UNAUDITED CONDENSED INTERIM CONSOLIDATED

FINANCIAL STATEMENTS

OF CERVUS EQUIPMENT

For the three and six month periods ended June 30, 2014 and 2013

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CERVUS EQUIPMENT CORPORATION

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at June 30, 2014 and December 31, 2013

($ thousands)	Note		June 30, 2014		December 31, 2013
Assets					
Current assets					
Cash and cash equivalents		$	**24,753**	$	14,678
Trade and other accounts receivable			**53,665**		45,584
Inventories	7		**232,887**		178,511
Assets held for sale	8		**381**		3,681
Total current assets			**311,686**		242,454
Non-current assets					
Long-term receivables			**1,958**		2,103
Investments in associates, at equity			**6,126**		7,786
Deposits with manufacturers			**1,731**		1,977
Property and equipment			**111,545**		101,896
Deferred tax asset			**35,073**		37,009
Intangible assets			**26,045**		26,139
Goodwill			**7,098**		6,866
Total non-current assets			**189,576**		183,776
Total assets		**$**	**501,262**	**$**	426,230

See accompanying notes

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

CERVUS EQUIPMENT CORPORATION

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

As at June 30, 2014 and December 31, 2013

(In $ thousands)	Note		June 30, 2014		December 31, 2013
Liabilities					
Current liabilities					
Trade and other accrued liabilities		$	**60,727**	$	48,821
Customer deposits			**5,599**		4,081
Floor plan payables	9		**119,313**		67,198
Dividends payable			**3,117**		3,002
Current portion of term debt	9		**10,373**		6,168
Total current liabilities			**199,129**		129,270
Non-current liabilities					
Term debt	9		**50,987**		46,002
Debenture payable			**31,656**		31,265
Deferred income tax liability			**1,437**		1,273
Notes payable			**257**		-
Total non-current liabilities			**84,337**		78,540
Total liabilities			**283,466**		207,810
Equity					
Shareholders' capital	10		**80,442**		78,126
Deferred share plan			**6,863**		6,426
Other reserves			**6,283**		5,176
Accumulated other comprehensive income			**1,359**		139
Retained earnings			**122,849**		124,982
Total equity attributable to equity holders of the Company			**217,796**		214,849
Non-controlling interest	6		**-**		3,571
Total equity			**217,796**		218,420
Total liabilities and equity		**$**	**501,262**	**$**	426,230

See accompanying notes

Approved by the Board:

"Peter Lacey" Director "Gary Harris" Director

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

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CERVUS EQUIPMENT CORPORATION

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three and six month periods ended June 30, 2014 and 2013

		Three month period ended June 30		Six month period ended June 30	
(In $ thousands)	**Note**	**2014**	**2013**	**2014**	**2013**
Revenue					
Equipment sales		$ **184,903**	$ 198,081	$ **305,694**	$ 302,573
Parts		**32,646**	28,209	**60,767**	50,603
Service		**16,418**	14,463	**31,407**	25,936
Rentals		**3,521**	3,492	**6,509**	6,819
Total revenue		**237,488**	244,245	**404,377**	385,931
Cost of sales		**(192,235)**	(199,244)	**(326,003)**	(313,256)
Gross profit		**45,253**	45,001	**78,374**	72,675
Other income		**770**	40	**2,062**	762
Selling, general and administrative expense		**(37,252)**	(32,982)	**(70,340)**	(60,440)
Income from operating activities		**8,771**	12,059	**10,096**	12,997
Finance income		**69**	167	**123**	379
Finance costs		**(1,686)**	(1,684)	**(3,338)**	(3,404)
Net finance costs	11	**(1,617)**	(1,517)	**(3,215)**	(3,025)
Share of profit (loss) of equity accounted investees, net of income tax		**751**	1,206	**37**	1,610
Profit (loss) before income tax expense		**7,905**	11,748	**6,918**	11,582
Income tax (expense)		**(2,287)**	(3,412)	**(2,057)**	(3,368)
Profit (loss) for the period		**5,618**	8,336	**4,861**	8,214
Other comprehensive income					
Foreign currency translation differences for foreign operations (net of tax)		**(550)**	(781)	**1,220**	(745)
Total comprehensive income (loss) for the period		$ **5,068**	$ 7,555	$ **6,081**	$ 7,469
Profit (loss) attributable to:					
Shareholders of the Company		**5,618**	8,318	**4,785**	8,196
Non-controlling interest		**-**	18	**76**	18
Profit (loss) for the period		**5,618**	8,336	**4,861**	8,214
Total comprehensive income (loss) attributable to:					
Shareholders of the Company		**5,068**	7,537	**6,005**	7,451
Non-controlling interest		**-**	18	**76**	18
Total comprehensive income (loss) for the period		**5,068**	7,555	**6,081**	7,469
Profit (loss) per share attributable to shareholders of the Company:					
Basic	12	$ **0.37**	$ 0.56	$ **0.32**	$ 0.55
Diluted	12	$ **0.35**	$ 0.53	$ **0.30**	$ 0.53

