CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

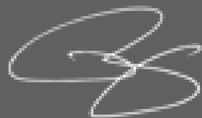
Years ended December 31, 2009 and 2008

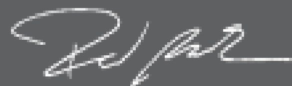
MANAGEMENT'S RESPONSIBILITY TO THE SHAREHOLDERS OF CERVUS EQUIPMENT CORPORATION:

Management is responsible for the integrity and objectivity of the financial information presented in this annual report. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include amounts based on estimates and judgments. The financial information presented elsewhere in this annual report is consistent with that shown in the accompanying consolidated financial statements.

Management is also responsible for developing and maintaining the necessary systems of internal controls to provide reasonable assurance that transactions were authorized, assets safeguarded, and that the financial records form a reliable basis for the preparation of accurate and timely financial information.

The Board of Directors (the "Board") is responsible for ensuring management fulfills its responsibility for financial reporting and internal control. The Board carries out this responsibility principally through its audit committee. The Board's Audit Committee, reviews the consolidated financial statements and recommends them to the Board for approval. Cervus Equipment Corporation's external auditors have full and unrestricted access to the Audit Committee and meet periodically with them (and separately, in the absence of management) to discuss audit, financial reporting, and related matters.





Peter Lacey,
CHIEF EXECUTIVE OFFICER

Randall Muth,
CHIEF FINANCIAL OFFICER

March 15, 2010

AUDITORS' REPORT TO THE PARTNERS

We have audited the consolidated balance sheets of Cervus Equipment Corporation (the "Company") as at December 31, 2009 and 2008 and the consolidated statements of net earnings, comprehensive income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

CALGARY, CANADA

March 15, 2010

Consolidated Balance Sheets

December 31, 2009 and 2008

	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	$ 13,453,188	$ 35,252,348
Deposit for business acquisition (note 26)	6,810,000	-
Short-term loans (note 4)	-	662,462
Trade accounts receivable	13,398,559	11,732,104
Advances to related party (note 5)	2,111,069	2,752,480
Future income tax asset (note 16)	7,985,882	-
Inventories (note 6)	89,150,468	62,079,040
Prepaid expenses and deposits	1,340,293	1,074,559
	134,249,459	113,552,993
Investments, at equity (note 7)	1,886,994	1,920,198
Other long-term assets (note 8)	1,420,139	848,997
Deposits with manufacturers (note 9)	1,648,522	1,376,978
Other intangible assets (note 10)	11,020,633	11,971,815
Equipment (note 11)	10,338,266	11,462,399
Future tax asset (note 16)	62,081,695	-
Goodwill	3,199,680	3,199,680
	$ 225,845,388	**$ 144,333,060**
Liability and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 9,980,596	$ 7,345,280
Customer deposits	2,689,191	3,305,616
Floor plan payables (note 13)	40,426,213	33,027,916
Dividends/distribution payable	2,545,131	841,462
Current portion of deferred credit (note 16)	7,148,027	-
Current portion of term debt (note 14)	4,004,196	4,319,416
Current portion of notes payable (note 15)	366,667	600,000
	67,160,021	49,439,690
Term debt (note 14)	1,838,739	4,200,523
Notes payable (note 15)	491,666	525,000
Future income taxes (note 16)	-	149,000
Deferred credit (note 16)	57,260,521	-
	126,750,947	54,314,213
Shareholders' equity (note 17):		
Shareholders' capital	65,765,665	64,933,278
Share purchase loans	(165,895)	(277,075)
Deferred share plan	1,814,408	664,408
Contributed surplus	2,881,977	2,860,125
Retained earnings	28,798,286	21,838,111
	99,094,441	90,018,847
Subsequent events (note 26)		
Commitments and contingencies (note 20)		
	$ 225,845,388	**$ 144,333,060**

See accompanying notes to consolidated financial statements.

Approved by the Board of the General Partner:

Peter Lacey, Director **Steven Collicutt,** Director

Consolidated Statement of Net Earnings, Comprehensive Income and Retained Earnings

Years ended December 31, 2009 and 2008

	2009	2008
Revenue:		
Equipment sales	$ 295,884,909	$ 275,079,221
Parts	49,327,381	41,800,137
Service	27,293,825	24,714,506
Rentals	4,968,648	7,080,910
	377,474,763	348,674,774
Cost of sales (note 18)	305,519,333	281,263,199
Gross profit	71,955,430	67,411,575
Expenses:		
Selling, general and administrative (note 22)	51,274,306	45,793,093
Share/unit-based compensation (note 17)	236,482	41,583
Interest	793,691	1,092,251
Depreciation and amortization	2,992,316	2,322,057
Earnings before other income (expense):	16,658,635	18,162,591
Interest and other income (note 22)	1,544,001	2,391,705
Foreign exchange loss	(30,815)	-
Gain (loss) on disposal of assets	(26,492)	310,309
Equity earnings of significantly influenced companies (note 7)	723,550	1,342,957
Net earnings before income taxes	18,868,879	22,207,562
Future income tax expense (note 16)	1,691,971	-
Net earnings and comprehensive income	$ 17,176,908	$ 22,207,562
Retained earnings, beginning of year	21,838,111	9,320,280
Net earnings	17,176,908	22,207,562
Distributions/dividends to unitholders/shareholders	(10,216,733)	(9,689,731)
Retained earnings, end of year	28,798,286	21,838,111
Net earnings per share (note 17):		
Basic	$ 1.22	$ 1.70
Diluted	$ 1.19	$ 1.68

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Years ended December 31, 2009 and 2008

	2009	2008
Cash flows from (used in):		
Operating activities:		
Net earnings	$ 17,176,908	$ 22,207,562
Add items not affecting cash:		
Depreciation and amortization expenses	4,565,176	4,360,233
Forgiveness of employee purchase loans	111,180	113,059
Share/unit-based compensation expense	236,482	46,575
Foreign exchange loss	30,815	-
Loss (gain) on disposal of assets	26,492	(310,309)
Future income taxes	1,691,971	-
Equity earnings from significantly influenced companies	(723,550)	(1,342,957)
	23,115,474	25,074,163
Net change in non-cash working capital related to operations	(15,366,262)	1,358,811
Net cash provided by operating activities	7,749,212	26,432,974
Financing activities:		
Issuance of shares/ units and subscription receipts	832,387	25,950,475
Issuance of shares/units from exercise of warrants	-	3,492,028
Shares/units purchased for cancellation	-	(1,091,124)
Repayment of term debt, net of proceeds	(2,677,004)	(3,148,636)
Dividends/distributions	(8,513,064)	(9,555,886)
Increase in deposits with John Deere	(110,457)	(285,067)
Repayments of notes payable	(600,000)	(600,000)
Net cash provided (used) in financing activities	(11,068,138)	14,761,790
Investing activities:		
Business acquisitions, net of cash acquired (note 3)	(15,743,551)	(7,902,374)
Deposit on business acquisition (note 26)	(6,810,000)	
Repayment of (advance of) short-term loan	662,462	4,280,354
Advances from (to) related party	641,411	(2,752,480)
Repayment of unit purchase loan	-	80,000
Proceeds from disposal (purchase of equipment), net	2,946,840	(1,738,973)
Proceeds from investments, at equity	756,756	676,124
Increase in other investments, at cost	(934,152)	(385,696)
Net cash used in investing activities	(18,480,234)	(7,743,045)
Increase (decrease) in cash	(21,799,160)	33,451,719
Cash and cash equivalents, beginning of year	35,252,348	1,800,629
Cash and cash equivalents, end of year	$ 13,453,188	$ 35,252,348

