholders	6,911	4,396	57.2
Net earnings (loss) per share			
- Basic	0.46	0.30	53.3
- Diluted	0.45	0.29	55.2
Cash flow from operations	(1,516)	3,480	-
Per share - diluted	(0.10)	0.24	-
Dividends declared to common shareholders	2,831	2,646	7.0
Per share	0.19	0.18	5.6
EBITDA[1]	11,692	9,454	23.7
EBITDA margin[1]	6.1%	6.7%	(9.0)
Per share - diluted	0.75	0.65	15.4
Weighted average shares outstanding			
Basic	14,895	14,699	1.3
Diluted	15,513	15,211	2.0

Notes: (1) These financial measures are identified and defined under the section "Non-IFRS Financial Measures".

Revenues

The following is a summary of revenues by segment for the three month period ended December 31, 2012 and 2011:

($ thousands)	2012	2011	% change
Equipment			
New	65,096	48,960	33.0
Used	31,325	29,224	7.2
Total	96,421	78,184	23.3
Parts	9,919	9,250	7.2
Service	7,777	6,306	23.3
Rental and other	996	948	5.1
Agricultural equipment	**115,113**	**94,688**	**21.6**
Equipment			
New	42,728	28,779	48.5
Used	5,341	2,672	100.0
Total	48,069	31,451	52.8
Parts	17,218	7,786	121.1
Service	10,350	5,315	94.7
Rental and other	2,378	2,116	12.4
Commercial and industrial equipment	**78,015**	**46,668**	**67.2**
Total	**193,128**	**141,356**	**36.6**

Agricultural Equipment

Revenue for the agriculture equipment segment for the 3 month period ended December 31, 2012 increased $20.4 million ($12.2 million same store) when compared to the same period during 2011.

The same store increase of $12.2 million was primarily from an increase in new and used equipment sales which increased by $12.8 million in the fourth quarter of 2012 when compared to 2011. This increase is primarily due to an increase in our 2WD and 4WD tractors as indicated in our year to date results.

Parts and service revenues increased $2.1 million in the 4th quarter of 2012 when compared to the same period of 2011, substantially all from the acquisition of the 4 stores in New Zealand.

Commercial & Industrial Equipment

Revenue for our commercial and industrial equipment segment increased $31.3 million or 67.2% (same store increased $748 thousand) during the 4th quarter of 2012 when compared to the same period of 2011.

New and used equipment revenues increased $16.6 million (same store decreased $1.2 million or 3.8%). Same store sales decrease was primarily due to decreased activity being experienced in the oil and gas sector of Alberta.

Parts and service revenues increased $14.5 million or 110.4% (same store increased $2.1 million or 15.9%) during the three month period ended December 31, 2012 when compared to the same period of 2011. The increase in same store parts and service revenue is due to increased customer work due to our customers being hesitant to purchase new equipment at this time.

GROSS PROFIT

The following is a summary of gross profit by segment for the three month period ended December 31, 2012 and 2011:

($ thousands)	2012	2011	% change
Agricultural equipment:			
Gross margin dollars	19,736	17,129	15.2
Gross margin percentage	17.1%	18.1%	(5.5)
Commercial and industrial equipment:			
Gross margin dollars	17,440	11,018	58.3
Gross margin percentage	22.4%	23.6%	(5.1)
Total gross margin dollars	**37,176**	**28,147**	**32.1**
Total gross margin percentage	**19.2%**	**19.9%**	**(3.5)**

Agricultural Equipment

Gross profit dollars increased $2.6 million ($835 thousand or 4.8% on a same store basis) during the three month period ended December 31, 2012 when compared to the same period of 2011. Overall gross profit margin has decreased by 100 basis points or 5.5% primarily due to a reduction in margin being experienced in our new equipment sales however; this is primarily due to the settlement of our new equipment inventories resulting in timing differences in the recognition of volume discounts in 2012 compared to 2011.. The profit margin before volume discount is comparable in the fourth quarter of 2012 when compared to the previous period in 2011.

Commercial & Industrial Equipment

Gross profit dollars have increased by $6.4 million (same store increased by $724 thousand or 6.5%) during the 4th quarter of 2012 when compared to the same period of 2011. Gross profit margin decreased by 120 basis points or 5.1% primarily due to lower overall gross margins reported from the acquisition of the transportation group when compared to historical amounts.

SELLING, GENERAL & ADMINISTRATIVE EXPENSES

The following is a summary of selling, general and administrative expenses by segment for the three month period ended December 31, 2012 and 2011:

($ thousands)	2012	2011	% change
Agricultural equipment			
Selling, general and administrative	13,706	11,831	15.8
Depreciation and amortization	824	792	4.0
Total for segment	**14,530**	**12,623**	**15.1**
Commercial and industrial equipment			
Selling, general and administrative	13,306	8,770	51.7
Depreciation and amortization	933	633	47.4
Total for segment	**14,239**	**9,403**	**51.4**
Total	**28,769**	**22,026**	**31.6**
% of revenue by segment			
Agricultural equipment	**12.6**	**13.3**	**(5.3)**
Commercial and industrial equipment	**18.3**	**20.1**	**(8.9)**
Total	**14.9**	**15.6**	**(4.5)**

Agricultural Equipment

The agricultural equipment segment reported an increase in selling, general and administrative expenses of $1.9 million (same store increased $294 thousand or 2.3%) for the three month period ended December 31, 2012 when compared to the same period of 2011. The primary reason for the increase in selling, general and administrative expenses is due to general increases in payroll and increased commissions on increases in gross sales. In addition, depreciation and amortization has increased due primarily to land and building additions during the year from construction of a new building in Saskatoon, SK, and from the purchase of assets from the Fund at the beginning of 2012.

Commercial & Industrial Equipment

The commercial and industrial equipment segment's selling, general and administrative expenses increased $4.8 million (same store increased $120 thousand or 1.3%) for the 4th quarter of 2012 when compared to 2011. The primary reason for the overall increase in selling, general and administrative expenses was due to the purchase of the transportation group as well as general increases to wages and benefits and commissions due to increased sales activity. In addition, depreciation and amortization also has increased primarily from land and building additions during the year from construction of facilities in Edmonton, AB and from the purchase of assets from the Fund at the beginning of 2012 and from the depreciation and amortization of land and building additions and intangibles related to the purchase of the transportation group in March 2012.

FINANCE COSTS & OTHER INTEREST

The following is a summary of finance costs and other interest by segment for the three month period ended December 31, 2012 and 2011:

($ thousands)	2012	2011	% change
Agricultural equipment			
Interest expense	914	52	1,657.7
Interest in cost of sales	20	124	(83.9)
Total for segment	**934**	**176**	**430.7**
Commercial and industrial equipment:			
Interest expense	577	170	239.4
Interest in cost of sales	8	26	(69.2)
Total for segment	**585**	**196**	**198.5**
Total	**1,519**	**372**	**308.3**
As a % of revenue			
Agricultural equipment	**0.8**	**0.2**	**300.0**
Commercial and industrial equipment	**0.7**	**0.4**	**75.0**
Total	**0.8**	**0.3**	**166.7**

Overall interest expense has increased $1.1 million (same store increased $1.0 million) during the three month period ended December 31, 2012 when compared to the same period in 2011. The increase is primarily related to a combination of interest recorded on the $34.5 million debenture of $690 thousand, interest on vendor take back mortgage for the purchase of the transportation group properties of $154 thousand and mortgage interest on land and building additions and properties purchased from the Fund, a related party, of $205 thousand.