See accompanying notes

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CERVUS EQUIPMENT CORPORATION

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six month periods ended June 30, 2014 and 2013

Attributable to equity holders of the Company									
(In $ thousands)	Note	Share capital	Deferred share plan	Other reserves	Cumulative translation account	Retained earnings	Total	Non-controlling interest	Total equity
Balance December 31, 2012		**$ 76,503**	**$ 5,133**	**$ 5,136**	**$ 221**	**$ 113,651**	**$ 200,644**	**$ -**	**$ 200,644**
Comprehensive income for the year									
Profit (loss)		-	-	-	-	8,196	8,196	18	8,214
Other comprehensive income									
Foreign currency translation adjustments		-	-	-	(745)	-	(745)	-	(745)
Total comprehensive income (loss) for the period		-	-	-	(745)	8,196	7,451	18	7,469
Transactions with owners, recorded directly in equity									
Dividends to equity holders		-	-	-	-	(5,795)	(5,795)	-	(5,795)
Shares issued through DRIP		426	-	-	-	-	426	-	426
Shares issued through deferred share plan		151	(151)	-	-	-	-	-	-
Shares issued through option plan		242	-	(70)	-	-	172	-	172
Share-based payment transactions		-	679	71	-	-	750	-	750
Transactions with owners		819	528	1	-	(5,795)	(4,447)	-	(4,447)
Non-controlling interest identified on acquisition							**-**	**3,405**	**3,405**
Balance June 30, 2013		**$ 77,322**	**$ 5,661**	**$ 5,137**	**$ (524)**	**$ 116,052**	**$ 203,648**	**$ 3,423**	**$ 207,071**
Balance December 31, 2013		**$ 78,126**	**$ 6,426**	**$ 5,176**	**$ 139**	**$ 124,982**	**$ 214,849**	**$ 3,571**	**$ 218,420**
Comprehensive income for the period									
Profit (loss)		-	-	-	-	4,785	4,785	76	4,861
Other comprehensive income									
Foreign currency translation adjustments		-	-	-	1,220	-	1,220	-	1,220
Total comprehensive income (loss) for the period		-	-	-	1,220	4,785	6,005	76	6,081
Transactions with owners, recorded directly in equity									
Dividends to equity holders		-	-	-	-	(6,192)	(6,192)	-	(6,192)
Distributions to non-controlling interests		-	-	-	-	-	-	(44)	(44)
Issuance of common shares	10	1,530	-	-	-	-	1,530	-	1,530
Shares issued through DRIP	10	502	-	-	-	-	502	-	502
Shares issued through deferred share plan	10	215	(215)	-	-	-	-	-	-
Shares issued through option plan	10	69	-	(17)	-	-	52	-	52
Share-based payment transactions		-	652	109	-	-	761	-	761
Shares issued in reserve	6	-	-	1,015	-	-	1,015	-	1,015
Acquisition of non-controlling interests without a change in control	6	-	-	-	-	(726)	(726)	(3,603)	(4,329)
Transactions with owners		2,316	437	1,107	-	(6,918)	(3,058)	(3,647)	(6,705)
Non-controlling interest identified on acquisition							**-**	**-**	**-**
Balance June 30, 2014		**$ 80,442**	**$ 6,863**	**$ 6,283**	**$ 1,359**	**$ 122,849**	**$ 217,796**	**$ -**	**$ 217,796**

See accompanying notes

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

CERVUS EQUIPMENT CORPORATION

UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six month period ended June 30, 2014 and 2013

