Management's Discussion and Analysis

For the period from January 1, 2014 to December 31, 2014

The following Management's Discussion & Analysis ("MD&A") was prepared as of March 10, 2015 and is provided to assist readers in understanding Cervus Equipment Corporation's ("Cervus" or the "Company") financial performance for the three and twelve month periods ended December 31, 2014 and significant trends that may affect future performance of Cervus. This MD&A should be read in conjunction with the accompanying consolidated financial statements for the period ended December 31, 2014 and notes contained therein. The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and Cervus' functional and reporting currency is the Canadian dollar. Cervus' common shares trade on the Toronto Stock Exchange under the symbol "CVL".

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

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

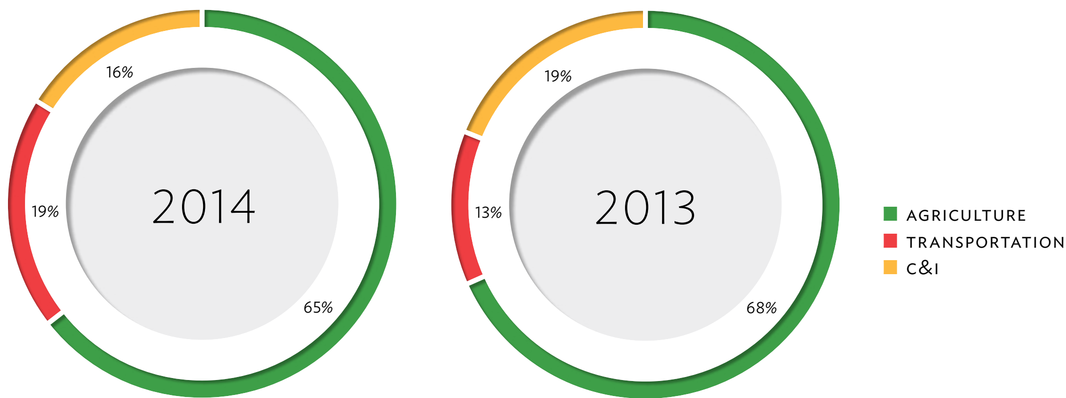
Highlights of the Year

- Revenues increased $118.5 million and gross profit dollars increased $23.4 million compared to 2013.
- Income from operating activities on a same store basis increased $0.3 million to $34.7 million.
- The Company incurred $1.6 million in acquisition and integration costs ("acquisition costs").
- Earnings before interest, taxes, depreciation, and amortization ("EBITDA") increased $0.5 million to $52.4 million, excluding acquisition costs.
- Profit attributable to shareholders decreased $4.7 million.
- Cervus Equipment was awarded Peterbilt's 2014 North American Dealer of the Year award, for the performance of our Peterbilt operations.
- Cervus completed the acquisition of the assets of Peterbilt of Ontario Inc. ("POI"), adding 13 Peterbilt truck dealerships.
- Cervus acquired four John Deere full service dealerships adjacent to the Company's existing Alberta locations, through the acquisition of the shares of Evergreen Equipment Ltd.("Evergreen").
- Cervus acquired two John Deere full service dealerships adjacent to the Company's existing Alberta locations, through the acquisition of the assets of Deer Country Equipment (1996) Ltd. ("Deer Country").
- Cervus acquired the remaining 46.7% of Windmill AG Pty Ltd., bringing the Company's ownership to 100% in Australia.
- The Company entered into a committed, two year, $100 million syndicated credit facility ensuring continued strategic flexibility.
- The Company was ranked #20 on Alberta Venture's *2014 Fast Growth 50 List.*