In addition during the period, the Company received rebates which were applied against interest expense that would otherwise be payable. The amount of rebates received during the three months period ended December 31, 2012 was $404 thousand (2011 - $277 thousand).

PROFIT & COMPREHENSIVE INCOME

The profit attributed to shareholders for the three month period ended December 31 excludes the allocation of profit to non-controlling interests. Earnings per share are calculated based on the profit for the period attributed to shareholders of the Company only.

($ thousands except net earnings per share):	2012	2011	% change
Profit for the period:			
Agricultural equipment segment	4,881	3,735	30.7
Allocation to non-controlling interest	-	(129)	(100.0)
Profit attributable to shareholders from agricultural equipment segment	4,881	3,606	35.4
Commercial and industrial equipment	2,030	790	157.0
Profit attributable to shareholders	**6,911**	**4,396**	**57.2**
Net profit attributable to shareholders as a % of total segment revenues			
Agricultural equipment	4.2	3.8	10.5
Commercial and industrial equipment	2.6	1.7	52.9
Total	**3.6**	**3.1**	**16.1**
Net Earnings Per Share:			
Shares outstanding – basic	**14,895**	**14,699**	**1.3**
Agricultural equipment	0.32	0.25	28.0
Commercial and industrial equipment	0.14	0.05	180.0
Total	**0.46**	**0.30**	**53.3**

EBITDA (SEE NON-IFRS FINANCIAL MEASURES)

The following is a summary of EBITDA by segment for the three month period ended December 31, 2012 and 2011:

($ thousands)	2012	2011	$ change
Agricultural equipment			
Profit for the period	**4,881**	**3,735**	**1,146**
Add:			
Interest	934	176	758
Income taxes	663	1,518	(855)
Depreciation and amortization	1,539	924	615
EBITDA	**8,017**	**6,353**	**1,664**
% of segment revenue	**7.0**	**6.7**	
Commercial and industrial equipment			
Profit for the period	2,030	790	1,240
Add:			
Interest	585	196	389
Income taxes	121	987	(866)
Depreciation and amortization	939	1,128	(189)
EBITDA	**3,675**	**3,101**	**574**
% of segment revenue	**4.7**	**6.6**	
Total EBITDA	**11,692**	**9,454**	**2,238**
% of revenue	**6.1**	**6.7**	

For the three month period ended December 31, 2012, EBITDA increased by $2.2 million or 23.7% when compared to the same period in 2011. The most significant factor contributing to the increase in EBITDA for the year was the increase in net profit before income taxes which amounted to $2.4 million.

Of the $1.1 million increase in profit in the agriculture equipment segment, $360 thousand of the increase comes from an increase in the segment's share of profit from equity accounted investees, an increase in same store profit and improved results from AG New Zealand.
The increase in profit of $1.2 million in the commercial and industrial equipment segment was primarily a result of profit from the acquisition of the transportation group in March 2012.

Cash & Cash Equivalents

The Company used $12.4 million of cash and cash equivalents during the three month period ended December 31, 2012. The primary sources and use of these cash flows in the three month period are as follows:

Operating Activities

Net cash used in operating activities was $1.5 million when compared to cash provided of $3.5 million for the same period of 2011, a decrease of $5.0 million. The primary reason for the decrease in operating cash flow was from the use of $10.8 million in cash resources for net repayments of working capital items, primarily inventories and related floor plan financing. We used a net $26.6 million for increases in inventory levels and repayments of floor plan facilities during the period. This was offset by an decrease in accounts receivable and customer deposits of $16.2 million.

Investing Activities

The Company used $5.1 million in net cash for investing activities. The most significant use of cash for investing activities was the purchase of property and equipment for $3.2 million, net of proceeds and the payment of the remaining balance from business acquisitions of $2.0 million.

Financing Activities

Financing activities used $5.8 million in cash flows in the period, primarily through the payment of dividends of $2.5 million, repayment of notes payable of $2.8 million and the repayment of $593 thousand of term debt.

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 & Amortization of Intangible Assets & Property & 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 & 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 (see "Business Risks and Uncertainties – Other Risks").

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.

BUSINESS RISKS & UNCERTAINTIES

Reliance on our key manufacturers and dealership arrangements

Cervus' primary source of income is from the sale of agricultural and commercial 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: (i) circumstances will not arise which gives these equipment manufacturers the right to terminate their dealership agreements or (ii) one or more of the equipment manufacturers will decide not to renew their dealership agreements with us upon expiry.

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, New Zealand and Australia within the agricultural sector and industry diversification into the construction, transportation and material handling sector.

The commercial and industrial 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.

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. The transportation equipment group primarily sells transport equipment through PACCAR, which manufacturers Peterbilt trucks. The major competitors to Peterbilt are Kenworth, International, Freightliner and Mack trucks. The trucks are very dependent on consumer and commercial transportation of goods and service industries, such as oil and gas. This diverse customer base does mitigate the risks inherent in any one of those customer segments.

Presently the majority of the commercial 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 commercial 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.

Further, there is a risk that the tax consequences contemplated by Cervus may be materially different from the tax consequences anticipated by Cervus in undertaking the conversion transaction. The Canada Revenue Agency has requested information relating to the plan of arrangement involving Cervus LP and Vasogen Inc. completed in October 2009 pursuant to which Cervus LP converted from a limited partnership structure to the current corporate structure of Cervus Equipment Corporation. It is important to note that, at this time, the Canada Revenue Agency has only requested information from Cervus and has not issued a reassessment of Cervus' tax filings nor has it proposed to issue a reassessment. Cervus remains confident in the appropriateness of its tax-filing position and the expected tax consequences of the conversion and intends to defend such position vigorously if a notice of reassessment is received from the Canada Revenue Agency. Cervus strongly believes that the general anti-avoidance rule does not apply to the conversion and intends to file its future tax returns on a basis consistent with its view of the outcome of the conversion. While Cervus is confident in the appropriateness of its tax-filing position and the expected tax consequences of the arrangement and the conversion transaction, there remains a possibility that, if the Canada Revenue Agency elects to challenge Cervus tax filings and such challenge is successful, it could potentially negatively affect the availability or quantum of the tax losses or other tax accounts of Cervus. If, at some point, Cervus receives such a reassessment, to appeal it Cervus will be required to make a payment of 50% of the taxes the Canada Revenue Agency claims are owed for such years. Based on Cervus' 2009, 2010 and 2011 taxation years, that 50% amount is approximately $8 million. Cervus would also be required to make a payment of 50% of the taxes the Canada Revenue Agency claims are owed in any future tax year if the Canada Revenue Agency issues a similar notice of reassessment for such years and Cervus appeals it. If Cervus is ultimately successful in defending its position, such payments, plus applicable interest, will be refunded to Cervus. If the Canada Revenue Agency is successful, Cervus will be required to pay the balance of the taxes claimed plus applicable interest.