		Six month period ended June 30	
(In $ thousands)	**Note**	**2014**	**2013**
Cash flows from operating activities			
Profit (loss) for the period		$ **4,861**	$ 8,214
Depreciation		**4,424**	4,306
Amortization of intangibles		**2,441**	2,068
Equity-settled share-based payment transactions		**537**	472
Net finance costs	11	**3,470**	3,205
Gain on sale of property and equipment		**(1,174)**	(782)
Impairment loss on long term receivables	6	**472**	-
Share of (profit) loss of equity accounted investees, net of tax		**(37)**	(1,610)
Loss on revaluation of equity investment		**-**	598
Income tax expense		**2,057**	3,368
Change in non-cash working capital		**4,839**	(18,549)
		21,890	1,290
Interest paid		**(3,204)**	(3,086)
Net cash provided by (used in) operating activities		**18,686**	(1,796)
Cash flows from investing activities			
Interest received		**123**	379
Business acquisitions		**(3,661)**	(1,352)
Purchase of property and equipment		**(11,253)**	(14,543)
Proceeds from disposal of property and equipment		**2,185**	2,289
Proceeds from investments, at equity, net of purchases		**1,697**	559
Proceeds from asset held for sale	8	**3,775**	-
Net cash provided by (used in) investing activities		**(7,134)**	(12,668)
Cash flows from financing activities			
Net proceeds from term debt		**5,591**	3,451
Advances from credit facility, net of repayment		**-**	7,745
Proceeds from issue of share capital	10	**1,530**	-
Proceeds from exercise of share options		**52**	172
Acquisition of non-controlling interests	6	**(3,354)**	-
Cash dividends paid		**(5,620)**	(5,282)
Decrease in deposits with John Deere		**272**	244
Net cash provided by (used in) financing activities		**(1,529)**	6,330
Net increase in cash and cash equivalents		**10,023**	(8,134)
Effect of foreign currency translation on cash		**52**	(22)
Cash and cash equivalents, beginning of period		**14,678**	8,156
Cash and cash equivalents, end of period		$ **24,753**	$ -

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

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six month periods ended June 30, 2014 and 2013

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 period ended June 30, 2014 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, industrial and transportation equipment. The Company also provides equipment rental, primarily in the construction and industrial equipment segment. As of June 30, 2014 the Company wholly owns 49 John Deere agricultural equipment, Bobcat and JCB construction equipment, Clark, Sellick, Doosan material handling equipment, and Peterbilt truck dealerships, operating in 33 locations in Western Canada, 9 locations on the north island of New Zealand and 6 locations in Victoria, Australia. The Company's shares are listed on the Toronto Stock Exchange ("TSX") and trade under the symbol "CVL".

2. Basis of Preparation

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting". The unaudited condensed interim consolidated financial information should be read in conjunction with the annual financial statements prepared for the year ended December 31, 2013.

The Board of Directors authorized the issue of these unaudited condensed interim consolidated financial statements on August 12, 2014.

(b) The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these unaudited condensed interim consolidated financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2013.

3. New and Amended IFRSs

Certain new or amended standards or interpretations have been issued by the IASB or IFRIC that are required to be adopted in the current or future periods. The IASB has released updates to IFRS 9, related to the accounting and presentation of financial instruments. The mandatory effective date is January 1, 2018; however, early adoption is permitted. The Company does not intend to adopt IFRS 9 (2009), IFRS 9 (2010), or IFRS 9 (2013) in its financial statements in this annual period beginning on January 1, 2014. Effective January 1, 2017, the Company will be required to adopt IFRS 15 related to revenue from contracts with customers. The extent of the impact of adoption has not yet been determined.

On May 6, 2014 the IASB issued Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11). The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The Company intends to adopt the amendments to IFRS 11 in its financial statements for the annual period beginning on January 1, 2016. The Company does not expect the amendments to have a material impact on the financial statements.

On May 12, 2014 the IASB issued amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. The Company intends to adopt the amendments to IAS 16 and IAS 38 in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

In December 2013, the IASB issued narrow-scope amendments to a total of nine standards as part of its annual improvements process. The IASB uses the annual improvements process to make non-urgent but necessary amendments to IFRS. Most amendments will apply prospectively for annual periods beginning on or after July 1, 2014; earlier application is permitted, in which case, the related consequential amendments to other IFRSs would also apply. The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2015. The Company does not expect the amendments to have a material impact on the financial statements.