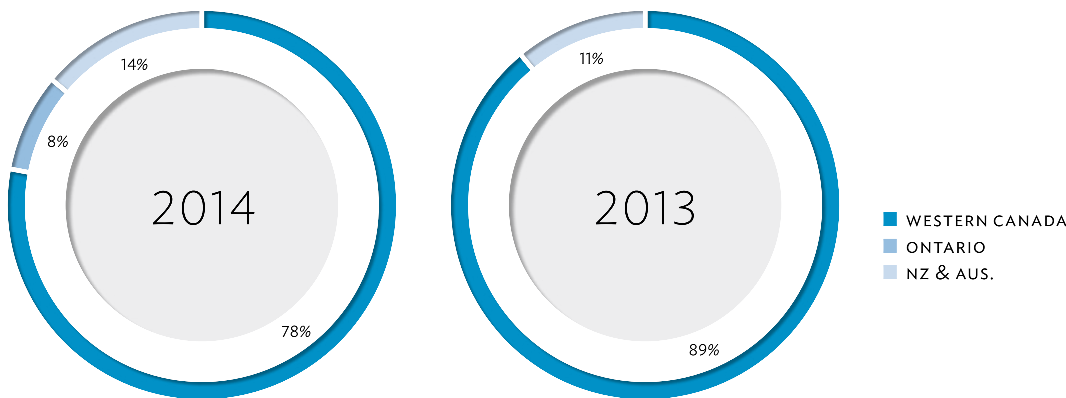
Overview of Cervus

Cervus is a diversified corporation and has historically operated in two separate business segments, an Agricultural equipment segment and a Commercial and Industrial equipment segment. During the fourth quarter of 2014, the Company realigned its operating segments as a result of changes to the governance and organizational structure resulting from the acquisition of 13 Ontario Peterbilt dealerships. The Company realigned the operating segments to be the following: Agricultural, Transportation, and Commercial and Industrial ("C&I") segments comprised of dealerships based on the industry which they serve. While Cervus continues to operate all segments under a unified corporate strategy, the expansion of Peterbilt operations and the appointment of a vice-president dedicated to Transportation operations, caused changes in how management presents and reviews information for financial reporting and management decision making purposes. Each segment continues to operate under the same unified Cervus brand and values, but are managed separately, providing segment leaders latitude to make strategic decisions relevant to the markets they serve. All prior period disclosure has been updated to reflect changes in operating segments, and certain amounts have been reclassified to conform to the current year presentation.

Revenue by Segment



Revenue by Geography



The Agricultural equipment segment consists of interests in 42 John Deere dealership locations with 14 in Alberta, 11 in Saskatchewan, 1 in British Columbia, 1 in Manitoba, 9 in New Zealand and 6 in Australia. Of the 42 John Deere Dealerships, 35 are wholly owned, and the Company holds a minority interest in 7.

The Commercial and Industrial ("C&I") equipment segment consists of 15 dealership locations with 12 Bobcat/ JCB, Clark, Sellick, and Doosan material handling and forklift equipment dealerships operating in Alberta, 2 Clark, Sellick, and Doosan material handling and forklift equipment dealerships operating in Saskatchewan and 1 in Manitoba.

The Transportation segment consists of 18 dealership locations with 4 Peterbilt truck dealerships and 1 collision repair center operating in Saskatchewan, and 13 Peterbilt truck dealerships operating in Ontario.

Note Regarding Forward-Looking Statements

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

The most recent quarterly dividend payment of $0.210 per share was made to the shareholders of record as of December 31, 2014 on January 15, 2015. See “Capital Resources - Cautionary note regarding dividends” for a cautionary note regarding future dividends. In addition, in this MD&A we make certain statements regarding the expected tax consequences of the plan of arrangement involving Cervus LP and Vasogen Inc. completed in October 2009, pursuant to which Cervus LP converted from a limited partnership structure to the current corporate structure of Cervus Equipment Corporation. See “Business Risks and Uncertainties - Other Risks” for a cautionary note regarding deferred income taxes recorded.

Annual Consolidated Results

Throughout this MD&A, same store results in the Agricultural segment exclude the 2014 results of six John Deere dealerships acquired during 2014 in the months of October and December. Further, same store results in the Agricultural segment exclude the results of our Australian operations for the five months ended May 30, 2014, and exclude the consolidated results of Deer Star Systems Inc. ("Deer Star") for the three months ended December 31, 2014, as Cervus did not own a majority interest in these operations for the comparative period in 2013. For the Transportation segment, same store results exclude the 2014 results of thirteen Peterbilt dealerships acquired in August 2014.