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;

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.

WORKING CAPITAL;

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

MARKET CAPITALIZATION;

Market capitalization is calculated as current common shares outstanding at a particular time multiplied by the market value of those respective shares at that time.

NET BOOK VALUE PER SHARE – DILUTED;

Net book value per share – diluted is calculated as shareholders' equity divided by the weighted average number of shares outstanding on a diluted basis.

CONSOLIDATED FINANCIAL STATEMENTS OF CERVUS EQUIPMENT CORPORATION

FOR THE YEARS ENDED DECEMBER 31, 2012 & 2011

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, 2012 and 2011, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.
Management's Responsibility for the consolidated Financial Statements

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

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Cervus Equipment Corporation as at December 31, 2012 and 2011, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Chartered Accountants
Calgary, Canada - March 13, 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2012 & 2011

($ thousands)	Note	2012	2011
Assets			
Current assets			
Cash and cash equivalents	12	8,156	6,536
Deposit for business acquisition		-	2,000
Asset held for sale		-	1,447
Trade and other accounts receivable	13	38,810	50,189
Inventories	14	172,857	106,776
Total current assets		**219,823**	**166,948**
Non-current assets			
Long-term receivables	15	1,665	-
Investments in associates, at equity	16	9,797	5,146
Other long-term assets		-	112
Deposits with manufacturers	17	1,855	1,459
Property and equipment	18	92,091	29,185
Deferred tax asset	10	44,197	53,546
Intangible assets	19	26,717	19,905
Goodwill	20	5,812	5,154
Total non-current assets		**182,134**	**114,507**
Total assets		**$ 401,957**	**$ 281,455**
Liabilities			
Current liabilities			
Trade and other accrued liabilities	21	$ 37,655	$ 22,514
Customer deposits		8,188	5,269
Floor plan payables	22	73,626	51,944
Dividends payable		2,831	2,647
Current portion of term debt	22	4,658	2,957
Current portion of notes payable	22	2,652	2,477
Total current liabilities		**129,610**	**87,808**
Non-current liabilities			
Term debt	22	39,028	7,276
Notes payable	22	-	2,652
Debenture payable	22	30,534	-
Total non-current liabilities		**69,562**	**9,928**
Total liabilities		**199,172**	**97,736**
Equity			
Shareholders' capital	23	76,503	72,925
Deferred share plan	25	5,133	3,785
Other reserves		5,136	3,036
Accumulated other comprehensive income		221	150
Retained earnings		115,792	102,084
Total equity attributable to equity holders of the Company		202,785	181,980
Non-controlling interest		-	1,739
Total equity		**202,785**	**183,719**
Total liabilities and equity		**$ 401,957**	**$ 281,455**

Approved by the Board:

Peter Lacey, Director

Gary Harris, Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2012 & 2011

($ thousands)	Notes		2012		2011
Revenue					
Equipment sales		$	554,349	$	429,442
Parts			104,225		73,172
Service			62,824		45,852
Rentals			12,847		11,132
Total revenue			734,245		559,598
Cost of sales	6, 8		(594,067)		(453,263)
Gross profit			140,178		106,335
Other income	7		2,984		1,839
Selling, general and administrative expense	8		(108,667)		(82,601)
Results from operating activities			34,495		25,573
Finance income			1,271		372
Finance costs			(4,536)		(1,265)
Net finance costs	9		(3,265)		(893)
Share of profit of equity accounted investees, net of income tax	16		2,457		1,346
Profit before income tax expense			33,687		26,026
Income tax expense	10		(9,105)		(7,900)
Profit for the year			24,582		18,126
Other comprehensive income					
Foreign currency translation differences for foreign operations			71		213
Total comprehensive income for the year		$	24,653	$	18,339
Profit (loss) attributable to:					
Shareholders of the Company		$	24,394	$	18,444
Non-controlling interest			188		(318)
Profit for the year		$	24,582	$	18,126
Total comprehensive income (loss) attributable to:					
Shareholders of the Company		$	24,465	$	18,437
Non-controlling interest			188		(98)
Total comprehensive income for the year		$	24,653	$	18,339
Net income per share attributable to shareholders of the Company:					
Basic	24	$	1.65	$	1.27
Diluted	24	$	1.58	$	1.22

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2012 & 2011

Attributable to equity holders of the Company

(In $ 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, 2011		$ 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	23	-	-	-	-	-	(10,562)	(10,562)	-	(10,562)
Conversion of shares and cumulative dividends to share capital	23	5,439	(5,361)	-	-	-	-	78	-	78
Shares issued through DRIP	23	674	-	-	-	-	-	674	-	674
Shares issued through deferred share plan	23	80	-	(80)	-	-	-	-	-	-
Share-based payment transactions	25	-	-	1,042	109	-	-	1,151	-	1,151
Shares issued for land purchase	23	382	-	-	-	-	-	382	-	382
Employee loans forgiven		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**
Comprehensive income for the year										
Profit or loss		-	-	-	-	-	24,394	24,394	188	24,582
Other comprehensive income										
Foreign currency translation adjustments		-	-	-	-	71	-	71	-	71
Total comprehensive income for the year		-	-	-	-	71	24,394	24,465	188	24,653
Transactions with owners, recorded directly in equity										
Dividends to equity holders	23	-	-	-	-	-	(11,031)	(11,031)	-	(11,031)
Shares issued for the purchase of minority interest	23	1,582	-	-	-	-	345	1,927	(1,927)	-
Shares issued for business acquisitions	11	1,027	-	-	-	-	-	1,027	-	1,027
Shares issued through DRIP	23	945	-	-	-	-	-	945	-	945
Shares issued through deferred share plan	23	3	-	(3)	-	-	-	-	-	-
Share-based payment transactions	25	21	-	1,351	151	-	-	1,523	-	1,523
Conversion feature of convertible debenture issued	22	-	-	-	1,949	-	-	1,949	-	1,949
Total transactions with owners		3,578	-	1,348	2,100	-	(10,686)	(3,660)	(1,927)	(5,587)
Balance December 31, 2012		**$ 76,503**	**-**	**$ 5,133**	**$ 5,136**	**$ 221**	**$ 115,792**	**$ 202,785**	**-**	**$ 202,785**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