4. Significant Accounting Policies

The accounting policies applied are consistent with those of the annual financial statements prepared for the year ended December 31, 2013 and as described in note 3 in those financial statements, except as follows:

Effective January 1, 2014, the Company adopted amendments to IFRS 10, IFRS 12 and IAS 27, related to the consolidation and presentation of investment entities. The adoption of these amendments had no significant change to our existing accounting policies and had no impact on the amounts recorded in the financial statements.

Effective January 1, 2014, the Company adopted amendments to IAS 32, primarily related to the accounting and presentation of offsetting financial assets and liabilities. The adoption of these amendments had no significant change to our existing accounting policies and had no impact on the amounts recorded in the financial statements.

5. Seasonality

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

6. Acquisition of Non-Controlling Interest (NCI)

On March 25th, 2014, the Company completed the acquisition of the remaining 46.7% interest in Windmill Ag Pty Ltd. ("Windmill"), increasing its ownership from 53.3% to 100%. The purchase price of $4,370 thousand was paid via the issuance of 44,989 common shares in reserve of Cervus at a deemed price of $22.59 per share, the assumption and payment of a shareholder loan to Windmill in the amount of $3,224 thousand, and $130 thousand in cash to the vendor. The reserved common shares are recognized in Other Reserves at the deemed value and will be transferred to the vendor on the first and second anniversaries of the closing date at which time they will be recognized into Share Capital. As part of the purchase agreement, 22,494 common shares will be transferred contingent on the vendors continued employment with Cervus at March 25, 2017, and will be amortized into income as SG&A expense evenly over the three year period. In addition, the vendor is eligible for certain performance based management fees of up to $1,000 thousand on account of future employment, should Windmill achieve specific financial and operating targets by March 25, 2017. The Company has not recognized this contingent liability as the outflow is not yet probable.

Changes in the Company's interest in a subsidiary that do not result in a change of control are accounted for as equity transactions. The Company recognized a decrease in NCI of $3,603 thousand and a decrease in retained earnings of $726 thousand.

The following summarizes the changes in the Company's ownership interest in Windmill:

(in thousands)		
Company's ownership interest at January 1, 2014	$	4,336
Effect of increase in Company's ownership interest		3,603
Share of comprehensive income		113
Company's ownership interest at date of acquiring 100% ownership	$	8,052

Additionally, in March 2014, the Company exercised an option to purchase 100% of PPJ Investments Pty Ltd. ("PPJ") for $1. PPJ holds land and buildings in use by Windmill. The total fair value of PPJ's land and building assets acquired of $3,306 thousand were equally offset by the fair value of liabilities assumed. At the time of purchase the Company recognized a loss of $472 thousand on the impairment of receivables related to amounts due from PPJ Investments. This loss has been recorded in other income.

7. Inventories

(in thousands)		June 30, 2014		December 31, 2013
New equipment	**$**	**116,605**	$	78,060
Used equipment		**81,195**		73,011
Parts and accessories		**33,059**		26,209
Work-in-progress		**2,028**		1,231
	$	**232,887**	$	178,511

8. Assets Held For Sale

As at December 31, 2013, agricultural equipment segment land and buildings with a net book value of $3,095 thousand and agriculture equipment with a net book value of $586 thousand were classified as held for sale. During the six month period ended June 30, 2014, the company has sold these assets for net proceeds of approximately $3,775 thousand, and a net gain of $680 thousand was recognized in other income on the sale. As at June 30, 2014, $381 thousand of agricultural rental equipment remains classified as held for sale.

9. Capital Resources

The Company has various credit facilities the amount available under which are limited to the lesser of pre-approved credit limits or the available unencumbered assets. A summary of the Company's available credit facilities as at June 30, 2014 are as follows:

	June 30, 2014		December 31, 2013	
(in $ thousands)	Total Limits	Borrowings	Total Limits	Borrowings
Operating and other bank credit facilities	**$ 50,655**	**$ 1,890**	$ 50,633	$ 1,883
Capital facilities and rental equipment term loan financing	**79,345**	**48,590**	69,943	42,707
Floor plan facilities				
Inventory		**119,313**		67,198
Rental fleet		**10,880**		7,580
Total floor plan facilities	**$ 302,049**	**$ 130,193**	$ 297,697	$ 74,778
Total	**$ 432,049**	**$ 180,673**	$ 418,273	$ 119,368

OPERATING AND OTHER BANK CREDIT FACILITIES

Operating and other bank credit facilities include the Canadian amounts as well as the New Zealand and Australian amounts.