	Total 2014		2014 Same Store		
($ thousands, except per share amounts)	**2014**	**% Change Compared to 2013**	**2014 Same Store[1]**	**% Change Compared to 2013**	**2013**
Revenue	**979,609**	14%	854,157	(1%)	861,138
Cost of sales	**(792,936)**	14%	(687,075)	(2%)	(697,829)
Gross profit	**186,673**	14%	167,082	2%	163,309
Other income	**3,715**	(4%)	4,223	9%	3,885
Selling, general and administrative expense	**(157,678)**	19%	(136,633)	3%	(132,796)
Income from operating activities	**32,710**	(5%)	34,672	1%	34,398
Finance income	**384**	(28%)	221	(58%)	532
Finance costs	**(7,656)**	14%	(6,828)	1%	(6,735)
Share of profit of equity accounted investees, net of income tax	**712**	(80%)	712	(80%)	3,527
Profit before income tax expense	**26,150**	(18%)	28,777	(9%)	31,722
Income tax expense	**(7,654)**	(9%)	(8,387)	(0%)	(8,396)
Profit for the year	**18,496**	(21%)	20,390	(13%)	23,326
Profit attributable to shareholders	**18,362**	(20%)	20,256	(12%)	23,090
EBITDA[1]	**50,811**	(2%)	50,322	(3%)	51,883
EBITDA margin[1]	**5.2%**		5.9%		6.0%
Ratios as a percentage of revenue:					
Gross profit margin	**19.1%**		19.6%		19.0%
Selling, general and administrative	**16.1%**		16.0%		15.4%
Earnings per share					
Basic	**1.21**	(21%)	1.34	(13%)	1.54
Diluted	**1.15**	(22%)	1.27	(14%)	1.48

1 Refer to Non-IFRS measures herein.

Operating Summary

Profit attributable to shareholders decreased $4.7 million, primarily due to $1.6 million of non-recurring acquisition costs in the year and a $2.8 million reduction on earnings from equity investments. Excluding the $1.6 million of acquisition costs, EBITDA increased $0.5 million in 2014.

Same Store Highlights

On a same store basis, profit attributable to shareholders decreased $2.8 million, primarily due to a $2.8 million decrease in equity income, partially offset by $0.3 million of additional income from operating activities. Operating income increased due to profit margin growth in the Agricultural segment and positive sales mix shifts in Transportation operations, which offset a 3% increase in SG&A dollars. Income from equity accounted investees decreased due to adverse weather events in the geography of one equity investee, and the exclusion of Deer Star from equity investments in the fourth quarter, as the Company acquired voting control.

Acquisition Performance

Acquisitions contributed $125.5 million of incremental revenue in the year, and generated combined margins commensurate with existing operations. Non-recurring acquisition costs totaled $1.6 million and are included within selling, general and administrative ("SG&A") expense. Excluding acquisition costs, acquired operations generated a $0.3 million loss for the year due to initial results from Peterbilt of Ontario, primarily due to, targeted equipment inventory reductions and unrealized foreign exchange losses.

Annual Business Segment Results

The Company has three reportable segments: Agricultural, Transportation, and Commercial and Industrial, each supported by a single shared resources function. The Company allocates the expenditures of shared resources to each individual segment according to specific identification and usage based metrics as outlined in Note 28 of the accompanying Consolidated Annual Financial Statements.

Agricultural Segment Results

	Total 2014		2014 Same Store		
($ thousands, except per share amounts)	**2014**	**% Change Compared to 2013**	**2014 Same Store**	**% Change Compared to 2013**	**2013**
Equipment					
New equipment	**343,473**	8%	312,169	(2%)	317,277
Used equipment	**182,745**	0%	172,500	(5%)	182,306
Total equipment revenue	**526,218**	5%	484,669	(3%)	499,583
Parts	**66,341**	17%	60,703	7%	56,523
Service	**34,444**	21%	30,943	9%	28,467
Rental and other	**4,670**	18%	4,397	11%	3,946
Total revenue	**631,673**	7%	580,712	(1%)	588,519
Cost of sales	**(524,246)**	6%	(481,869)	(2%)	(493,024)
Gross profit	**107,427**	12%	98,843	4%	95,495
Other income	**3,609**	50%	3,514	46%	2,400
Selling, general and administrative expense	**(84,352)**	16%	(76,044)	5%	(72,754)
Income from operating activities	**26,684**	6%	26,313	5%	25,141
EBITDA	**34,095**	1%	32,878	(3%)	33,862
Ratios as a percentage of revenue:					
Gross profit margin	**17.0%**		17.0%		16.2%
Selling, general and administrative	**13.4%**		13.1%		12.4%