Cash and cash equivalents is comprised of cash on deposit and in bank of $531,491 (2008 – $4,796,052) and money market funds of $12,921,697 (2008 - $30,456,296).

Supplemental cash flow information (note 19)

See accompanying notes to consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2009 and 2008

NOTE 1. Description of Business

Cervus Equipment Corporation ("Cervus" and the "Company") is an incorporated entity under the Canada Business Corporations Act. Cervus, directly and indirectly owns a 100% interest in Cervus LP (the "LP") and its subsidiaries. The Company is a retailer of agricultural and construction equipment and parts and services in Western Canada.

On October 22, 2009, Cervus completed a transaction with Vasogen Inc. ("Vasogen") which resulted in the conversion of Cervus from a publicly traded limited partnership to a publicly traded corporation pursuant to a plan of arrangement. The transaction resulted in the unitholders of the LP becoming shareholders of Cervus with no substantive changes to the underlying business operations. As a result of the reorganization, the Partnership's unitholders exchanged their 9,424,181 limited partnership units for 14,136,272 common shares of Vasogen (a three-for-two exchange ratio) which resulted in the previous unitholders of the Partnership obtaining control of Vasogen (a reverse takeover). Under reverse takeover accounting, the Partnership was the accounting acquirer (legal subsidiary) and Vasogen was the accounting acquiree (legal parent) as described further in note 3. The comparative figures presented in these consolidated financial statements are those of the Partnership. Vasogen Inc. changed its name to Cervus Equipment Corporation. Also, in conjunction with the reorganization, each of the unitholders of the LP and option plans and deferred plans received three common shares of Cervus in exchange for each two limited partnership units held. The common shares of Cervus are traded on the TSX Venture Exchange under the symbol CVL.

As a result of the transaction with Vasogen, certain terms such as shareholder/unitholder, dividends/distributions and shares/units may be used interchangeably throughout these consolidated financial statements

NOTE 2. Significant Accounting Policies

The Company's consolidated financial statements and accounting policies have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The significant accounting policies are as follows:

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.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from these estimates.

Significant areas requiring the use of management estimates relate to the valuation allowance for trade accounts receivable, the net realizable value of inventories, impairment of other assets and goodwill, the useful life of buildings and equipment for depreciation purposes and evaluation of their net recoverable amount and the determination of the valuation allowance related to future income tax assets. Consequently, actual results could differ from those estimates.

Business Segments

The Company has historically operated two distinct business segments, an agricultural equipment segment and a construction equipment segment. These segments are managed separately and strategic decisions are made on the basis of their respective operating results. The agricultural equipment segment consists primarily of John Deere dealership locations in Alberta, Saskatchewan and Manitoba and the construction equipment segment consists of Bobcat and JCB dealership locations in Alberta.

Cash and Cash Equivalents

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

Foreign Currency Translation

The accounts and transactions of the Company denominated in foreign currencies are translated using the temporal method. At the transaction date, each asset, liability, revenue or expense arising from a foreign currency transaction is translated into Canadian dollars by using the exchange rate in effect at that date. At each balance sheet date, monetary items denominated in a foreign currency are adjusted to reflect the exchange rate in effect at the balance sheet date. Any exchange gain or loss that arises on translation is included in the determination of net income for the period.

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 costs of completion and necessary costs to complete the sale. Cost shall be assigned using the first-in, first-out (FIFO) or weighted average cost formula. Previous write-downs of inventory are reversed when economic changes support an increased value.

Buildings and Equipment

Buildings and equipment are recorded at cost. Depreciation is provided for using the declining balance method at annual rates intended to depreciate the cost of the assets over their estimated useful lives as follows:

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

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

Impairment of Long-lived Assets

Buildings and equipment are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

Other Intangible Assets

Other assets are intangible assets, which comprise dealership distribution agreements, customer lists and non-competition agreements, 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, being twenty years for the dealership distribution agreements and five years for the non-competition agreements. Customer lists are amortized over the estimated useful life of the lists, being five years. The Company assesses the recoverability of intangible assets by determining whether the amortization of the asset balances over their remaining lives can be recovered through undiscounted future operating cash flows of the dealerships. If such a review indicates impairment, the Company uses fair value in determining the amount that is written off.

Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the estimated fair value of assets acquired and liabilities assumed.

Goodwill is not amortized but is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its estimated fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill is considered not to be impaired and the second step of the impairment test is unnecessary.

The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case, the implied fair value of the goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination using the fair value of the dealership as if it was the purchase price. When the carrying amount of reporting unit goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the statement of earnings.

Long-term Investments

The investments in significantly influenced companies are accounted for using the equity method. Under the equity method, the original cost of the investment and/or shares is adjusted for the Company's share of post-acquisition earnings or losses less dividends or cash distributions received. All other equity investments do not have a quoted price in an active market and accordingly are carried at cost and their respective carrying values are adjusted for impairment, if required.

Income Taxes

Current income taxes are recorded based on the estimated income taxes payable on taxable income for the current year. Future income 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 future 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.

Per Share/Unit Amounts

Basic per share/unit amounts are computed by dividing earnings by the weighted average number of units outstanding for the period. Diluted per share/unit amounts are calculated giving effect to the potential dilution that would occur if share/unit options or other dilutive instruments were exercised or converted to shares/units. The treasury stock method is used to determine the dilutive effect of share/unit options, convertible preferred shares/units and other dilutive instruments. This method assumes that any proceeds upon the exercise or conversion of dilutive instruments, for which market prices exceed exercise price, would be used to purchase shares/units at the average market price of the shares/units during the period. As a result of the plan of arrangement on October 22, 2009, the Company issued three common shares for every two limited partnership units of the LP. As a result, all per share/unit amounts have been adjusted retroactively to reflect this change.