($ thousands)	Notes	2012	2011
Cash flows from operating activities			
Profit for the year		$ 24,582	$ 18,126
Depreciation	18	7,253	5,505
Amortization of intangibles	19	2,677	2,447
Forgiveness of employee purchase loans		-	70
Equity-settled share-based payment transactions	25	1,506	1,150
Net finance costs	9	3,524	1,292
Gain on sale of property and equipment		(775)	(193)
Share of profit of equity accounted investees, net of tax	16	(2,457)	(1,346)
Income tax expense	10	9,105	7,900
Change in non-cash working capital		(21,720)	(7,437)
		23,695	27,514
Interest paid		(4,744)	(1,665)
Net cash from operating activities		18,951	25,849
Cash flows from investing activities			
Interest received	9	1,271	372
Business acquisitions	11	(22,260)	(2,000)
Advances to related party	13	15,354	(14,684)
Purchase of property and equipment		(42,832)	(11,455)
Proceeds from disposal of property and equipment		4,888	1,965
Proceeds from investments, at equity, net of purchases	16	(2,193)	905
Proceeds from asset held for sale		1,501	-
Increase in other investments, at cost		112	(1,545)
Net cash used in investing activities		(44,159)	(26,442)
Cash flows from financing activities			
Proceeds from (repayment of) term debt		6,680	(121)
Proceeds from exercise of share options	25	17	-
Advance from debenture offering, net of costs	22	33,159	-
Dividends paid	23	(9,902)	(9,797)
Decrease in deposits with John Deere	17	(289)	250
Repayment of notes payable	22	(2,837)	(2,808)
Net cash used in financing activities		26,828	(12,476)
Net decrease in cash and cash equivalents		1,620	(13,069)
Cash and cash equivalents, beginning of year		6,536	19,605
Cash and cash equivalents, end of year	12	$ 8,156	$ 6,536

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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, 2012 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 46 John Deere agricultural equipment, Bobcat and JCB construction equipment and Clark, Sellick, Nissan and Doosan material handling equipment and Peterbilt truck dealerships in 43 locations with 33 locations in Western Canada and 10 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".

2. Basis of Preparation

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The Board of Directors authorized the issue of these consolidated financial statements on March 13, 2013.

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 & Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies, which are described in note 3, 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.

Use of Estimates & Judgements in Applying Accounting Policies

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

ESTIMATES

- Recoverability of inventories (note 14)
- Valuation allowance for trade accounts receivable (note 27);
- Impairment of goodwill (notes 19 and 20); and
- Fair value of business combinations (note 5).

JUDGEMENTS

- Recognition of deferred tax assets (note 10)

3. 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.

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. Cervus NZ Equipment Ltd., Cervus Rental & Leasing NZ Ltd. and Cervus Equipment Australia Pty Ltd.

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 acquirees' identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Business Segments

The Company has historically operated two distinct business segments, an agricultural equipment segment and a commercial 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 commercial and industrial equipment segment consists primarily of Bobcat, JCB, Clark, Sellick, Doosan, Nissan, and Peterbilt dealership locations in Alberta, Saskatchewan and Manitoba.

Cash & 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 net 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 assets and liabilities 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. Previous write-downs of inventory are reversed when economic changes support an increased value.

Property & 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 significant component of an asset, less its residual values over its estimated useful lives. 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 methods and rates are used in the calculation of depreciation.

Assets	Method	Rate
Buildings	Straight-line	15 to 40 years
Leasehold improvements	Straight-line	Over period of lease
Short-term rental equipment	Straight-line	12% to 20%
Automotive and trucks and computers	Declining balance	30%
Furniture and fixtures, parts and shop equipment	Declining balance	20%

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 for each intangible asset.

Dealership distribution agreements and trade name	20 years
Customer lists and non-competition agreements	5 years

Investments in Associates

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

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statements of financial position at cost as adjusted

for post-acquisition changes in the Company's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate) are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

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 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.

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 net earnings 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, 2012 and 2011, 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, loans to related parties 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, 2012, the Company did not have available-for-sale assets. Initially, available-for-sale assets are recognized at fair value plus any directly attributable transaction costs.

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

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 & 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.

4. Recent Accounting Pronouncements

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2013, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

5. Determination of fair values

A number of the groups accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the 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.

Property, Plant & Equipment

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

Intangible Assets

The fair value of dealership distribution agreements and trade names acquired in a business combination is based on the discounted estimated cash flows that have been avoided as a result of these assets 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.

Inventories

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

Trade & Other Receivables

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

Other Non-Derivative Financial Liabilities

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

Share Based Payment Transactions

The fair value of the employee share options is measured using the Black-Scholes formula. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on an evaluation of the Company's historic volatility, particularly over the historic period commensurate with the expected term), expected term 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 transaction are not taken into account in determining fair value.

6. Cost of Sales

The following amounts have been included in cost of sales for the periods ended December 31, 2012 and 2011:

	2012	2011
Depreciation of rental equipment	$ 2,928	$ 2,859
Interest paid on rental equipment financing	259	399
	$ 3,187	**$ 3,258**

7. Other Income

Interest and other income for the periods ended December 31, 2012 and 2011 are comprised of the following:

	2012	2011
Net gain on sale of property and equipment	$ 720	$ 247
Net gain (loss) on other long-term assets	55	(54)
Extended warranty commission	211	217
Foreign exchange gain (loss)	356	(11)
Financial compensation and consignment commissions	578	588
Other income	1,064	852
	$ 2,984	**$ 1,839**

8. Wages & Benefits

	2012	2011
Included in cost of sales:		
Short-term wages and benefits	**$ 17,988**	**$ 14,576**
Included in selling, general and administrative expenses:		
Short-term wages and benefits	$ 49,710	$ 48,199
Share-based payments	1,523	1,150
	51,233	**49,349**
	$ 69,221	**$ 63,925**

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 a minimum of 15% 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 $ 847 thousand (2011 - $649 thousand) of expenses incurred by the Company's to match the employee contributions.

9. Finance Income & Finance Costs

	2012	2011
Interest income on advances to related party	$ 269	$ 86
Interest income on long-term lease receivables	697	-
Interest income on amounts due the Company	249	89
Interest income on held-to-maturity investments	56	197
Finance income	**1,271**	**372**
Interest expense on convertible debenture	(1,148)	-
Interest expense on mortgage and term debt obligations	(1,006)	-
Interest expense on note payable	(360)	(521)
Interest expense on vendor take back financing	(467)	-
Interest expense on financial liabilities	(1,555)	(744)
Finance costs	**(4,536)**	**(1,265)**
Net finance costs recognized in profit	(3,265)	(893)
Net finance costs recognized in cost of sales	(259)	(399)
Net finance costs	**$ (3,524)**	**$ (1,292)**

10. Income Taxes

Tax expense comprises:	2012	2011
Current tax expense	$ 11	$ 296
Deferred tax expense	9,094	7,604
Total tax expense relating to continuing operations	$ 9,105	$ 7,900

The expense for the year can be reconciled to the accounting profit (loss) based on using federal and provincial statutory rates of 25.8% as follows:

($ thousands)	2012	2011
Profit before income tax expense	$ 33,687	$ 26,025
Expected income tax expense	$ 8,691	$ 7,052
Non-deductible costs and other	414	848
Income tax recovery recognized in profit or loss	$ 9,105	$ 7,900

Deferred Tax Assets & Liabilities

($ thousands)	2012	2011
Carrying value over the tax value of tangible assets	$ (930)	4 (958)
Carrying value over the tax value of convertible debenture liability	(676)	-
Carrying value over the tax value of intangible assets	(2,830)	(3,066)
Federal investment tax credits	12,842	12,842
Benefit of tax losses to be carried forward	35,791	44,728
Deferred tax asset	**$ 44,197**	**$ 53,546**

All changes in deferred tax assets and liabilities were recognized in income tax expense except for the $676 thousand deferred tax liability related to the convertible debenture, which was recorded in other reserves. During 2012, the Company recognized deferred income tax benefits of $421 thousand from its wholly-owned subsidiary in New Zealand that were not previously recognized of which $244 thousand was expensed and $177 thousand is included in deferred tax assets. The Company believes that it is probable that future taxable profit will be available against which the Company can utilize the benefits of the tax loss carry forwards and investment tax credits except for the unrecognized amounts shown below where the Company does not believe certain capital losses and other tax loss carry forwards can be utilized.

