

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS

We have audited the accompanying consolidated financial statements of Cervus Equipment Corporation ("the Company"), which comprise the consolidated balance sheets as at December 31, 2010 and 2009, the consolidated statements of net earnings and comprehensive income, retained earnings and other accumulated comprehensive income and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2010 and 2009, and the results of its consolidated operations and its consolidated cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Calgary, Canada

March 9, 2011

CONSOLIDATED BALANCE SHEETS

December 31, 2010 and 2009

	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 19,605,362	\$ 13,453,188
Deposit for business acquisition	-	6,810,000
Trade accounts receivable	21,291,829	13,398,559
Advances to related party (note 4)	2,728,229	2,111,069
Future income tax asset (note 15)	6,417,605	7,985,882
Inventories (note 5)	97,824,190	89,150,468
Prepaid expenses and deposits	2,047,382	1,340,293
	149,914,597	134,249,459
Investments, at equity (note 6)	4,706,537	1,886,994
Other investments, at cost (note 7)	167,518	1,420,139
Deposits with manufacturers (note 8)	1,714,527	1,648,522
Other intangible assets (note 9)	22,352,164	11,020,633
Property and equipment (note 10)	22,018,326	10,338,266
Future tax asset (note 15)	54,732,114	62,081,695
Goodwill	5,154,070	3,199,680
	\$ 260,759,853	\$ 225,845,388
Liability and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 19,819,969	\$ 9,980,596
Customer deposits	2,147,539	2,689,191
Floor plan payables (note 12)	44,203,203	40,426,213
Dividends payable	2,634,445	2,545,131
Current portion of deferred credit (note 15)	5,897,779	7,148,027
Current portion of term debt (note 13)	3,992,795	4,004,196
Current portion of notes payable (note 14)	2,683,004	366,667
	81,378,734	67,160,021
Term debt (note 13)	6,438,607	1,838,739
Notes payable (note 14)	5,253,815	491,666
Deferred credit (note 15)	51,990,701	57,260,521
	145,061,857	126,750,947
Shareholders' equity (note 16):		
Shareholders' capital	71,710,787	65,765,665
Share purchase loans	(70,464)	(165,895)
Deferred share plan	2,658,293	1,814,408
Contributed surplus	2,927,335	2,881,977
Non-controlling interest	1,837,478	-
Accumulated other comprehensive income	156,643	-
Retained earnings	36,477,924	28,798,286
	115,697,996	99,094,441
Commitments and contingencies (note 19)		
	\$ 260,759,853	\$ 225,845,388

See accompanying notes to consolidated financial statements.



Approved by the Board: Peter Lacey, Director



Gary Harris, Director

CONSOLIDATED STATEMENTS OF NET EARNINGS AND COMPREHENSIVE INCOME

Years ended December 31, 2010 and 2009

	2010	2009
Revenue:		
Equipment sales	\$ 355,557,350	\$ 295,884,909
Parts	63,016,547	49,327,381
Service	40,571,921	27,293,825
Rentals	9,984,739	4,968,648
	469,130,557	377,474,763
Cost of sales (note 17)	380,401,890	305,519,333
Gross profit	88,728,667	71,955,430
Expenses:		
Selling, general and administrative (note 21)	66,828,806	51,510,788
Interest	1,707,863	793,691
Depreciation and amortization	4,947,987	2,992,316
Earnings before other income (expense):	15,244,011	16,658,635
Other income (expense)		
Gain (loss) on disposal of assets	392,657	(26,492)
Foreign exchange loss	(7,685)	(30,815)
Interest and other income	1,371,089	1,544,001
Equity earnings of significantly influenced companies (note 6)	1,703,975	723,550
Net earnings before income taxes and non-controlling interest	18,704,047	18,868,879
Future income tax expense (note 15)	573,790	1,691,971
Net earnings before non-controlling interest	18,130,257	17,176,908
Net loss attributed to non-controlling interest	70,508	-
Net earnings	18,200,765	17,176,908
Other comprehensive income		
Unrealized gain on translation of financial statements of self-sustaining foreign operation	156,643	-
Total comprehensive earnings	\$ 18,357,408	\$ 17,176,908
Net earnings per share (note 16):		
Basic	\$ 1.29	\$ 1.22
Diluted	\$ 1.25	\$ 1.19