Share/Unit-based Compensation

The Company has a share/unit-based compensation plan, which is described in note 17. The Company accounts for employee share/unit options granted using the fair value based method. Consideration paid by employees on the exercise of share/unit options is recorded as share capital. Compensation cost is recognized over the awards' vesting period.

Revenue Recognition

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 pre-sale 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.

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 balance sheet 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; financial instruments 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, short-term loans, accounts receivable, advances to a related party, accounts payable and accrued liabilities, dividend/distribution payable, floor plan payables, and long-term debt and notes payable. The Company has designated its financial instruments as follows:

Financial instrument	Category	Measurement method
Cash and cash equivalents	Held-for-trading	Fair value
Short-term loans, accounts receivable and advances to related party	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities, dividend/distributions payable and floor plans payable	Other financial liabilities	Amortized cost
Long-term debt and notes payable	Other financial liabilities	Amortized cost

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.

Financial assets classified as loans and receivables are measured at amortized cost using the effective interest method.

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. As at December 31, 2009 and 2008, the Company does not have any financial assets classified as available-for-sale.

Other financial liabilities are measured at amortized cost using the effective interest method.

The Company does not currently have any derivative financial instruments.

The Company immediately expenses any transaction costs incurred in relation to the acquisition of financial assets and liabilities.

Recent Accounting Pronouncements

Effective January 1, 2009, the Company adopted CICA Handbook Section 3064 "Goodwill and Intangible Assets", which replaced Section 3062 "Goodwill and Other Intangible Assets". Section 3064 gives guidance on the recognition of intangible assets as well as the recognition and measurement of internally developed intangible assets. In addition, Section 3450 "Research and Development Costs" was withdrawn from the Handbook. Adoption of this pronouncement did not have a material effect on the Company's financial statements.

Effective January 1, 2009, the Company adopted Emerging Issues Committee (EIC) Abstract EIC 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". Under EIC 173 an entity's own credit risk and the credit risk of its counterparties is taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. Adoption of this pronouncement did not have a material effect on the Company's financial statements.

In June 2009, the Canadian Accounting Standards Board ("AcSB") issued the amendments to the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862, ***Financial Instruments – Disclosures*** ("CICA 3862"). The amendments require additional disclosures about fair value measurements, including the classification of fair value inputs based on a three-level fair value hierarchy of techniques (quoted unadjusted prices, observable inputs, unobservable inputs), and about liquidity risk of financial instruments. The Company has included the incremental disclosure requirement for the year ended December 31, 2009 in note 25.

Future Accounting Changes

The CICA has issued new accounting standards, "Section 1582, Business Combinations", "Section 1601 Consolidated Financial Statements" and "Section 1602, Non-Controlling Interests".

Section 1582, Business Combinations establishes how an entity is to account for business combinations. The Section applies prospectively to business combinations for which the acquisition date is on or after January 1, 2011, however earlier adoption is permitted. Cervus has adopted this accounting change effective January 1, 2010.

Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interest establishes standards for the preparation of consolidated financial statements and for the accounting for a non-controlling interest in a subsidiary in consolidated financial statements. This Section applies to interim and annual financial statements related to fiscal years beginning on or after January 1, 2011, however earlier adoption is permitted as of the beginning of a fiscal year. The Company has adopted this accounting change effective January 1, 2010.

Comparative Information

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

NOTE 3. Business Acquisitions and Plan of Arrangement

(a) On October 22, 2009, the Company completed a plan of arrangement with Vasogen Inc. for a purchase price of $7,500,000. The purchase price has been allocated to the net assets acquired as follows:

Net assets acquired:		
Future income tax asset	$	79,343,758
Deferred credit		(71,843,758)
	$	7,500,000
Financed by:		
Cash	$	7,500,000

(b) On September 10, 2009, the Company acquired all the business assets of Ranchers Supply Inc. ("Ranchers"), a private agriculture equipment dealership with operations in Alberta and British Columbia for $5,094,449. The purchase price has been allocated to the net assets acquired as follows:

Net assets acquired:		
Accounts receivable	$	269,347
Prepaid expenses and deposits		188,719
Inventories		6,192,273
Property and equipment		1,147,000
Deposits with John Deere finance		161,087
Other intangible assets, dealership distribution agreements		500,000
Accounts payable and accrued liabilities		(110,266)
Floor plan payable		(3,253,711)
	$	5,094,449
Financed by:		
Cash	$	4,761,116
Note payable, due September 10, 2011		333,333
	$	5,094,449

(c) On September 10, 2009, the Company acquired all the issued and outstanding shares of 520781 Alberta Ltd., A private real estate rental company whose properties were used for the operations of Ranchers, for $3,482,435. The acquisition has been accounted for using the purchase method whereby the purchase price is allocated to the net assets acquired based on their fair values as follows:

Net assets acquired:		
Prepaid expenses	$	13,600
Future income tax asset		29,490
Accounts payable and accrued liabilities		(15,191)
Property and equipment		3,454,536
	$	3,482,435
Financed by:		
Cash, net of cash acquired of $1,565	$	3,482,435

Following the acquisition, the Company sold the real property acquired above to Proventure Income Fund, a related party for $3,460,350 (see note 22).

(d) On September 5, 2008 the Company acquired all the business assets of Northeast AG Partnership ("Northeast"), a private agriculture equipment dealership for $8,302,374. The acquisition has been accounted for using the purchase method whereby the purchase price is allocated to the net assets acquired based on their fair values as follows:

Net assets acquired:		
Accounts receivable	$	1,982,701
Inventories		4,941,854
Property and equipment		231,465
Deposits with John Deere finance		256,088
Long-term investment		1,000
Dealership distribution agreements		1,600,000
Customer lists		1,000,000
Non-competition agreements		511,109
Accounts payable and accrued liabilities		(1,184,937)
Floor plan payable		(1,036,906)
	$	8,302,374
Financed by:		
Cash, net of cash acquired of $271,219	$	7,902,374
Note payable, due September 2, 2009		400,000
	$	8,302,374

NOTE 4. Short Term Loans

In December 2007 and January 2008, the Company loaned $8,300,000 to an unrelated private company. The loan was due one year from the date of advancement including interest at the rate of 20% per annum. During the year ended December 31, 2008, $8,860,441 of the loan plus accrued interest was repaid and $174,886 remained outstanding. During 2008, the Company recorded a reserve for the unpaid accrued interest on the loan as a charge to interest and other income as the Company was unsure that the amount would be received. No further payments have been received during 2009. The Company has recorded $nil (2008 - $551,912) of interest income, net of the reserve, related to the loan in interest and other income.

In addition, during the year ended December 31, 2008, the Company advanced a loan of $650,000 to the CEO for the purpose of exercising unit purchase warrants that were coming due. The loan included interest at the rate of prime plus 0.25% and was repaid in March 2009. The Company has recorded interest of $4,111 (2008 - $12,462) related to the loan in interest and other income.