The Canada Revenue Agency ("CRA") has requested for its review information relating to the plan of arrangement involving Cervus LP and Vasogen Inc. completed in October 2009. While management is confident in the appropriateness of its tax-filing position and the accounting for the tax position, there remains a possibility that if the CRA elects to challenge Cervus' tax filings and such challenge is successful, the availability or the amount of the tax losses recognized could be negatively affected.

Unrecognized Deferred Tax Assets

($ thousands)		2012		2011
- tax losses (income)	$	221	$	215
- tax losses (capital)		19,484		19,537
	$	19,705	$	19,752

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

11. Business Combinations

a. On August 10, 2012, the Company acquired the business assets and assumed the business liabilities of Bayquip Agricultural Limited ("Bayquip") and Fieldpower Northland Limited ("Fieldpower"). The Company purchased Bayquip and Fieldpower in order to expand and consolidate its agricultural equipment dealerships in New Zealand. Bayquip and Fieldpower operated 5 John Deere dealerships on the north island of New Zealand. The purchase price paid for the net assets of Bayquip and Fieldpower are as follows:

Net assets purchased ($ thousands)		
Inventories	$	4,987
Prepaid expenses		24
John Deere dealer reserve		117
Property and equipment		828
Goodwill		658
Accounts payable and accrued liabilities		(2,330)
Floor plan payable		(664)
Purchase price	$	3,620
Financed by:		
Cash	$	2,593
Issuance of common shares		1,027
	$	3,620

The fair value of the common shares issued as part of the transaction was based on the trading price of the Company's common shares on the acquisition date.

Included in these financial statements are revenues of $8.2 million and net profit of $144 thousand related to this acquisition, prior to allocation of corporate expenditures and income tax expense. Had the Company purchased this acquisition at the beginning of the reporting period, January 1, 2012, revenues would have been $14.1 million and the profit for the year would have been $652 thousand, excluding allocation of corporate expenditures and income tax expense. The results of operations of this acquisition are part of the agricultural equipment segment.

b. On March 15, 2012, the Company completed a transaction whereby it has acquired the business assets and assumed the business liabilities of Frontier Peterbilt Sales Ltd. ('Frontier") and Frontier Developments Ltd. ("Developments"). The Company purchased Frontier and Developments for the purposes of expanding and diversifying its commercial and industrial equipment segment. The Company acquired the dealership agreements, trade name and customer lists from the former owner as the Company required these assets to continue operations in future years, of which $9,430 thousand is tax deductible. Frontier operates 4 Peterbilt truck dealerships and 1 Autopro Collision center in 4 locations in Saskatchewan. Development's owns the 5 land and building locations directly related to the operations of Frontier. The purchase price paid for the net assets of Frontier and Developments is as follows:

Net assets purchased ($ thousands)		
Trade and other accounts receivable	$	7,700
Inventories		16,985
Property and equipment		15,903
Intangible assets		9,489
Accounts payable and accrued liabilities		(2,494)
Customer deposits		(217)
Floor plan payable		(10,279)
Term debt		(2,060)
Purchase price	$	35,027
Financed by:		
Cash, net of cash received of $102 thousand	$	21,667
Vendor take back mortgage, due March 15, 2014, repayable in equal annual instalments of $85,998 including interest at the rate of 4.75% per annum		13,360
	$	35,027

Included in these financial statements are revenues of $95.1 million and net profit of $4.6 million related to this acquisition, prior to allocation of corporate expenditures and income tax expense. Had the Company purchased this acquisition at the beginning of the reporting period, January 1, 2012, revenues would have been $115.7 million and the profit for the year would have been $5.1 million, excluding allocation of corporate expenditures and income tax expense. The results of operations of this acquisition are part of the commercial and industrial segment.

12. Cash & Cash Equivalents

($ thousands)		2012		2011
Bank and cash balances	$	6,638	$	-
Money market funds		2,751		8,064
		9,389		8,064
Credit facilities used for cash management purposes (note 22)		(1,233)		(1,528)
	$	8,156	$	6,536

The company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in note 27.

13. Trade & Other Accounts Receivable

($ thousands)		2012		2011
Trade receivables	$	25,939	$	23,095
Advances to Summit REIT, formerly Proventure Income Fund		1,100		17,412
Advances to equity accounted investees		958		-
Prepaid expenses		2,414		2,248
Current portion of long-term finance contracts		971		-
Volume bonus		15		221
Contracts in transit		8,329		8,064
Allowance for doubtful debts		(916)		(851)
	$	38,810	$	50,189

The Company's exposure to credit and currency risks, and impairment losses related to trade and other receivables is disclosed in note 27.

14. Inventories

($ thousands)		2012		2011
New equipment	$	82,619	$	44,297
Used equipment		66,719		46,550
Parts and accessories		22,229		15,246
Work-in-progress		1,290		683
	$	172,857	$	106,776

During the year ended December 31, 2012, inventories recognized as cost of sales amounted to $527,984 thousand (2011 - $444,312 thousand). There were no significant write-downs recorded during the years ended December 31, 2012 and 2011.

15. Long-Term Receivables

Long-term receivables consist of internal finance agreements with certain customers for the purchase of equipment. The agreements range from periods of repayment between 3 to 60 months, and require blended principal and interest repayments of up to $53 thousand with interest at rates ranging from 6.5% to 13%.

($ thousands)		2012		2011
Long-term receivables outstanding	$	2,636	$	-
Less: current portion		(971)		-
	$	1,665	$	-

The Company's credit risks and impairment losses related to trade and other receivables are disclosed in note 27.