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS AND OTHER ACCUMULATED COMPREHENSIVE INCOME

For the Year Ended December 31, 2010 and 2009

	2010	2009
Retained earnings:		
Balance, beginning of year	\$ 28,798,286	\$ 21,838,111
Net earnings	18,200,765	17,176,908
Dividends to shareholders	(10,521,127)	(10,216,733)
Balance, end of year	\$ 36,477,924	\$ 28,798,286
Accumulated other comprehensive income:		
Balance, beginning of year	\$ -	\$ -
Other comprehensive income	156,643	-
Balance, end of year	\$ 156,643	\$ -

CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended December 31, 2010 and 2009

	2010	2009
Cash flows from (used in):		
Operating activities:		
Net earnings	\$ 18,200,765	\$ 17,176,908
Add items not affecting cash:		
Depreciation and amortization expenses	7,633,146	4,565,176
Amortization of employee purchase loans	95,431	111,180
Interest on discounted note payable	672,699	-
Share-based compensation expense	894,625	256,270
Foreign exchange loss	7,685	30,815
Loss (gain) on disposal of assets	(392,657)	26,492
Future income taxes	573,790	1,691,971
Non-controlling interest	(72,053)	-
Equity earnings from significantly influenced companies	(1,703,975)	(723,550)
	25,909,456	23,135,262
Net change in non-cash working capital related to operations	(2,287,117)	(15,366,262)
Net cash provided by operating activities	23,622,339	7,769,000
Financing activities:		
Proceeds from (repayment of) term debt, net	501,465	(2,677,004)
Dividends	(9,853,272)	(7,700,465)
Increase in deposits with John Deere	(43,809)	(110,457)
Repayments of notes payable	(3,204,199)	(600,000)
Net cash used in financing activities	(12,599,815)	(11,087,926)
Investing activities:		
Business acquisitions, net of cash acquired (note 3)	1,680,068	(15,743,551)
Deposit on business acquisition	-	(6,810,000)
Repayment of short-term loan	-	662,462
Advances from (to) related party	(617,160)	641,411
Proceeds from (purchase of) property and equipment, net	(5,959,744)	2,946,840
Proceeds from investments, at equity	1,895,185	756,756
Increase in other investments, at cost	(1,868,699)	(934,152)
Net cash used in investing activities	(4,870,350)	(18,480,234)
Increase (decrease) in cash	6,152,174	(21,799,160)
Cash and cash equivalents, beginning of year	13,453,188	35,252,348
Cash and cash equivalents, end of year	\$ 19,605,362	\$ 13,453,188

Cash and cash equivalents is comprised of cheques issued in excess of funds on deposit of \$446,911 (2009 - cash on hand and in bank of \$531,491) and money market funds and short-term deposits of \$20,052,273 (2009 - \$12,921,697).

Supplemental cash flow information (note 18)

See accompanying notes to consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

NOTE 1. DESCRIPTION OF BUSINESS

Cervus Equipment Corporation (“Cervus” and the “Company”) is an incorporated entity under the Canada Business Corporations Act. These consolidated financial statements include the accounts of Cervus who directly, and indirectly, owns a 100% interest in Cervus LP (the “LP”) and its subsidiaries and a 60.3% interest in Agriturf Limited (“Agriturf”), a New Zealand Company. All significant inter-company transactions and balances have been eliminated. The Company is a retailer of agricultural, construction and industrial equipment, parts and services in Western Canada and New Zealand.

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. and its 60.3% interest in Agriturf Limited (“Agriturf”).

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 allowance for trade accounts receivable, the net realizable value of inventories, recovery 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.

FOREIGN CURRENCY TRANSLATION OF SELF-SUSTAINING FOREIGN OPERATION

The financial statements of the Company’s self-sustaining foreign subsidiary, Agriturf are translated using the current rate method. Under this method, all assets and liabilities are translated at period-end rates and revenue and expenses at the average rate for the period. The resulting gains and losses are included in the statement of comprehensive income for the period. When there is a reduction in the net investment of a self-sustaining foreign subsidiary, a proportionate amount of translation gains and losses is recognized in net earnings.

BUSINESS SEGMENTS

The Company operates two distinct business segments, an agricultural equipment segment and a construction and industrial equipment segment. These segments are managed separately and strategic decisions are made on the basis of their respective operating results. The agricultural equipment segment consists primarily of John Deere dealership locations in Alberta, Saskatchewan, British Columbia and New Zealand and the construction and industrial equipment segment consists primarily of Bobcat, JCB, Clark, Sellick, Doosan and Nissan dealership locations in Alberta, Saskatchewan and Manitoba.