FLOOR PLAN FACILITIES

The Company utilizes floor plan financing arrangements with various suppliers for inventory and rental equipment purchases.

CAPITAL FACILITIES

Capital facilities consist of capital asset financing primarily through credit facilities with Farm Credit Canada and Affinity Credit Union.

10. Capital and Other Components Of Equity

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

SHARE CAPITAL

(in thousands)	Number of common shares		Total carrying amount
Balance January 1, 2013	14,900	$	76,503
Issued under the DRIP plan	23		242
Issued under the deferred share plan	21		151
Issued under the share option plan	23		426
Balance June 30, 2013	14,967		77,322
Issued under the DRIP plan	36		855
Issued under the deferred share plan	1		29
Issued under the share option plan	8		(80)
Balance December 31, 2013	**15,012**		**78,126**
Issued under the DRIP plan	**23**		**502**
Issued under the deferred share plan	**22**		**215**
Issued under the share option plan	**8**		**69**
Issuance of common shares	**67**		**1,530**
Balance June 30, 2014	**15,132**	$	**80,442**

On March 25, 2014, the company issued 67 thousand common shares of Cervus for $1,530 thousand received in cash.

11. Finance Income and Finance Costs

(in thousands)	Three month period ended June 30				Six month period ended June 30			
		2014		2013		**2014**		2013
Finance income		**69**		167		**123**		379
Interest expense on convertible debenture		**(715)**		(698)		**(1,426)**		(1,440)
Interest expense on mortgage and term debt obligations		**(403)**		(317)		**(777)**		(541)
Interest expense on note payable		**-**		(46)		**-**		(92)
Interest expense on vendor take back financing		**-**		(123)		**-**		(276)
Interest expense on financial liabilities		**(568)**		(500)		**(1,135)**		(1,055)
Finance costs		**(1,686)**		(1,684)		**(3,338)**		(3,404)
Net finance costs recognized separately		**(1,617)**		(1,517)		**(3,215)**		(3,025)
Net finance costs recognized in cost of sales		**(177)**		(112)		**(255)**		(180)
Total net finance costs	**$**	**(1,794)**	$	(1,629)	**$**	**(3,470)**	$	(3,205)

12. 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 profit (loss) were necessary for the three and six month periods ended June 30, 2014 and 2013. 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:

(in thousands)	Three month period ended June 30		Six month period ended June 30	
	2014	**2013**	**2014**	**2013**
Issued common shares January 1	**15,119**	14,943	**15,012**	14,900
Effect of shares issued under the DRIP plan	**10**	10	**16**	16
Effect of shares issued through common share issuance	**-**	-	**37**	-
Effect of shares issued under the deferred share plan	**1**	1	**13**	11
Effect of shares issued under the share option plan	**-**	2	**6**	10
Weighted average number of common shares at June 30	**15,130**	14,956	**15,084**	14,937

DILUTED EARNINGS PER SHARE

The calculation of diluted earnings per share at June 30, 2014 and 2013 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:

(in thousands)	Three month period ended June 30		Six month period ended June 30	
	2014	**2013**	**2014**	**2013**
Weighted average number of common shares (basic)	**15,130**	14,956	**15,084**	14,937
Effect of dilutive securities:				
Deferred share plan	**696**	613	**696**	613
Share options	**9**	7	**11**	7
Weighted average number of shares (diluted) at June 30	**15,835**	15,576	**15,791**	15,557

13. 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, industrial, and transportation equipment segment which includes primarily the sale of construction, industrial, and transportation equipment and related services. 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 three and six month periods ended June 30, 2014 are $1,517 thousand and $2,154 thousand (2013 - $3,372 thousand and $5,582 thousand) respectively.