16. Equity Accounted Investees

($ thousands)	Ownership %		2012		2011
Prairie Precision Network Inc.	22.2	$	29	$	29
1595672 Alberta Ltd.	18.2		550		400
Deer Star Systems, Inc.	35.7		1,299		906
Maple Farm Equipment Partnership	20.0		4,511		3,811
Windmill AG Pty Ltd.	34.6		3,407		-
PPJ Investments Pty Ltd.	45.0		1		-
		$	9,797	$	5,146

The Company's share of profit in its equity accounted investees for the year ended December 31, 2012 was $2,457 thousand (2011 - $1,346 thousand). During the year ended December 31, 2012, the Company received $1,152 thousand (2011 - $1,559 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
December 31, 2011	38,163	11,770	21,754	1,921	170,855	163,897
December 31, 2012	70,411	21,641	49,735	6,727	226,126	215,757

During the year ended December 31, 2012, the Company, through its subsidiary Cervus Equipment Australia Pty Ltd., purchased 37 ordinary shares (34.6% interest) of Windmill AG Pty Ltd. and 450 ordinary shares (45% interest) of PPJ Investments Pty Ltd. 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.

17. 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 $1,855 thousand (December 31, 2011 - $1,459 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.

18. Property & Equipment

Cost

($ thousands)	Land and Buildings	Short-term rental equipment	Automotive and trucks	Furniture and fixtures	Parts and shop equipment	Computers and software	Leasehold improvements	Total
Balance at January 1, 2011	**-**	**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
Disposals	-	(3,506)	(640)	(11)	(9)	(63)	(259)	(4,488)
Transfer from inventories	-	1,485	-	-	-	-	-	1,485
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**
Additions	61,333	4,879	2,975	704	866	1,022	713	72,492
Additions through business acquisition	15	833	140	85	201	63	150	1,487
Disposals	-	(5,138)	(987)	(6)	(109)	(30)	(1,567)	(7,837)
Effect of movements in exchange rates	-	40	39	6	15	12	2	114
Balance at December 31, 2012	**67,874**	**21,788**	**10,442**	**3,564**	**4,626**	**3,349**	**1,156**	**112,799**

Accumulated Depreciation & Impairment

($ thousands)	Land and Buildings	Short-term rental equipment	Automotive and trucks	Furniture and fixtures	Parts and shop equipment	Computers and software	Leasehold improvements	Total
Balance at January 1, 2011	**-**	**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**
Depreciation expense	1261	2,891	1,615	282	545	566	93	7,253
Disposals/transfers	-	(2,655)	(734)	26	(86)	(10)	(526)	(3,985)
Effects of movements in exchange rates	-	23	7	1	43	8	-	82
Balance at December 31, 2012	**1,261**	**7,038**	**4,833**	**2,101**	**2,690**	**1,932**	**853**	**20,708**
Carrying value								
Balance at December 31, 2011	6,526	14,395	4,330	983	1,465	914	572	29,185
Balance at December 31, 2012	65,167	14,750	5,609	1,463	1,936	1,417	303	92,091

Depreciation expense has been recorded in cost of sales in the amount of $2,928 thousand (2011 - $2,859 thousand) and selling, general and administrative expenses of $4,325 thousand (2011 - $2,646 thousand).

Included in land and building is construction in progress costs of $1,446 thousand and land with a carrying cost of $8.7 million for the construction of a new John Deere dealership in Calgary, Alberta. The land consists of 21.6 acres of which the Company is in the process of subdividing and selling 10.4 acres that are not required to build the new dealership.

The Company has entered into a contract for the construction of the new building in Calgary, Alberta. The construction costs are estimated to be $9.8 million. The Company has incurred approximately $866 thousand of other costs related to the new land and building which is included in construction in progress.

19. Intangible Assets

Intangible assets are comprised of the following:

($ thousands)	Dealership distribution agreement	Trade Name	Customer lists	Non-competition agreements	Total
Cost					
Balance at January 1, 2011	$ 17,145	$ 3,100	$ 7,390	$ 1,891	$ 29,526
Additions (note 11)	5,435	1,615	2,439	-	9,489
Balance at December 31, 2012	$ 22,580	$ 4,715	$ 9,829	$ 1,891	$ 39,015
Accumulated amortization					
Balance at January 1, 2011	$ 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
Amortization expense	1,073	219	1,253	132	2,677
Balance at December 31, 2012	$ 4,433	$ 529	$ 5,513	$ 1,823	$ 12,298
Carrying amounts					
At December 31, 2011	$ 13,785	$ 2,790	$ 3,130	$ 200	$ 19,905
At December 31, 2012	$ 18,147	$ 4,186	$ 4,316	$ 68	$ 26,717

Amortization expense has been recorded in selling, general and administrative expense. The Company is undergoing changes to its operating entities that will result in reducing the amortization period for acquired trade name intangibles to a period of 3 years from 20 years. This will result in an increase in amortization expense to $1,572 thousand per annum and it is anticipated that this will commence in the second quarter of 2013.

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.

20. Goodwill

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

($ thousands)	2012	2011
Agricultural equipment segment		
AG Alberta division	$ 1,346	$ 1,346
AG Saskatchewan division	327	327
AG New Zealand division	1,946	1,288
Commercial and industrial equipment segment		
Bobcat/JCB division	1,527	1,527
Material Handling and Forklift division	666	666
	$ 5,812	$ 5,154

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. 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 2013, 2014 and 2015 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.

21. Trade & Other Payables

($ thousands)	2012	2011
Trade and other payables	$ 21,822	$ 10,370
Non-trade payables and accrued expenses	15,833	11,884
	$ 37,655	$ 22,514

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 27.

22. Loans & Borrowings

Bank Indebtedness

At December 31, 2012, the Company has a combined credit facility agreement aggregating $43,000 thousand Canadian and $1,500 thousand New Zealand. The Canadian 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) and the New Zealand credit facility is an operating facility (NZ$1,500). Of the Canadian operating bank line, $1,500 thousand has been utilized for outstanding letters of credit to John Deere (see note 27). The Company's credit facilities 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 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, 2012 and December 31, 2011, 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 12. During the year ended December 31, 2012, the Company has complied with all covenants in relation to its credit facilities.

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 9.2%. 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)	2012	2011
Farm Credit Corporation, mortgage funding on land and buildings under construction, repayable, interest only until completion at a rate of prime plus 1% per annum	$ 3,375	$ 3,543
Farm Credit Corporation, mortgage payable in monthly instalments ranging from $39 thousand to $90 thousand including interest at a rate of prime plus 1% per annum	17,249	-
Frontier Developments Ltd., vendor take back mortgage (see note 11), payable in monthly instalments of $86 thousand including interest at the rate of 4.75%	13,052	-
ANZ National Bank Ltd., mortgage payable, interest only until 2014 at the rate of 7.5% per annum	1,104	-
HSBC Bank Canada, central lease loan, repayable in monthly instalments ranging from $2 thousand to $12 thousand including interest at rates ranging from 3.6% to 6.6%, secured by short-term rental equipment	1,303	-
Finance company, payable in monthly instalments of approximately $107 thousand including interest at prime plus 2.5%, secured by short-term rental equipment	1,234	2,489
John Deere finance contracts, payable in monthly instalments ranging up to $9 thousand including interest at a rate of 4.52% to 5.0%, secured by related equipment	2,441	798
John Deere Financial, Australia, finance contracts, payable in monthly instalments ranging up to NZ$5 thousand including interest at the rate of 5.5% per annum, secured by related equipment	3,415	3,157
Finance contracts, New Zealand, various, repayable in monthly instalments ranging up to NZ$2 thousand per month including interest from 8.68% to 17.95%, secured by related equipment	513	246
	43,686	10,233
Less current portion	(4,658)	(2,957)
	$ 39,028	$ 7,276