CASH AND CASH EQUIVALENTS

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

FOREIGN CURRENCY TRANSLATION

The 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 or weighted average cost formula. Previous write-downs of inventory are reversed when economic changes support an increased value.

PROPERTY AND EQUIPMENT

Property 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
Automotive and trucks	30%
Furniture and fixtures	20%
Parts and shop equipment	20%
Computers and software	30%

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 a period of 5 years.

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 intangible assets comprise of dealership distribution agreements, customer lists and non-competition agreements, which 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 a dealership is compared with its estimated fair value. When the fair value of a dealership 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 dealership 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 dealership 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 investments are carried at cost and their respective carrying values are adjusted for any allowance 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 AMOUNTS

Basic per share amounts are computed by dividing net earnings by the weighted average number of shares outstanding for the period. Diluted per share amounts are calculated giving effect to the potential dilution that would occur if share options or other dilutive instruments were exercised or converted to shares. The treasury stock method is used to determine the dilutive effect of share options, convertible preferred shares and other dilutive instruments. This method assumes that any proceeds upon the exercise or conversion of dilutive instruments, for which market prices exceed exercise price, would be used to purchase shares at the average market price of the shares during the period.

SHARE-BASED COMPENSATION

The Company has a share-based compensation plan, which is described in note 16. The Company accounts for employee share options granted using the fair value based method. Consideration

paid by employees on the exercise of share options is recorded as partners' capital. Compensation cost is recognized over the awards' vesting period.

REVENUE RECOGNITION

Revenue on agriculture 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, accounts receivable, accounts payable and accrued liabilities, floor plan payables, and long-term debt. The Company has designated its financial instruments as follows:

Financial instrument	Category	Measurement method
Cash and cash equivalents and deposit for business acquisition	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 and floor plans payable	Other financial liabilities	Amortized cost
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, 2010 and 2009, 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

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. The Company has adopted this accounting change prospectively 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 these accounting changes effective January 1, 2010.

CONVERSION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS IN FISCAL 2011

The CICA Accounting Standards Board requires all Canadian publicly accountable enterprises to adopt International Financial Reporting Standards (IFRS) for years beginning on or after January 1, 2011. The Company will adopt IFRS for the fiscal year starting January 1, 2011. The Company's transition from Canadian GAAP to IFRS will commence in the first quarter of 2011 at which time the Company will report both the current and comparative information using IFRS.

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 July 13, 2010, the Company completed a transaction whereby it has acquired control through a 60.3% equity interest in a subsidiary, Agriturf, a private New Zealand corporation for a purchase price of \$2,744,074. The estimated purchase price was paid by the conversion of the loan described in note 7:

Net assets purchased:	
Accounts receivable	\$ 1,103,816
Inventories	4,632,194
Property and equipment	4,063,745
Deposits with John Deere finance	266,857
Goodwill and other intangibles	993,166
Accounts payable and accrued liabilities	(1,722,434)
Floor plan payable	(3,952,708)
Term debt	(835,609)
Minority interest	(1,804,953)
Purchase price of 60.28% partnership interest in Agriturf	\$ 2,744,074

- B.** On January 4, 2010, Cervus purchased all the issued and outstanding shares of A.R. Williams Materials Handling Ltd., a private company that sells, rents, and services industrial products and equipment in ten locations for an aggregate purchase price of \$20,101,117 of which \$6,810,000 was paid by way of cash deposit at December 31, 2009. The allocation of the purchase price to the net assets acquired based on their fair values is as follows:

Net assets acquired:	
Accounts receivable	\$ 5,600,112
Inventories	4,782,350
Prepaid expenses	40,300
Property and equipment	6,308,635
Other intangible assets	14,200,000
Goodwill	666,494
Accounts payable and accrued liabilities	(3,246,044)
Floor plans payable	(3,223,752)
Future income taxes	(1,824,000)
Long-term debt	(3,202,978)
	\$ 20,101,117
Financed by:	
Cash, net of cash received of \$1,680,068	\$ 5,129,932
425,492 series 1 preferred shares	5,361,199
Note payable, non-interest bearing, due in equal annual installments	9,609,986
Purchase price	\$ 20,101,117

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

Net assets sold:	
Accounts receivable	\$ 82,816
Inventories	3,185,097
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

- D. 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

- E. 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

- F. 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 21).