Six months ended June 30, 2014		Agricultural Equipment		Commercial, Industrial and Transportation Equipment		Total
Segmented income figures:						
Revenue	$	**266,760**	$	**137,617**	**$**	**404,377**
Profit (loss) for the period		**2,914**		**1,947**		**4,861**
Share of profit (loss) of equity accounted investees		**37**		**-**		**37**
Depreciation and amortization		**2,474**		**4,391**		**6,865**
Finance income		**271**		**(148)**		**123**
Finance expense including amounts in costs of sales		**(2,166)**		**(1,427)**		**(3,593)**
Capital expenditures		**9,061**		**2,192**		**11,253**
Segmented assets:						**-**
Reportable segment assets		**305,230**		**196,032**		**501,262**
Reportable segment liabilities		**180,274**		**103,192**		**283,466**
Investment in associates		**6,126**		**-**		**6,126**
Intangible assets		**9,986**		**16,059**		**26,045**
Goodwill		**4,905**		**2,193**		**7,098**

Six months ended June 30, 2013		Agricultural Equipment		Commercial, Industrial and Transportation Equipment		Total
Segmented income figures:						
Revenue	$	260,095		125,836	**$**	385,931
Profit (loss) for the period		5,758		2,456		8,214
Share of profit (loss) of equity accounted investees		1,610		-		1,610
Depreciation and amortization		2,519		3,855		6,374
Finance income		147		232		379
Finance expense including amounts in costs of sales		(2,142)		(1,442)		(3,584)
Capital expenditures		6,878		7,665		14,543
Segmented assets:						
Reportable segment assets		283,608		177,820		461,428
Reportable segment liabilities		157,033		97,324		254,357
Investment in associates		7,497		-		7,497
Intangible assets		8,275		20,681		28,956
Goodwill		4,281		2,194		6,475

Three months ended June 30, 2014		Agricultural Equipment		Commercial, Industrial and Transportation Equipment		Total
Segmented income figures:						
Revenue	$	**163,538**	$	**73,950**	**$**	**237,488**
Profit (loss) for the period		**4,018**		**1,600**		**5,618**
Share of profit (loss) of equity accounted investees		**751**		**-**		**751**
Depreciation and amortization		**1,269**		**2,210**		**3,479**
Finance income		**136**		**(67)**		**69**
Finance expense including amounts in costs of sales		**(1,129)**		**(734)**		**(1,863)**
Capital expenditures		**6,843**		**1,512**		**8,355**

13. Segment Information (continued)

Three months ended June 30, 2013		Agricultural Equipment	Commercial, Industrial and Transportation Equipment		Total
Segmented income figures:					
Revenue	$	172,498	71,747	$	244,245
Profit (loss) for the period		6,063	2,273		8,336
Share of profit (loss) of equity accounted investees		1,206	-		1,206
Depreciation and amortization		1,299	2,256		3,555
Finance income		114	53		167
Finance expense including amounts in costs of sales		(1,136)	(660)		(1,796)
Capital expenditures		4,424	4,358		8,782

The Company primarily operates in Western Canada but includes subsidiaries in Australia (Cervus Australia PTY Ltd.) and in New Zealand (Cervus NZ Equipment Ltd.) which operate 15 agricultural equipment dealerships. Non-current assets for these subsidiaries were $25,378 (2013 - $16,522 thousand) and gross revenue for the three and nine months ended were $40,084 thousand and $69,154 thousand (2013 - $17,746 and $30,720) respectively.

14. Financial Instruments

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

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

Level 1 reflects valuation based on quoted prices observed in active markets for identical assets or liabilities;
Level 2 reflects valuation techniques based on inputs other than quoted prices included in level 1 that are observable either directly or indirectly;
Level 3 reflects valuation techniques with significant unobservable market inputs.

The Company's financial instruments are all categorized within this hierarchy as level 1.

The carrying value approximates fair value for cash and cash equivalents, trade and other accounts receivable, trade and other accrued liabilities, floor plan payables, and dividends payable in the fair value hierarchy due to the immediate or short-term maturity. 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. Debenture payables are measured at amortized cost using the effective interest method. The fair value of debenture payable is estimated based on market trading prices as at the balance sheet date.