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)	2012	2011
Note payable, non-interest bearing, repayable in annual instalments of $2,838 thousand, effective interest at a rate of 7% per annum.	$ 2,652	$ 5,129
Less: current portion	(2,652)	(2,477)
	$ -	$ 2,652

Convertible Debenture

On July 24, 2012, the Company issued $34.5 million of convertible unsecured subordinated debentures with a face value of $1,000 per debenture that mature on July 31, 2017 and bear interest at 6.0% per annum paid semi-annually on January 31 and July 31 of each year. The debentures are convertible at the option of the holder into shares of the Company at any time subsequent to July 31, 2015 and prior to the maturity date at a rate of $26.15 (the “conversion price”) per share. The Company may redeem the debentures at its option after July 31, 2015 if the current market price of the shares on the date of the notice of redemption exceeds 125% of the conversion price.

The issuance of the debentures, net of costs was $32,874 thousand and the value of the conversion feature recorded in equity was $1,949 thousand for a net liability recorded of $30,249 thousand and deferred tax of $676 thousand. Aggregate interest and accretion and amortization expense recorded in finance costs to December 31, 2012 was $1,148 thousand.

23. Capital & 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, 2011	**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**
Issued under the DRIP plan	-	-	56	945	-	945
Issued under the deferred share plan	-	-	1	3	-	3
Shares issued for business acquisitions	-	-	138	2,609	-	2,609
Issued under the share option plan	-	-	2	21	-	21
Balance December 31, 2012	**-**	**$ -**	**14,900**	**$ 76,503**	**-**	**$ 76,503**

Issuance of Common Shares

During the period ended December 31, 2012, the Company issued 56 thousand (2011 - 46 thousand) common shares to shareholders participating in the Company's dividend reinvestment plan ("DRIP"), 1 thousand (2011 - 7 thousand) common shares as a result of redemptions of vested shares from the deferred share plan, 2 thousand (2011 – nil) common shares as a result of share options exercised, and as described in note 11, 54 thousand for business acquisitions, and for the remaining 39.7% interest in Cervus Equipment NZ Ltd., 84 thousand common shares and for a land acquisition in 2011, the Company issued 26 thousand shares. Also during 2011, the Company issued 433 thousand common shares to the holders of the series 1 preferred shares. All issued common shares have been fully paid.

Common Shares & Preference Shares

The Company has unlimited authorized share capital without par value for all common shares and preference shares with the following characteristics:

COMMON SHARES

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

PREFERRED SHARES

The Preferred Shares are issuable in series and each class of Preferred Shares has such rights, restrictions, conditions and limitations as the Board of Directors of Cervus may from time to time determine. The holders of Preferred Shares are entitled, in priority to holders of Common Shares, to be paid rateably with holders of each other series of Preferred Shares the amount of accumulated dividends, if any, specified to be payable preferentially to the holders of such series and upon liquidation, dissolution or winding up of Cervus, to be paid rateably with holders of each other series of Preferred Shares the amount, if any, specified as being payable preferentially to holders of such series.

Accumulated and Other Comprehensive Income

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

Dividends

The Company has declared and paid the following dividends:

($ thousands)	2012	2011
$0.745 per qualifying common share	$ 11,031	$ 10,484
7% of face value of $4,540 to date of redemption	-	78
	$ 11,031	**$ 10,562**

Dividend reinvestment plan

The Company has a Dividend Reinvestment Plan ("DRIP") entitling shareholders to reinvest cash dividends in additional common shares. The DRIP allows shareholders to reinvest dividends into new shares at 95 percent of the average share price of the previous 10 trading days prior to distribution. During the year ended December 31, 2012, the Company issued 56 thousand (2011 – 46 thousand) shares under this plan. The company has 108 thousand shares reserved for issuance under this plan.

24. Earnings Per Share

Per Share Amounts

Both basic and diluted earnings per share have been calculated using the net earnings attributable to the shareholders of Cervus as the numerator. No adjustments to net earnings were necessary for the years ended December 31, 2012 and 2011. 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)	2012	2011
Issued common shares January 1	14,703	14,191
Effect of shares issued under the DRIP plan	31	26
Effect of shares issued for the business acquisitions	56	-
Effect of shares issued under the deferred share plan	1	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	**14,791**	**14,546**

Diluted Earnings Per Share

The calculation of diluted earnings per share at December 31, 2012 and 2011 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)	2012	2011
Weighted average number of common shares (basic)	14,791	14,546
Effect of dilutive securities:		
Deferred share plan	600	498
Share options	15	17
Weighted average number of shares (diluted) at December 31	**15,406**	**15,061**

25. Share Based Payments

Included in share based payments are the following:

($ thousands)		2012		2011
Deferred share plan	$	1,352	$	1,041
Share options		154		109
	$	1,506	$	1,150

Deferred share plan

The Company has a deferred share plan available to officers, directors and employees whereby, if elected, certain payments to these individuals can be deferred, ranging in amounts up to $50 thousand per individual. The Company also matches the deferred portion. The deferred shares are granted as approved by the board of directors based on 95% of the 10-day average share price prior to the date of grant. The matched component of the plan vests over a period of 5 years (50% after 3 years, 25% after 4 years and 25% after 5 years) and is recorded as selling, general and administrative expense as it vests. The Company has 750,000 shares reserved for issuance under this plan. As at December 31, 2012, 600 thousand (2011 – 498 thousand) deferred shares have been issued under the deferred share plan and remain outstanding. As at December 31, 2012, the matching component of the plan aggregated $2,944 thousand (2011 - $2,169 thousand) of which $1,693 thousand (2011 - $1,116 thousand) has been amortized into compensation expense. Of the outstanding deferred shares, $452 thousand (2011 – 332 thousand) can be converted to common shares.

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	$	2,168
Between 1 and 5 years		5,455
More than 5 years		857
	$	8,480

27. 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.

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. The carrying value of the convertible debentures differs from fair value as the convertible debentures are publicly traded and quoted market prices are available. At December 31, 2012, the Company had $34.5 million in face value 6.0% convertible debenture outstanding with an estimated fair value of $35.9 million.

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, long-term receivables and deposits with manufacturers (see note 17).