NOTE 4. ADVANCES TO RELATED PARTY

During 2008, the Company provided a \$2,750,000 revolving credit facility to Proventure Income Fund (the "Fund") (see note 21) expiring on November 30, 2013. The facility is due on demand and bears interest at the rate of prime plus 0.25%. 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, 2010 was \$75,507 (2009 - \$54,431).

NOTE 5. INVENTORIES

	2010	2009
New equipment	\$ 36,754,658	\$ 35,094,705
Used equipment	45,837,367	42,093,224
Parts and accessories	14,596,752	11,553,029
Work-in-progress	635,413	409,510
	\$ 97,824,190	\$ 89,150,468

No write-downs have been recorded in inventory at December 31, 2010 and 2009.

NOTE 6. INVESTMENTS, AT EQUITY

	2010	2009
Investment in significantly influenced companies, at equity:		
Maple Farm Equipment Partnership (20% equity interest) (note 3)	\$ 4,050,520	\$ -
Deer Star Systems Inc. (36% interest; 2009 -33% interest)	656,017	864,190
101034350 Saskatchewan Ltd. (33% interest)	-	650,607
Greenway Sprayers (38% interest)	-	372,197
	\$ 4,706,537	\$ 1,886,994

During the year ended December 31, 2010, the Company recorded \$1,703,975 (2009 - \$723,550) of earnings from significantly influenced companies and received \$1,895,185 (2009 - \$756,755) 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 were effectively assumed by the venturers. In addition, during 2010, the Company sold and received payment for its interest in 101034350 Saskatchewan Ltd. at net book value to Maple Farm Equipment Partnership.

NOTE 7. OTHER INVESTMENTS, AT COST

	2010	2009
Investment in companies at cost:		-
Agritronics Inc. (a 25.78% interest), net of an allowance for impairment of \$346,349	\$ 53,651	\$ 68,806
Employee housing loan, non-interest bearing	-	365,210
Agriturf Limited loan, unsecured, due on demand, bearing interest at 5% per annum	-	883,394
Cash surrender value of life insurance	113,867	102,729
	\$ 167,518	\$ 1,420,139

During the year ended December 31, 2010, the Company advanced an additional NZ\$2,550,000 respectively and combined with the advances made during 2009, the Company has advanced an aggregate of NZ\$3,700,000 to Agriturf. As described in note 3, these funds were used to purchase a 60.3% equity interest in Agriturf which was completed on July 13, 2010. During the year ended December 31, 2010, interest of \$26,215 (2009 \$nil) has been recorded in interest and other income and a foreign exchange loss of \$7,685, (2009 - \$30,815) has been included in net earnings.

The Company recorded a net increase in the cash surrender value of life insurance of \$11,138 (2009 - \$19,943) and received repayment on the employee loan.

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. The Company has recorded an impairment loss in aggregate of \$346,349 (2009 - \$331,194) to reduce the investment to its recoverable amount which is included in gain (loss) on disposal of assets.

NOTE 8. 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 \$1,714,527 (2009 - \$1,648,522). 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 9. OTHER INTANGIBLE ASSETS

2010	Cost	Accumulated amortization	Net book value
Dealership distribution agreements	\$ 17,145,000	\$ 2,503,280	\$ 14,641,720
Trade name	3,100,000	155,000	2,945,000
Customer lists	7,390,000	3,009,650	4,380,350
Non-competition agreements	1,891,109	1,506,015	385,094
	\$ 29,526,109	\$ 7,173,945	\$ 22,352,164

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

NOTE 10. EQUIPMENT

2010	Cost	Accumulated depreciation	Net book Value
Short term rental equipment	\$ 20,638,361	\$ 6,125,147	\$ 14,513,214
Automotive and trucks	6,922,772	3,016,526	3,906,246
Furniture and fixtures	2,562,506	1,509,257	1,053,249
Parts and shop equipment	3,229,621	2,047,813	1,181,808
Computers and software	1,824,130	913,794	910,336
Leasehold improvements	1,842,324	1,388,851	453,473
	\$ 37,019,714	\$ 15,001,388	\$ 22,018,326

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
Leasehold improvements	1,570,555	937,935	632,620
Computers and software	1,868,656	1,192,639	676,017
	\$ 20,719,082	\$ 10,380,816	\$ 10,338,266

Included in short term rental equipment is \$10,668 (2009 - \$311,469) of equipment that has been removed from service and is being held for resale. No depreciation has been recorded on this equipment since its removal from service.