15. Commitments and Contingencies

FINANCING ARRANGEMENTS

John Deere Credit Inc. ("Deere Credit") and other financing companies provide financing to certain of the Company's customers. A portion of this financing is with recourse to the Company if the amounts are uncollectible. At June 30, 2014, payments in arrears by such customers aggregated $293 thousand (2013 - $204 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 June 30, 2014, the net residual value of such leases aggregated $133,035 thousand (2013 - $106,286 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.

DEFERRED TAX ASSET

As previously disclosed, the Corporation received a proposal letter from the Canada Revenue Agency on March 4, 2014, regarding the October 2009 transaction involving Cervus LP and Vasogen Inc. At the date of this MD&A, the Corporation has not received a formal reassessment of its previous income tax filings. Cervus remains confident in the appropriateness of its tax-filing positions and the expected tax consequences of the conversion transaction and intends to defend such position vigorously through appeal if a notice of reassessment is received from the Canada Revenue Agency.

In order to appeal any reassessment, 50% of any reassessed amount is due. Based on the CRA's March 4, 2014 proposal letter, any reassessment received in the near term would be of the Company's taxation years ending November 30, 2009, January 3, 2010, December 31, 2010 and December 31, 2011. Based on these figures, the Company expects $10.6 million would be required on appeal, should the CRA reassess the Company's tax filings through to December 31, 2011. If the CRA proceeds with reassessment of tax filings through December 31, 2011, we believe that the CRA will also proceed with reassessment of the December 31, 2012 and 2013 tax filings under the same basis. Should the 2012 and 2013 tax filings of the Company be reassessed at a future date, the Company expects approximately $7.1 million would be required in order to appeal these years.

16. Related Party Transactions

Certain officers and dealer managers of the Company have provided guarantees to John Deere aggregating $6,500 thousand. During the three and six month period ended June 30, 2014, the Company paid those individuals $49 thousand and $98 thousand (2013 - $48 thousand and $96 thousand) respectively for providing these guarantees. These transactions were recorded at the amount agreed to between the Company and the guarantors and are included in selling, general and administrative expense.

17. Comparative Information

For the three and six month period ending 2013 comparable information has been adjusted reflect both the recasting reporting on November 13, 2013 and the restatement filed on July 23, 2014. For the three and six months ended June 30, 2014, all intercompany revenues and costs of goods sold arising on parts and service contribution to the preparation of equipment for sale have been quantified and eliminated, along with the corresponding period in 2013. The following table outlines the impact of the adjustments:

Continuity of Recast	Previously Reported	Recasting Correction	Restatement Correction	June 30, 2013 As Restated
Consolidated statement of changes in equity:				
Retained Earnings – As at December 31, 2012	$ 115,792	$ (2,141)	$ -	$ 113,651
Consolidated statement of comprehensive income For the three month period ending June 30, 2013:				
Revenue - parts	$ 33,154	$ (357)	(4,588)	28,209
Revenue - service	20,071	(584)	(5,024)	14,463
Costs of sales	209,342	(486)	(9,612)	199,244
Income taxes	3,480	(68)	-	3,412
Net earnings impact		**$ (387)**	**$ -**	**$ (387)**
Consolidated statement of comprehensive income For the six month period ending June 30, 2013:				
Revenue - parts	$ 58,616	$ (834)	(7,179)	50,603
Revenue - service	35,722	(1,748)	(8,038)	25,936
Costs of sales	329,752	(1,279)	(15,217)	313,256
Income taxes	3,662	(294)	-	3,368
Net earnings impact		**$ (1,009)**	**$ -**	**$ (1,009)**

18. Subsequent Events

On August 11th, 2014, the Company announced the acquisition of the business and assets of Peterbilt of Ontario Inc. ("POI") for a purchase price of $25,500 thousand, plus closing net working capital adjustments expected to approximate $8,900 thousand, to be finalized upon the completion of closing financial statements. POI operates 12 dealerships in Ontario, which sell and service the full line of Peterbilt Trucks. The consideration paid on closing was $25,500 thousand from available cash and $8,900 thousand drawn from the Company's current credit facilities. Over the last three fiscal periods, POI reported on average gross revenue of approximately $157 million per year. The addition of POI is anticipated to enable the Company to strategically expand its transportation business into Ontario and to extend the Company's relationship with Peterbilt. The accounting for this transaction has not yet been completed due to the timing of the acquisition and the proximity to the date of issuance of the June 30, 2014 financial statements.