NOTE 5. Advances to Related Party

During 2008, the Company provided a $2,750,000 revolving credit facility to Proventure Income Fund (the "Fund") (see note 22) expiring on November 30, 2013. The facility is due on demand and bears interest at the rate of prime plus 0.25% which is the rate agreed to between the related parties. The facility can be used for operations, capital acquisitions, and investments and is secured by a general security agreement. Interest recorded during the year ended December 31, 2009 was $54,431 (2008 - $78,982).

NOTE 6. Inventories

	2009	2008
New equipment	$ 35,094,705	$ 32,161,086
Used equipment	42,093,224	20,188,480
Parts and accessories	11,553,029	9,157,040
Work-in-progress	409,510	572,434
	$ 89,150,468	$ 62,079,040

NOTE 7. Investments, at Equity

	2009	2008
Investment in significantly influenced companies:		
101034350 Saskatchewan Ltd. (33% interest)	$ 650,607	$ 540,066
Greenway Sprayers (38% interest)	372,197	666,145
Deer Star Systems Inc. (29% interest; 2008 -27% interest)	864,190	713,987
	$ 1,886,994	$ 1,920,198

During the year ended December 31, 2009, the Company recorded $723,550 (2008 - $1,342,957) of earnings from significantly influenced companies and received $756,755 (2008 - $676,124) as a return of capital on these investments. The Company has one representative on each of the respective board of directors. During 2009, Greenway Sprayers discontinued operations and the operations of the joint venture have been effectively assumed by the venturers and the Company's will assume and operate its portion of the joint venture. The investment balance of $372,197 primarily relates to the Company's share of net assets to be disbursed by the joint venture which primarily consists of cash on hand and customer receivables.

NOTE 8. Other Long-term Assets

	2009	2008
Investment in companies at cost:	$	$ -
Thunder Rail Ltd., 1,000 Class common shares	-	1,000
Agritronics Inc. (a 25.78% interest)	68,806	400,000
Employee housing loan, non-interest bearing	365,210	365,210
Agriturf Limited loan, unsecured, due on demand, bearing interest at 5% per annum	883,394	-
Cash surrender value of life insurance	102,729	82,787
	$ 1,420,139	$ 848,997

The Company recorded a net increase in the cash surrender value of life insurance of $19,943 (2008 – decrease of $19,825) and advanced $nil (2008 - $5,523) of additional funds to an employee for a housing loan which is secured by a mortgage. The employee housing loan was due December 31, 2009 and was repaid subsequent to year end with the cash proceeds the employee received from the sale of the real property to the Fund.

As part of the 2008 business acquisition of Northeast (see note 3), the Company purchased an investment in Thunder Rail Ltd. at a fair value of $1,000 and has written this amount off during 2009.

During 2008, the Company purchased 16,000 common shares and 50,000 preferred shares with no fixed rate of return, representing a 25.78% interest in a private company, Agritronics Inc. The preferred shares are convertible into common shares on a one-for-one basis. During 2009, the Company has recorded an impairment loss of $331,194 (2008 - $nil) to reduce the investment to its recoverable amount which is included in gain (loss) on disposal of assets.

During 2009, the Company advanced NZ$1,150,000 to Agriturf Limited, a New Zealand company. The funds were used for the purchase of certain assets of an existing John Deere dealership. Included in the balance of $883,394 is interest of $10,559 (2008 $nil) which has been recorded in interest and other income. The Company has also recorded a foreign exchange loss of $30,815 during 2009 (2008 - $nil) which is included in net earnings. The Company has committed to advancing a total of approximately NZ$2.4 million which will be used to purchase and consolidate six (6) other John Deere agricultural and lawn and garden dealerships in New Zealand. It is anticipated that the Company's cash advances will approximate a 42% equity interest in the newly formed Agriturf Limited once completed.

NOTE 9. 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 $1,648,522 (2008 - $1,376,978). Deere Credit reviews the deposit account balances quarterly and if the balances exceed the minimum requirements, Deere Credit refunds the difference to the Company.

NOTE 10. Other Intangible Assets

2009	Cost	Accumulated amortization	Net book value
Dealership distribution agreements	$ 10,645,000	$ 1,637,030	$ 9,007,970
Customer lists	2,790,000	1,532,650	1,257,350
Non-competition agreements	1,891,109	1,135,796	755,313
	$ 15,326,109	$ 4,305,476	$ 11,020,633

2008	Cost	Accumulated amortization	Net book value
Dealership distribution agreements	$ 10,145,000	$ 1,122,071	$ 9,022,929
Customer lists	2,790,000	974,650	1,815,350
Non-competition agreements	1,891,109	757,573	1,133,536
	$ 14,826,109	$ 2,854,294	$ 11,971,815

NOTE 11. Equipment

2009		Cost		Accumulated depreciation		Net book Value
Buildings	$	66,272	$	16,274	$	49,998
Short term rental equipment		8,115,181		2,981,509		5,133,672
Automotive and trucks		4,610,147		2,595,290		2,014,857
Furniture and fixtures		2,065,465		1,305,814		759,651
Parts and shop equipment		2,422,806		1,351,355		1,071,451
Computers and software		1,570,555		937,935		632,620
Leasehold improvements		1,868,656		1,192,639		676,017
	$	20,719,082	$	10,380,816	$	10,338,266

2008		Cost		Accumulated depreciation		Net book Value
Buildings	$	66,272	$	13,643	$	52,629
Short term rental equipment		11,431,073		3,833,753		7,597,320
Automotive and trucks		3,533,653		2,121,587		1,412,066
Furniture and fixtures		1,762,087		1,187,943		574,144
Parts and shop equipment		1,780,672		1,176,881		603,791
Computers and software		1,664,657		938,511		726,446
Leasehold improvements		1,567,205		1,071,202		496,003
	$	21,805,919	$	10,343,520	$	11,462,399

NOTE 12. Bank Indebtedness

At December 31, 2009 and 2008, the Company had an operating bank line of credit to a maximum amount of $15 million of which $1.5 million has been utilized for an outstanding letter of credit issued to John Deere (see note 20). In addition, the Company has $1.5 million available by way of a non-committed reducing term facility to facilitate capital asset purchases. The operating bank line of credit and the non-committed reducing term facility bear interest at rates ranging from prime plus 1.25% to prime plus 2.0% based on certain financial covenants and 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. At December 31, 2009 and 2008, the Company had not drawn on these facilities.

NOTE 13. Floor Plan Payables

The Company utilizes floor plan financing arrangements with various suppliers for inventory purchases. The terms of these arrangements may include a one to eleven-month interest-free period followed by a term during which interest is charged at rates ranging from 0.346% to 7.46%. Settlement of the floor plan liability occurs at the earlier of sale of the inventory, in accordance with terms of the financing arrangement or based on management's assessment. Floor plan payables are secured by specific new and used equipment inventories.