NOTE 11. BANK INDEBTEDNESS

At December 31, 2010, the Company has an operating bank line of credit to a maximum amount of \$15,000,000 in Canada and NZ\$1,960,000 in New Zealand. Of the Canadian operating bank line, \$2,400,000 (December 31, 2009 - \$1,500,000) has been utilized for outstanding letters of credit to John Deere (see note 19) and of the New Zealand line of credit, \$210,000 has been utilized as financial guarantees. In addition, the Company has \$1,500,000 available by way of a non-committed reducing term facility to facilitate capital asset purchases. The operating 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 for Canada and 6.24% for New Zealand. The Canadian facility is secured by a general security agreement, a priority agreement; trade accounts receivable, unencumbered inventories, assignment of fire insurance and guarantees from the Company's subsidiaries and the general partner and the New Zealand facility is secured by a general security agreement covering all property. At December 31, 2010, NZ\$1,500,000 has been drawn on the New Zealand facility which for the purposes of consolidation has been included in cash and cash equivalents.

NOTE 12. 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 or in accordance with terms of the financing arrangement or earlier based on management's assessment. Floor plan payables are secured by specific new and used equipment inventories.

NOTE 13. TERM DEBT

	2010	2009
Bank term loan, due July 1, 2011, interest at rates ranging from prime plus 0.25% to prime plus 0.75% and principal instalments of \$104,167 per month. For security, see note 11.	\$ 625,000	\$ 1,875,000
Finance company, payable in monthly instalments of approximately \$199,534 including interest at prime plus 2.5%, secured by short term rental equipment	6,119,873	2,785,684
John Deere finance contracts, payable in monthly instalments ranging from \$1,246 to \$4,620 including interest at the rate of 4.0% to 4.9%, secured by related equipment, due at various dates through 2015	436,911	1,134,079
John Deere Financial, Australia, finance contracts, payable in monthly instalments ranging from \$272 to \$5,216 including interest from 4.75% to 8.15%, secured by related equipment, due at various dates through 2014	3,233,670	-
Finance contracts and fixed rate bank term loans repayable in monthly instalments ranging from \$664 to \$725 including interest up to 9.4%, secured by related equipment, due at various dates through 2011	15,948	48,171
	10,431,402	5,842,934
Less: current portion	(3,992,795)	(4,004,196)
	\$ 6,438,607	\$ 1,838,738

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

2010	\$ 3,992,795
2011	3,271,639
2012	1,762,690
2013	1,395,161
2014	9,117
	\$ 10,431,402

NOTE 14. NOTES PAYABLE

The Company has certain notes payable that have originated from current and previous business acquisitions. The notes payable are unsecured and are as follows:

	2010	2009
Notes payable, due in annual instalments of \$200,000 including interest at the rate of 6% per annum	\$ 325,000	\$ 525,000
Note payable, due September 10, 2011 in two equal annual instalments including interest at the rate of 6% per annum	166,667	333,333
Note payable, non-interest bearing, repayable in annual instalments of \$2,837,500, discounted at a rate of 7%	7,445,152	-
	7,936,819	858,333
Less: current portion	(2,683,004)	(366,667)
	\$ 5,253,815	\$ 491,666

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

2010	\$ 2,683,004
2011	2,602,497
2012	2,651,318
	\$ 7,936,819

NOTE 15. FUTURE INCOME TAXES

On October 22, 2010, Cervus LP, a limited 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 of \$7,500,000 will be amortized to income tax expense in proportion to the net reduction in the future income tax asset that gave rise to the deferred credit.

Upon the corporate conversion of the Partnership, 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 was recorded as an adjustment to future income tax assets and income tax expense in 2009.

The provision for income taxes differs from that calculated from using the federal and provincial statutory rates of 28.6% (2009 - 29.6%) due to the following:

	2010	2009
Net earnings before income taxes	\$ 18,704,047	\$ 18,868,879
Expected income tax expense	5,349,357	5,585,188
Establishment of future income taxes due to conversion to corporation	-	903,353
Non-deductible costs and other	241,044	2,683,029
Future income tax recovered from benefit of tax loss carry-forwards	(5,016,611)	(7,479,599)
Income tax expense	\$ 573,790	\$ 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, 2010 and 2009 are as follows:

	2010	2009
Tax values over carrying value of tangible assets	\$ (113,140)	\$ 1,212,021
Carrying values over tax value of intangible assets	(3,510,655)	(1,855,824)
Benefit of non-capital losses carried forward	52,223,550	57,997,725
Federal investment tax credits	12,746,269	12,909,816
Benefit of capital losses carried forward	19,357,221	19,353,063
Total future tax asset	80,703,245	89,616,801
Less:		
Valuation allowance for non-capital losses carried forward	(196,305)	(196,161)
Valuation allowance for capital losses carried forward	(19,357,221)	(19,353,063)
Future income tax asset (liability)	61,149,719	70,067,577
Current portion of future income tax asset	6,417,605	7,985,882
Future income tax asset	\$ 54,732,114	\$ 62,081,695

Cervus has a deferred credit as follows:

	2010	2009
Balance, beginning of period	\$ 64,408,548	\$ -
Deferred tax credit as a result of transaction with Vasogen	-	71,888,147
Amortized to income tax expense	(6,520,068)	(7,479,599)
Total deferred tax credit	57,888,480	64,408,548
Current portion of deferred tax credit	(5,897,779)	(7,148,027)
Balance, end of period	\$ 51,990,701	\$ 57,260,521

Cervus has available for carry forward, the following:

	2010	2009
Non-capital losses	\$ 203,206,106	\$ 223,500,617
Capital losses	151,355,405	151,355,405
Federal investment tax credits	12,746,269	12,909,816

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

NOTE 16. SHAREHOLDERS' EQUITY

AUTHORIZED

Unlimited number of common shares, voting

Unlimited number of preferred shares in series, non-voting

Unlimited Series 1 preferred shares, non-voting, cumulative, redeemable and retractable

SHARE CAPITAL ISSUED

	Preferred shares	Amount	Common shares	Amount	Total
Balance December 31, 2008	-	\$ -	14,012,374	\$ 64,933,278	\$ 64,933,278
Issued under DRIP plan	-	-	123,898	812,598	812,598
Issued under deferred share plan	-	-	3,342	19,789	19,789
Balance December 31, 2009	-	-	14,139,614	65,765,665	65,765,665
Issued for business acquisition - series 1 preferred shares (note 3)	425,492	5,361,199	-	-	5,361,199
Issued under the deferred share plan	-	-	750	5,382	5,382
Issued under DRIP plan	-	-	50,425	578,541	578,541
Balance December 31, 2010	425,492	\$ 5,361,199	14,190,789	\$ 66,349,588	\$ 71,710,787

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, its issued and outstanding shares ("Shares"). The Bid expired on December 21, 2010. No shares were purchased for cancellation under this Bid during the year ended December 31, 2010.

PREFERRED SHARES

The Company has issued 425,492 non-voting convertible redeemable Series 1 preferred shares of Cervus. The Series 1 preferred shares shall be entitled to a preference over the common shares of Cervus with respect to priority in the payment of dividends. Each series 1 preferred share shall be entitled to a cumulative dividend at the rate of 7% per annum on the stated amount. It is anticipated that the dividends on the series 1 preferred shares will be paid in cash quarterly concurrently with the payment of cash dividends on the common shares of Cervus. If the 30 day volume weighted average trading price of the common shares of Cervus on any stock exchange recognized for the purposes of the Income Tax Act (Canada) upon which the common shares of Cervus are listed and posted for trading is equal to or greater than \$16.00 per common share, Cervus shall have the right to redeem the series 1 preferred shares, in whole or in part. The holders of series 1 preferred shares shall be entitled to exchange those shares at any time for common shares of Cervus on the basis of one common share for each series 1 preferred share exchanged.

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 , 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
Granted under share option plan	37,420	12.05
Outstanding, December 31, 2010	70,510	\$ 9.30

The weighted average remaining life of the options is 4.1 years (2009 - 4.1 years). During the year ended December 31, 2010, 37,420 shares (2009 - 36,719 shares) respectively were granted and no options have been forfeited.

The fair value of the options issued in during the year ended December 31, 2010, calculated using the Black-Scholes option pricing model, was \$6.31 per share using a risk free interest rate of 1.7%, expected life of 5 years, expected annual distribution of 5.98% and an expected unit price volatility of 101%. For the year ended December 31, 2010, \$45,358 (2009 - \$21,852) respectively, has been recorded as compensation cost related to these options.