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

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

($ thousands)		2012		2011
Cash and bank balances	$	8,156	$	6,536
Trade and other accounts receivables		37,312		47,940
	$	45,468	$	54,476

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

($ thousands)		2012		2011
Domestic	$	34,870	$	46,541
New Zealand		2,442		1,399
	$	37,312	$	47,940

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

($ thousands)		2012		2011
Current – 60 days	$	33,470	$	36,365
Past due – 61 – 90 days		2,134		8,061
Past due – 91 to 120 days		909		330
Past due more than 120 days		799		3,184
	$	37,312	$	47,940

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

	2012	2011
Balance at January 1	**$ 851**	**$ 493**
Additional allowance recorded	858	716
Amounts written-off as uncollectible	(793)	(358)
Balance at December 31	**$ 916**	**$ 851**

In our industries, customers typically pay invoices within 30 to 60 days. The average time to collect Company's outstanding accounts receivable was approximately 17 days for the year ended December 31, 2012 (2011 – 20 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, 2012 and 2011, all customer balances provided as bad debts were calculated based on 25% of accounts between 90 to 120 days outstanding and 85% on amounts over 120 days outstanding unless allowance for certain specified accounts requires a greater amount to be allowed for.

Guarantees

The Company has irrevocable standby letters of credit to John Deere in the amount of $1,500 thousand (December 31, 2011 - $3,100 to John Deere and a supplier). The letter of credit agreements allow for John Deere to draw upon it in whole or in part in the event of any default by the Company of any or all obligations.

Liquidity risk

The Company's exposure to liquidity risk is dependent on the collection of accounts receivable and the ability to raise funds to meet purchase commitments and financial obligations and to sustain operations. The Company controls its liquidity risk by managing its working capital, cash flows, and the availability of borrowing facilities. As described in note 22, the Company has available for its current use, $15,000 thousand and NZ$1,500 thousand of operating credit facilities less $1,500 thousand for irrevocable letters of credit issued to John Deere.

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

The following are the contractual maturities of financial liabilities, including estimated interest payments at December 31, 2012.

($ thousands)	Carrying amount	Contractual cash flows	Contractual cash flows	7-12 Months	1-2 Years	2 – 5 Years
Credit facilities	$ 1,233	1,233	1,233	-	-	-
Trade and other accrued liabilities	37,655	37,655	37,655	-	-	-
Floor plans payable	73,627	73,627	73,627	-	-	-
Dividends payable	2,831	2,625	2,625	-	-	-
Term debt payable	43,685	31,726	3,174	2,927	21,315	4,310
Debenture payable	30,534	44,850	1,898	1,035	4,140	37,777
Notes payable	2,651	2,838	2,838	-	-	-
	$ 192,216	194,554	123,050	3,962	25,455	42,087

Market risk

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

Currency risk

The Company is exposed to foreign currency fluctuation however is 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.

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, 2012 and 2011.

Sensitivity Analysis

A strengthening or weakening of the Canadian dollar by 5% against the New Zealand dollar at December 31, 2012 would have increased (decreased) equity by $4 thousand and profit or loss by $12 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

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

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

($ thousands)	2012	2011
Floor plan payables	$ 61,952	$ 51,944
Term debt	43,685	10,233
Notes payable	2,651	5,129
Debenture payable	30,534	-
	$ 138,822	$ 67,306

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, 2012 by approximately $1,388 thousand (2011 -$572 thousand).

Operational Risk

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

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict 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 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 2012 and 2011, 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:

		2012		2011
Total debt	$	199,172	$	97,736
Adjusted equity:				
Total equity	$	203,461	$	183,719
Less intangible assets and goodwill		(32,529)		(25,059)
Adjusted equity	$	170,932	$	158,660
Total debt to adjusted equity ratio		1.17 to 1		0.62 to 1
Adjusted assets:				
Total assets	$	402,633	$	281,455
Less other intangible assets and goodwill		(32,529)		(25,059)
Adjusted assets	$	370,104		4256,396
Adjusted equity (above)	$	170,932	$	158,660
Adjusted assets to adjusted equity ratio		2.17 to 1		1.62 to 1

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

28. 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 3 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, 2012 are $3,703 thousand (2011 - $1,045 thousand).

December 31, 2012		Agricultural equipment		Commercial and industrial equipment		Total
Revenue	$	480,553	$	253,692	$	734,245
Profit for the year		18,129		6,453		24,582
Share of profit of equity accounted investees		2,457		-		2,457
Investment in associates		9,797		-		9,797
Depreciation and amortization		4,836		5,094		9,930
Interest income		342		929		1,271
Interest expense		2,766		2,029		4,795
Capital expenditures		44,343		28,329		72,672
Reportable segment assets		233,207		168,750		401,957
Reportable segment liabilities		119,641		79,876		199,517
Other intangible assets		4,255		22,462		26,717
Goodwill		3,618		2,194		5,812

December 31, 2011		Agricultural equipment		Commercial and 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		5,146		-		5,146
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

The Company primarily operates in Western Canada but has a subsidiary, Cervus NZ Equipment Ltd. which operates in the agricultural equipment segment in New Zealand. Gross revenue and non-current assets for the geographic segment were $37,625 thousand (2011 - $23,777 thousand) and $9,643 thousand (2011 - $6,342 thousand) respectively.

29. Commitments & 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, 2012 payments in arrears by such customers aggregated $183 thousand (December 31, 2011 - $242 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, 2012, the net residual value of such leases aggregated $94,956 thousand (December 31, 2011 - $73,009 thousand). Management believes that the potential liability in relation to the amounts outstanding is negligible and consequently, no accrual has been made in these financial statements in relation to any potential loss on assumed lease obligations.

30. Related Party Transactions

Key management personnel compensation

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

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

	2012	2011
Short-term benefits	$ 1,651	$ 1,274
Share-based payments	444	332
	$ 2,095	$ 1,606

Key Management Personnel &Director Transactions

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

Other Related Party Transactions

The Chief Executive Chair of the Company was the CEO of Proventure Income Fund (the "Fund") until the sale of the Fund in September 2012. He was also the single largest equity holder of the Company and the Fund. In addition to the advances of $1,100 thousand included in trade and other accounts receivable, 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:

	2012	2011
Expenses:		
Real estate leases and guarantee fees	$ 356	$ 3,169
Revenue:		
Fee for assumption of related party loan	$ -	$ 400
Management fees for administration	$ 23	$ 30
Interest on advances	$ 35	$ 91

In January 2012, the Company purchased certain real estate assets from the Fund for $26.3 million. The purchase price was paid through a combination of cash of $12.2 million, assumption of mortgages of $11.4 million and a reduction in advances made to the Fund of $2.7 million of which $1.1 million remains outstanding at December 31, 2012.

Certain officers and dealer managers of the Company have provided guarantees to John Deere aggregating $6,400 thousand. During the year ended December 31, 2012 and 2011, 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.

31. Subsidiaries

Details of the Company's subsidiaries at December 31, 2012 and December 31, 2011 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%
Cervus NZ Equipment Ltd.	100%
Cervus Rental & Leasing NZ Ltd., a wholly-owned subsidiary of Cervus NZ Equipment Ltd.	100%
Cervus LP	100%
Cervus AG Equipment LP	100%
Cervus Equipment Australia Pty Ltd.	100%
Cervus Collision Center LP	100%
Cervus Contractors Equipment LP	100%

Subsequent to year end, on January 1, 2013, Cervus LP and Cervus GP Ltd. were combined with Cervus Equipment Corporation.