NOTE 14. Term Debt

		2009		2008
Bank term loan, due July 1, 2011, interest at rates ranging from prime plus 0.25% to prime plus 0.75% and principal installments of $104,167 per month. For security, see note 12.	$	1,875,000	$	3,125,000
Finance company, payable in monthly installments of approximately $197,392 including interest at prime plus 2.5%, secured by short term rental equipment		2,785,684		5,126,473
John Deere finance contracts, payable in monthly installments ranging from $1,293 to $5,283 including interest at the rate of 4.0% to 5.75%, secured by related equipment, due at various dates through 2014		1,134,079		-
Finance contracts and fixed rate bank term loans repayable in monthly installments ranging from $440 to $4,194 including interest up to 7.25%, secured by related equipment, due at various dates through 2011		48,172		268,466
		5,842,935		8,519,939
Less: current portion		(4,004,196)		(4,319,416)
	$	1,838,739	$	4,200,523

Estimated principal repayments required over the next five years are as follows:

2010	$	4,004,196
2011		1,336,101
2012		175,743
2013		131,114
2014		195,781
	$	5,842,935

NOTE 15. Notes Payable

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

		2009		2008
Notes payable, due in annual installments of $200,000 including interest at the rate of 6% per annum	$	525,000	$	725,000
Note payable, due September 10, 2011 in two equal annual installments including interest at the rate of 6% per annum		333,333		-
Notes payable, repaid September 2, 2009 including interest at the rate of 6% per annum		-		400,000
		858,333		1,125,000
Less: current portion		(366,667)		(600,000)
	$	491,666	$	525,000

Principal repayments required over the next five years are as follows:

2010	$	366,667
2011		366,666
2012		125,000
2013		-
2014		-
	$	858,333

NOTE 16. Future Income Taxes

As described in note 1, on October 22, 2009, the Partnership completed a plan of arrangement with Vasogen for cash consideration of $7,500,000. The transaction resulted in Cervus increasing its tax basis by $79,343,758. In accordance with EIC 110 "Accounting for Acquired Future Tax Benefits in Certain Purchase Transactions that are not Business Combinations, the asset acquired should be recorded at fair value with any excess of the amount classified as a deferred credit. The excess amount or $7,500,000 will be amortized to income tax expense in proration to the net reduction in the future income tax asset that gave rise to the deferred credit. Cervus' current and future income taxes for the year ended December 31, 2009 are based on Cervus being a publicly traded corporation whereas for the year ended December 31, 2008, future income taxes were based on Cervus being a publicly traded limited partnership.

As described in note 2, upon the corporate conversion of the LP, Cervus commenced accounting for future income tax assets and liabilities that existed at the date of conversion. This opening adjustment to reflect the future income tax assets and liabilities was $903,353 which has been recorded as an adjustment to future income tax assets and income tax expense.

The provision for income taxes differs from that calculated from using the federal and provincial statutory rates of 29.6% (2008 – 29.6%) due to the following:

		2009		2008
Net earnings before income taxes	$	18,868,879	$	22,207,562
Expected income tax expense		5,585,188		6,551,231
Impact of flow through partnership income and equity earnings		-		(6,551,231)
Establishment of future income taxes due to conversion to corporation		903,353		-
Non-deductible costs and other		2,683,029		-
Future income tax recovered from benefit of tax loss carry-forwards		(7,479,599)		-
Income tax expense	**$**	**1,691,971**	**$**	**-**

Income tax expense is comprised entirely of future income taxes and Cervus' only tax jurisdiction is Canada.

The components of the future income tax asset and liability as at December 31, 2009 and 2008 are as follows:

		2009		2008
Tax values over carrying value of tangible assets	$	1,212,021	$	601,754
Carrying values over tax value of intangible assets		(1,855,824)		(750,754)
Benefit of non-capital losses carried forward		57,997,725		228,398
Federal investment tax credits		12,909,816		-
Benefit of capital losses carried forward		19,353,063		537,137
Total future tax asset		89,616,801		616,535
Less:				
Valuation allowance for non-capital losses carried forward		(196,161)		(228,398)
Valuation allowance for capital losses carried forward		(19,353,063)		(537,137)
Total future income tax asset (liability)	$	**70,067,577**	**$**	**(149,000)**
Current portion of future income tax asset		**7,985,882**		-
Future income tax asset (liability)	$	**62,081,695**	**$**	**(149,000)**

As at December 31, 2009, Cervus has a deferred credit related to its transaction with Vasogen as follows:

	2009	2008
Deferred tax credit as a result of transaction with Vasogen	$ 71,888,147	$ -
Amortized to income tax expense	(7,479,599)	-
Total deferred tax credit	64,408,548	-
Current portion of deferred tax credit	7,148,027	-
Deferred tax credit	$ 57,260,521	-

Cervus has available for carry forward, the following as at December 31, 2009 and 2008:

	2009	2008
Non-capital losses	$ 223,500,617	$ 771,615
Capital losses	151,355,405	4,200,812
Federal investment tax credits	12,909,816	-

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

NOTE 17. Shareholders' Equity

Authorized

Unlimited number of common shares, voting
Unlimited number of preferred shares in series, non-voting
Unlimited number of Series 1 preferred shares, non-voting, 7% cumulative, redeemable and retractable

Common Shares Issued

	Number of shares/units	Total
Balance December 31, 2007	11,793,613	$ 36,942,040
Issued on exercise of options through unit/share purchase loans	15,000	90,000
Contributed surplus adjustment share/unit options	-	14,668
Issued under DRIP plan	201,746	2,392,389
Warrants exercised	393,715	3,492,028
Contributed surplus adjustment for warrants exercised	-	581,249
Shares/units issued in private placement	1,500,000	25,000,000
Private placement costs	-	(1,441,913)
Contributed surplus adjustment for warrants issued in private placement	-	(2,850,300)
Shares/units purchased for cancellation	(175,500)	(813,119)
Shares/units cancelled	(16,200)	(73,764)
Preferred partnership shares/units converted	300,000	1,600,000
Balance December 31, 2008	14,012,374	64,933,278
Issued under DRIP plan	123,898	812,598
Issued under deferred share/unit plan	3,342	19,789
Balance December 31, 2009	14,139,614	$ 65,765,665

As described in Note 2, effective October 22, 2009, 9,424,181 of issued limited partnership units of the LP were converted to 14,136,272 common shares of the Company on a three-for-two basis. The prior period number of shares/units outstanding, shares/unit option plans outstanding, warrants outstanding, distribution reinvestment plan shares/units issued, deferred unit plan shares/units outstanding, unit purchase financing shares/units as well as net earnings and dividends/distributions per share, have been adjusted to reflect the three-for-two split on a retroactive basis.