CONTRIBUTED SURPLUS

Changes in contributed surplus are as follows:

Balance, December 31, 2008	\$ 2,860,125
Issue of share options	21,852
Balance, December 31, 2009	2,881,977
Issue of share options	45,358
Balance, December 31, 2010	\$ 2,927,335

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 2010 and 2009. As at December 31, 2010, 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:

	2010	2009
Weighted average number of shares used in basic earnings per share	14,169,194	14,095,312
Effect of dilutive securities:		
Deferred share plan	406,025	295,741
Share options	18,293	9,182
Weighted average number of shares used in diluted earnings per share	14,593,512	14,400,235

DIVIDEND REINVESTMENT PLAN

The Company has a Dividend Reinvestment Plan ("DRIP") entitling shareholders to reinvest cash dividends in additional shares at 95 percent of the average share price of the previous 10 trading days prior to the dividend. During the year ended December 31, 2010, the Company issued 50,425 (2009 - 123,898) shares respectively under this plan. During the year ended December 31, 2010, the average issue price of the shares was \$11.47 (2009 - \$6.56).

EMPLOYEE SHARE PURCHASE PLAN

The Company has an employee share purchase plan available to all employees on a voluntary basis. Under the plan, employees are able to contribute 2% to 4% of their annual salaries, based on years of service. The Company contributes at a minimum of 15% to 100% on a matching basis to a maximum of \$5,000 per year, per employee. The shares are purchased on the open market through a trustee; therefore, there is no dilutive effect to existing shareholders. Included in selling, general and administrative expenses for the year ended December 31, 2010 are \$531,191 (2009 - \$461,766) respectively for contributions made on behalf of the Company's employees.

DEFERRED SHARE PLAN

As at December 31, 2010, 406,025 (2009 - 295,741) deferred shares have been issued under the deferred share plan and remain outstanding. The matching component of the plan totals \$1,580,155 (\$1,061,986) and during the year ended December 31, 2010, \$250,920 (2009 - \$214,630) respectively 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, 2010, no loans were provided to employees and \$95,431 (2009 - \$111,180) has been forgiven and recorded as compensation expense.

NOTE 17. COST OF SALES

The following amounts have been included in cost of sales:

	2010	2009
Depreciation of rental equipment	\$ 2,685,159	\$ 1,572,860
Interest paid on rental equipment financing	314,948	158,763
	\$ 3,000,107	\$ 1,731,623

NOTE 18. SUPPLEMENTAL CASH FLOW INFORMATION

	2010	2009
The following cash payments have been included in the determination of net earnings		
Cash interest paid	\$ 2,030,700	\$ 951,292
Supplemental disclosure of non-cash financing and investing activities not included in the statement of cash flows:		
Issuance of common shares from DRIP and deferred share plan	578,541	812,599
Issuance of preferred shares for business acquisition (note 3)	5,361,199	-
Issuance of note payable for business acquisition (note 3)	9,609,986	-
Advances exchanged for business acquisition (note 3)	2,744,074	-
Issuance of note payable for business acquisitions (note 3)	-	333,333

NOTE 19. 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, 2010 payments in arrears by such customers aggregated \$228,154 (2009 - \$587,753). 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, 2010, the net residual value of such leases aggregated \$56,455,099 (2009 - \$58,731,799).

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.

- B.** The Company is committed to the following minimum payments under operating leases for equipment, land and buildings:

2011	\$ 4,819,942
2012	4,371,250
2013	3,794,903
2014	3,381,148
2015	2,891,673
Thereafter	5,213,642
	\$ 24,472,558

- C.** The Company has irrevocable standby letters of credit to John Deere in the amount of \$2,400,000 (December 31, 2009 - \$1,500,000). As part of the Company's purchase of its 60.3% equity interest in Agriturf (see notes 3 and 7), an additional \$900,000 irrevocable standby letter of credit was issued to John Deere during 2010. 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 20. 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, JLG, Doosan, Nissan, Clark, Sellick, Powerboss and Hiab Cranes.

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 21. 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 and the Company and the Fund share a common board of directors. In addition to transactions discussed elsewhere in these financial statements, the Company had the following transactions with the Fund which are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties:

	2010		2009
Expenses:			
Real estate leases	\$ 2,969,215	\$	2,551,417
Guarantee fees	\$ 82,500	\$	82,500
Revenue:			
Management fees for administration	\$ 30,000	\$	30,000
Interest on advances	\$ 75,507	\$	54,431

The Company receives \$2,500 per month to carry out all administrative and management tasks related to the Fund's operations. The amount charged is the amount agreed to between the related parties.

The Company pays a guarantee fee to the Fund equal to 3% of 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, 2010 and 2009, 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 years ended December 31, 2010 and 2009 the Company paid these individuals \$192,000 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.** During 2010, the Company transacted in the normal course of business, \$201,536 (2009 - \$226,795) of parts and service sales with companies in which the Board of Directors are Directors of or Control those companies.

NOTE 22. SEGMENT INFORMATION:

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

2010	Agricultural Equipment	Construction Equipment	Total
Revenue	\$ 356,114,291	\$ 113,016,266	\$ 469,130,557
Net earnings and comprehensive income	14,761,187	3,596,221	18,357,408
Income tax expense	449,305	124,485	573,790
Earnings of significantly influenced companies	1,703,975		1,703,975
Investment in significantly influenced companies	4,706,537	-	4,706,537
Depreciation and amortization	2,714,082	4,919,064	7,633,146
Interest expense	921,031	1,101,780	2,022,811
Capital expenditures	6,044,069	3,286,448	9,330,517
Total assets	166,820,790	93,939,063	260,759,853
Other intangible assets	5,683,414	16,668,750	22,352,164
Goodwill	2,960,576	2,193,494	5,154,070

2009	Agricultural Equipment	Construction Equipment	Total
Revenue	\$ 317,875,562	\$ 59,599,201	\$ 377,474,763
Net earnings and comprehensive income	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

NOTE 23. 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 holders 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/holder 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 to facilitate business combinations and or retire term debt or may adjust the amount of distributions paid to the holders.

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 Partner's equity and is reduced by other intangible assets and goodwill.

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

	2010	2009
Total debt	\$ 145,061,857	\$ 126,750,947
Adjusted equity:		
Total equity	\$ 115,697,996	\$ 99,094,441
Less other intangible assets and goodwill	(27,506,234)	(14,220,313)
Adjusted equity	\$ 88,191,762	\$ 84,874,128
Total debt to adjusted equity ratio	1.64 to 1	1.49 to 1
Adjusted assets:		
Total assets	\$ 260,759,853	\$ 225,845,388
Less other intangible assets and goodwill	(27,506,234)	(14,220,313)
Adjusted assets	\$ 233,253,619	\$ 211,625,075
Adjusted equity (above)	\$ 88,191,762	\$ 84,874,128
Adjusted assets to adjusted equity ratio	2.64 to 1	2.49 to 1

The increase in total debt to adjusted equity ratio and adjusted assets to adjusted equity ratio during the year ended December 31, 2010 resulted primarily from the decrease in adjusted equity as a result of other intangible assets purchased through the business acquisitions described in note 3.

NOTE 24. FINANCIAL INSTRUMENTS

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and holder distributions 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. This category includes fair values determined using valuation techniques such as option pricing models and extrapolation using observable inputs. Level III valuations are based on inputs that are not readily observable and are significant to the overall fair value measurement.

At December 31, 2010, the Company's investment in money market funds and term deposits were 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 and adverse economic conditions which may impact the timing of collection and ultimate realization of equipment sales, parts, service and rental revenue. The Company derives substantially all of its operating revenue from agricultural and construction based clients. The agriculture segment is primarily based on commodity prices and the construction segment is primarily based on both housing and infrastructure starts.

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, 2010, a one percent increase or decrease in market interest rates would impact Company's annual interest expense by approximately \$550,000. The Company's other financial instruments are not exposed to interest rate risk.

CURRENCY RISK

Other than the Company's exposure to foreign currency fluctuations on its translation of its foreign subsidiary, Agriturf, the Company is not exposed to fluctuations in foreign currency to the extent that all other 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. Based on the Company's results reported from its foreign subsidiary, an increase or decrease of 5% in foreign currency exchange rates would impact the Company's consolidated net earnings by approximately \$5,000.

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. The Company's revenues are normally invoiced with payment terms of net, 30 days. At December 31, 2010, \$5,325,271 (2009 - \$2,660,623) of the Company's gross receivables were over 30 days in which the Company recorded \$309,399 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 15 days for the year ended December 31, 2010 (2009 - 13 days) 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, 2010 and 2009, 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, 2010:

Balance, December 31, 2009	\$	518,708
Additional allowance recorded		248,589
Amounts written-off as uncollectible		(457,898)
Balance, December 31, 2010	\$	309,399

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, 2010, the Company's contractual obligations are described in note 19 above. As described in note 11, the Company has available for its current use, \$16,960,000 of operating credit facilities less \$2,400,000 for irrevocable letters of credit issued to John Deere and \$210,000 of financial guarantees provided for which \$1,250,000 of advances have been made. In addition, the Company has a committed reducing term facility in the amount of \$1,500,000 to finance capital asset additions of which no amounts have been advanced.