On December 22, 2009, the Company filed a Notice of Intention to Make a Normal Course Issuer Bid (the "Bid") to purchase for cancellation, from time to time, as the Company considers advisable, it's issued and outstanding shares ("Shares"). The Bid expires on December 21, 2010. Pursuant to the Bid, the Company can purchase for cancellation up to a maximum of 706,981 Shares, being approximately 5% of the Company's issued and outstanding Shares at the time of the Bid. Notwithstanding the foregoing, pursuant to the rules of the TSX-V, the Company may not purchase more than 282,792 shares (i.e. 2% of its currently outstanding Units) in a given 30-day period. The price that the Company will pay for any shares purchased by it under the Bid will be the prevailing market price of the shares on the TSX-V at the time of such purchase. No shares had been purchased for cancellation under this Bid as at December 31, 2009.

On October 14, 2008, the Company, under its predecessor Partnership, carried out a Bid that expired on October 13, 2009. Under this Bid, 175,500, shares/units were purchased for cancellation at an aggregate cost of $1,091,124 during 2008. As a result of the purchase and cancellation of these units, $278,005 has been adjusted from contributed surplus for the difference between the purchase amount and average issued capital during 2008.

Share Option Plan

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

Changes in the outstanding options are as follows:

	Number outstanding	Weighted average exercise price
Outstanding and exercisable, December 31, 2007	15,000	$ 6.00
Exercised through share purchase loans	(15,000)	6.00
Granted under share option plan	15,000	12.67
Outstanding, December 31, 2008	**15,000**	**12.67**
Granted under share option plan	36,719	6.20
Forfeited during the year	(18,629)	(11.41)
Outstanding, December 31, 2009	**33,090**	**6.20**

The weighted average remaining life of the options is 4.1 years (2008 – 4.6 years). During the year ended December 31, 2009, 36,719 shares/units were issued and 18,629 options were forfeited due to employees leaving the employ of the Company prior to the options vesting.

The fair value of the 2009 awards, calculated using the Black-Scholes option pricing model was $2.10 per share/unit using a risk fee interest rate of 0.7%, expected life of 5 years, expected annual distribution of 11.6% and an expected unit price volatility of 91%. For the year ended December 31, 2009, $12,831 has been recorded as compensation cost related to these options.

The fair value of the 2008 awards, calculated using the Black-Scholes option pricing model was $4.01 per share/unit using a risk fee interest rate of 2.37%, expected life of 5 years, expected annual distribution of 6.3% and an expected unit price volatility of 72%. For the year ended December 31, 2009, $9,021 (2008 - $3,007) has been recorded as compensation cost related to these options.

Warrants

Warrants	Number of warrants
Balance, December 31, 2007	562,585
Exercised during 2008	(393,715)
Expired	(150)
Issued during 2008	750,000
Balance, December 31, 2008	**918,720**
Expired	(918,720)
Balance, December 31, 2009	-

At December 31, 2009, the Company has no warrants outstanding (December 31, 2008 – 918,720). The warrants were exercisable into Company shares/units on a one-for-one basis at between $9.34 and $18.34 each. During the year ended December 31, 2009, no warrants were exercised (2008 – 393,715) and 918,720 warrants expired (2008 – 150) for total proceeds of $nil (2008 - $3,492,028) and $nil (2008 - $581,250) was allocated to partners' capital from contributed surplus relating to these shares/units.

The Company issued 750,000 warrants to participants of the July 10, 2008 private placement. These warrants were immediately exercisable and expired on July 10, 2009. The fair value of the warrants, as calculated using the Black-Scholes option pricing model was $3.80 per warrant for an aggregate amount of $2,850,300. The value has been reflected in a contributed surplus during 2008.

The Company issued 288,460 warrants to participants of the July 3, 2007 private placement. These warrants were immediately exercisable and expired on June 30, 2009. The fair value of the warrants, as calculated using the Black-Scholes option pricing model was $2.69 per warrant for an aggregate amount of $774,778. The value was reflected as unit issue costs and contributed surplus. The following weighted average assumptions were used to determine fair value of the warrants.

The following weighted average assumptions were used to determine fair value of the warrants issued in the private placement.

	July 10, 2008	July 3, 2007
Risk free interest rate	2.34%	4.63%
Expected and maximum life	1 years	2 years
Expected annual distribution	4.3%	9.0%
Expected unit price volatility	68%	44%

Contributed surplus		Total
Balance, December 31, 2007	$	1,055,097
Exercise of share options		(14,668)
Exercise of private placement warrants		(581,250)
Issue of share options		3,007
Contributed surplus adjustment for shares/units cancelled		(452,361)
Fair value of private placement warrants		2,850,300
Balance, December 31, 2008		**2,860,125**
Issue of share options		21,852
Balance, December 31, 2009	**$**	**2,881,977**

During the year ended December 31, 2008, 16,200 shares/units were returned to the Company for repayment of amounts outstanding from an employee. These shares/units were cancelled and as a result of the shares having a value in excess of the amount to be recovered, $73,764 was recorded as a reduction in Partners' capital and the excess amount of $174,357 has been recorded as a reduction in Contributed surplus.

Per Share Amounts

Both basic and diluted earnings per share have been calculated using the net earnings attributable to the shareholders of the Cervus as the numerator. No adjustments to net earnings were necessary for 2009 and 2008. As at December 31, 2009, the Company has no securities issued that are anti-dilutive. 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:

	2009	**2008**
Weighted average number of shares/units used in basic earnings per share/unit	14,095,312	13,101,699
Effect of dilutive securities:		
Deferred share/unit plan	295,741	107,933
Share/unit options	9,182	-
Share/unit purchase warrants	-	38,187
Weighted average number of shares/units used in diluted earnings per share	14,400,235	13,247,819

Distribution Reinvestment Plan

The Company has a Dividend/Distribution Reinvestment Plan ("DRIP") entitling shareholders/limited partners to reinvest cash distributions in additional shares/units. The DRIP allows shareholders/limited partners to reinvest distributions into new shares/units at 95 percent of the average share/unit price of the previous 10 trading days prior to distribution. During 2009, the Company issued 123,898 (2008 – 201,746) shares/units under this plan at an average issue price of $6.56 (2008 - $11.86) per share/unit.

Employee Share/Unit Purchase Plan

The Company has an employee share/unit purchase plan available to all employees on a voluntary basis. Under the plan, employees are able to contribute 2% to 4% of their annual salaries, based on years of service. The Company contributes at a minimum of 15% to 100% on a matching basis to a maximum of $5,000 per year, per employee. The shares/units are purchased on the open market through a trustee; therefore, there is no dilutive effect to existing shareholders/unitholders. Included in general, sales and administrative expenses are $461,766 (2008 - $266,525) of contributions made on behalf of the Company's employees.

Deferred Share/Unit Plan

As at December 31, 2009, 295,741 (2008 – 107,933) deferred shares/units have been issued under the deferred share/unit plan and remain outstanding. As at December 31, 2009, the matching component of the plan aggregated $1,061,986 (2008 - $536,913) of which $214,630 (2008 - $43,568) has been amortized into compensation expense on a straight-line basis over a period of 5 years.

Share Purchase Loans

The Company has provided loans to certain employees for shares issued under the Company's private placement offerings and to pay for the exercise of share options. The loans bear interest at the rate of 4% per annum. The employees have provided the shares as security for the loans. During the year ended December 31, 2009, no loans (2008 - $90,000) were provided to employees and $111,180 (2008 - $111,480) has been forgiven and recorded as compensation expense. During 2008, $205,000 was repaid through the return of 16,200 Company shares by an employee, $45,000 was received in cash and $80,000 was forgiven and paid to Proventure Income Fund for commission on a property sale.

Preferred Partnership Units

In 2005, the Company issued 375,000 Series A preferred partnership shares/units at a value of $3,000,000. Each share/unit was convertible at the option of the holder into one common share/limited partnership unit. These Series A shares/units are non-voting and entitle the holder to a minimum annual distribution of 4% of $3,000,000 and a further distribution up to the distribution per share/unit amount available to the shareholders/limited partners in any particular year. During 2008, the remaining 300,000 preferred partnership shares/units were converted to Company shares/units for a value of $1,600,000.

NOTE 18. Cost of Sales

The following amounts have been included in cost of sales:

	2009	2008
Depreciation of rental equipment	$ 1,572,860	$ 2,038,173
Interest paid on rental equipment financing	158,763	219,160
	$ 1,731,623	$ 2,257,333

NOTE 19. Supplemental Cash Flow Information

	2009	2008
Cash interest paid	$ 951,292	$ 1,303,920
Supplemental disclosure of non-cash financing and investing activities not included in the statement of cash flows:		
Issuance of (repayment of) partnership units for notes receivable from employees	-	(205,000)
Issuance of note payable for business acquisition	333,333	400,000

NOTE 20. Commitments and Contingencies

(a) 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, 2009 payments in arrears by such customers aggregated $587,753 (2008 - $188,424). 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, 2009, the net residual value of such leases aggregated $58,731,799 (2008 - $50,653,966).

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.

In addition, the Company is contingently liable for certain finance obligations of its customers through a revolving line of credit known as AgLine. AgLine is primarily used by agriculture related customers and the Company has certain merchant authorized accounts for which the Company is contingently liable in the event of default. As at December 31, 2009, our merchant authorized accounts totaled $27,860 (2008 - $111,085).

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

2010	$	3,904,816
2011		3,085,231
2012		2,496,583
2013		2,007,926
2014		1,558,992
Thereafter		3,997,470
	$	17,051,018

(c) As part of the purchase of Ranchers (see note 3), the Company issued an irrevocable standby letter of credit to John Deere in the amount of $1,500,000. The letter of credit agreement allows 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 of the Company to John Deere.

NOTE 21. Economic Dependence

A source of the Company's revenue is from the sale of farm equipment products and services pursuant to agreements to act as an authorized dealer for John Deere Limited. The agreement with John Deere Limited provides a framework under which John Deere Limited can terminate a John Deere dealership if such dealership fails to maintain certain performance or 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 with Bobcat, JCB and JLG.

Management is not aware of any deficiencies or non-renewal of its current dealership agreements that would have a material effect on the Company's ability to continue as a going concern.

NOTE 22. Related Party Transactions

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

	2009	2008
Expenses:		
Real estate leases	$ 2,551,417	$ 1,895,623
Guarantee fees	$ 82,500	$ 82,500
Revenue:		
Management fees for administration	$ 30,000	$ 30,000
Interest on advances	$ 54,431	$ 78,982

The Company receives $2,500 per month to carry out all administrative and management tasks related to the Fund's operations.

The Company pays a guarantee fee to the Fund equal to 3% per annum for the guaranteed amounts that the Fund has provided to John Deere. This guarantee is a result of guarantees provided to John Deere prior to the establishment of the Fund and for which John Deere has not yet released the Fund from the contractual obligation. At December 31, 2009 and 2008, the Fund has outstanding guarantees with John Deere aggregating $2,750,000.

On December 30, 2009, the Company sold its real property purchased through its business acquisition of 520781 Alberta Ltd. to the Fund for $3,460,350 in exchange for $3,053,378 in cash and an increase in its advances to the Fund of $406,972.

(b) Certain officers and dealer managers of the Company have provided guarantees to John Deere aggregating $6,400,000. During the year ended December 31, 2009 the Company paid these individuals $192,000 (2008 - $96,750) 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.

(c) Prior to its conversion to a corporation, the LP's general partner, Cervus GP Ltd. (the "GP"), was a private company owned by certain officers of the Company. As part of the conversion to a corporation, the GP is now a wholly owned subsidiary of the Company. Under the amended and restated limited partnership agreement of the LP, the GP. is entitled to reimbursement of all reasonable direct and indirect costs incurred on behalf of the Company and to 1% of the net earnings. As a result of the GP now being a subsidiary of the Company, no distribution of earnings has been made to the GP during 2009 (2008 - $222,395). In addition, the Company has made distributions of $64,278 (2008 - $199,097) to the GP prior to the GP becoming a subsidiary of the Company.

(d) During 2009, the Company transacted in the normal course of business, $226,795 (2008 - $321,607) of parts and service sales with companies of which members of the Board of Directors are directors of or companies they control.

NOTE 23. Segment Information

The Company has historically operated in two main industry segments with all of the operations being in Canada. These segments are agricultural and construction equipment. The segment amounts are as follows:

2009	Agricultural Equipment	Construction Equipment	Total
Revenue	$ 317,875,562	$ 59,599,201	$ 377,474,763
Net earnings	18,008,078	(831,170)	17,176,908
Income tax expense	1,522,926	169,045	1,691,971
Earnings of significantly influenced companies	723,550		723,550
Investment in significantly influenced companies	1,886,994	-	1,886,994
Depreciation and amortization	1,944,706	2,620,470	4,565,176
Interest expense	487,490	464,964	952,454
Capital expenditures	2,784,113	1,618,172	4,402,285
Total assets	149,224,422	76,620,966	225,845,388
Other intangible assets	6,491,893	4,528,740	11,020,633
Goodwill	1,672,680	1,527,000	3,199,680

2008	Agricultural Equipment	Construction Equipment	Total
Revenue	$ 244,680,856	$ 103,993,918	$ 348,674,774
Net earnings	15,844,976	6,362,586	22,207,562
Income tax expense	-	-	-
Earnings of significantly influenced companies	1,342,957	-	1,342,957
Investment in significantly influenced companies	1,920,198	-	1,920,198
Depreciation and amortization	1,305,507	3,054,723	4,360,230
Interest expense	601,091	710,320	1,311,411
Capital expenditures	1,013,595	3,423,471	4,437,066
Total assets	81,735,650	62,597,410	144,333,060
Other intangible assets	6,783,065	5,188,750	11,971,815
Goodwill	1,672,680	1,527,000	3,199,680

NOTE 24. Capital 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 unitholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. In the management of capital, the Company monitors its adjusted capital which comprises all components of equity (i.e. shares issued, accumulated earnings, shareholder/unitholder distributions and dilutive instruments).

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

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 2009, 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:

	2009	2008
Total debt	$ 126,750,947	$ 54,314,213
Adjusted equity:		
Total equity	$ 99,094,441	$ 90,018,847
Less other intangible assets and goodwill	(14,220,313)	(15,171,495)
Adjusted equity	$ 84,874,128	$ 74,847,352
Total debt to adjusted equity ratio	1.49 to 1	0.73 to 1
Adjusted assets:		
Total assets	$ 225,845,388	$ 144,333,060
Less other intangible assets and goodwill	(14,220,313)	(15,171,495)
Adjusted assets	$ 211,625,075	$ 129,161,565
Adjusted equity (above)	$ 84,874,128	$ 74,847,352
Adjusted assets to adjusted equity ratio	2.49 to 1	1.73 to 1

The increase in total debt to adjusted equity ratio during 2009 resulted primarily from the recording of a deferred credit related to future income taxes of $64,408,548 at December 31, 2009.

Adjusted assets to adjusted equity ratio has increased due to the increase in total adjusted assets caused by the recording a future tax asset as a result of the plan of arrangement transaction described in notes 2, 3 and 16.

NOTE 25. Financial Instruments

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, short-term loans, accounts receivable, advances to related party, accounts payable and accrued liabilities, floor plan payables, dividend/distribution payable, and notes payable approximate their fair values given the short-term maturity of these instruments. The carrying values of the current and long-term portions of debt approximate fair value because the applicable interest rates on these liabilities are fixed at rates similar to prevailing market rates.

Fair Value Hierarchy

The Company's financial assets and liabilities that are recorded at fair value have been categorized into one of three categories based upon a fair value hierarchy. Fair values of assets and liabilities included in Level I are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level II include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level III valuations are based on inputs that are not readily observable and are significant to the overall fair value measurement.

At December 31, 2009, the Company's investment in money market funds was the only financial instrument carried on the balance sheet at fair value. The investment is short term in nature and is accordingly valued at cost plus accrued interest, which approximates fair value. The Company has classified the determination of fair value of these investments as level 2, as the valuation methodology used by the Company includes an assessment of assets in quoted markets with similar interest rates and terms to maturity.

Market Risk

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

Currency Risk

The Company is exposed to foreign currency fluctuations on its loan to Agriturf Limited (see note 8) 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.

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 Company's outstanding long-term debt and obligations under capital lease at December 31, 2009, a one percent increase or decrease in market interest rates would impact Company's annual interest expense by approximately $450,000. The Company's other financial instruments are not exposed to interest rate risk.

Other Price Risks

The Company does not currently have any financial instruments directly affected by changes in commodity prices or other price risks

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 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 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 (see note 9). The Company's revenues are normally invoiced with payment terms of net, 30 days. At December 31, 2009, $2,660,623 (2008 - $3,716,675) of the Company's gross receivables were over 30 days in which the Company recorded $518,705 of allowance for uncollectible amounts. In our industries, customers typically pay invoices within 30 to 60 days. The average time to collect Company's outstanding accounts receivable was approximately 13 days for the year ended December 31, 2009 and 2008 and 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, 2009 and 2008, 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.

The Company recorded the following activity in its allowance for doubtful accounts during the year ended December 31, 2009:

Balance, December 31, 2008	**$**	**878,297**
Additional allowance recorded		334,375
Amounts written-off as uncollectible		(693,964)
Balance, December 31, 2009	**$**	**518,708**

Liquidity Risk

The Company's exposure to liquidity risk is dependent on the collection of accounts receivable and the ability to raise funds to meet purchase commitments and financial obligations and to sustain operations. The Company controls its liquidity risk by managing its working capital, cash flows, and the availability of borrowing facilities. At December 31, 2009, the Company's contractual obligations are described in note 20 above. As described in note 12, the Company has available for its current use, $15 million of operating credit facilities for which no advances have been made. In addition, the Company has a committed reducing term facility in the amount of $1.5 million to finance capital asset additions of which no amounts have been advanced.

Significant challenges are currently being experienced in both the domestic and international financial markets. These challenges are having an impact on the ability of certain borrowers to finance existing operations and to fund capital programs. To date, these issues in the financial markets have not had a direct impact on the operations of the Company. While the current financial situation has not directly impacted the Company's ability to fund capital projects and ongoing operations, future borrowing may be impacted by these financial markets through increased carrying costs and the ability to raise debt and capital. The Company is unable to determine the outcome of these issues or how they may affect future operations.

NOTE 26. Subsequent Events

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

Net assets sold:		
Accounts receivable	$	82,816
Inventories:		
New whole goods		505,247
Used whole goods		1,584,437
Parts		1,095,413
Property and equipment		381,282
Deposits with John Deere finance		260,123
Accounts payable and accrued liabilities		(76,348)
Customer deposits		(40,714)
Floor plan payable		(529,063)
		3,263,193
Payable to Cervus, non-interest bearing, due October 31, 2010		(252,440)
Purchase price of 20% partnership interest in Maple		3,010,753

(b) On January 1, 2010, Cervus acquired of A.R. Williams Materials Handling Ltd., a private company that sells, rents, and services industrial products and equipment in ten locations for an aggregate purchase price of $19,650,629 of which $6,810,000 has been paid by way of cash deposit at December 31, 2009. The preliminary allocation of the purchase price to the net assets acquired based on their fair values is as follows:

Net assets acquired:		
Accounts receivable	$	8,779,621
Inventories		5,255,459
Prepaid expenses		40,300
Property and equipment		6,308,635
Other intangible assets		10,233,692
Accounts payable and accrued liabilities		(7,363,100)
Future income taxes		(401,000)
Long-term debt		(3,202,978)
	$	19,650,629
Financed by:		
Cash, net of cash received of $2,130,556	$	4,679,444
425,492 series 1 preferred shares, redeemable and retractable, 7% cumulative payable quarterly		5,361,199
Note payable, non-interest bearing, due in equal annual installments commencing January 1, 2011		9,609,986
	$	19,650,629