Operating Summary

Income from operating activities increased $1.5 million in 2014. New acquisitions contributed $0.4 million of incremental operating income while $1.2 million was contributed by same store operations, primarily due to profit margin growth. Excluding $0.4 million of acquisition costs, total income from Agricultural operating activities increased $1.9 million, and EBITDA increased $0.6 million.

Same Store Highlights

Same store operating income increased $1.2 million primarily due to a $3.3 million increase in gross profit on sales mix changes, combined with a $1.1 million dollar increase in other income primarily due to manufacturer incentives, partially offset by $3.3 million of increased SG&A.

Grain transportation constraints in the first half of 2014 impacted broad acreage farms, particularly in our Saskatchewan geography, while strong cattle prices buoyed the diversified farming which comprises a larger portion of our Alberta market. These factors shifted sales mix and increased profit margin, as reduced demand for harvest equipment in Saskatchewan was replaced by accelerated demand for two wheel drive tractors, parts, and haying equipment in Alberta. Additional other income of $1.1 million was primarily due to additional incentive programs from suppliers, while personnel costs contributed to the $3.3 million increase in SG&A.

Acquisition Performance

Acquisitions contributed $51.0 million of incremental revenue in the year, of which $20.6 million related to fourth quarter acquisitions, and $30.4 million from the inclusion of Australia for a full year. Overall gross profit percentage of acquired entities was consistent with our existing operations. Gross profit increased $8.6 million, partially offset by higher overall SG&A as a percent of revenue in the acquired entities, resulting in $0.4 million of incremental operating income generated from acquisitions in the year.

Transportation Segment Results

	Total 2014		2014 Same Store		
($ thousands, except per share amounts)	**2014**	**% Change Compared to 2013**	**2014 Same Store**	**% Change Compared to 2013**	**2013**
Equipment					
New equipment	**104,051**	83%	59,953	5%	56,981
Used equipment	**6,589**	2%	5,554	(14%)	6,436
Total equipment revenue	**110,640**	74%	65,507	3%	63,417
Parts	**54,927**	74%	34,333	8%	31,652
Service	**18,281**	61%	12,757	13%	11,337
Rental and other	**4,990**	143%	1,750	(15%)	2,054
Total revenue	**188,838**	74%	114,347	5%	108,460
Cost of sales	**(153,223)**	81%	(89,739)	6%	(84,727)
Gross profit	**35,615**	50%	24,608	4%	23,733
Other income	**(664)**	(434%)	(61)	(131%)	199
Selling, general and administrative expense	**(34,505)**	64%	(21,768)	3%	(21,055)
Income from operating activities	**446**	(84%)	2,779	(3%)	2,877
EBITDA	**4,574**	(16%)	5,302	(3%)	5,457
Ratios as a percentage of revenue:					
Gross profit margin	**18.9%**		21.5%		21.9%
Selling, general and administrative	**18.3%**		19.0%		19.4%

Operating Summary

Income from operating activities decreased $2.4 million due to $1.2 million of non-recurring acquisition costs and reduced gross profit margin percentage on lower equipment profit margins in the Ontario market. On a same store basis, income from operating activities remained steady as increased gross profit margin offset increased SG&A. Excluding acquisition costs, EBITDA increased $0.3 million for the segment.

Same Store Highlights

On a same store basis, income from operating activities decreased by 3%, due to lower margins on increased additional equipment sales to fleet customers. Additional gross profit of $0.9 million was offset by a $0.7 million increase in SG&A, and a decrease in other income of $0.3 million due to unrealized foreign exchange losses on inventory floor plans.

Acquisition Performance

The acquisition of POI generated a $2.3 million loss from operating activities in the period, due to new equipment profit margins and $1.2 million of non-recurring acquisition costs.

Lower margin on equipment sales in Ontario was the primary factor which decreased overall gross profit percentage to 18.9%. Due to the significant transaction volume of large fleet customers in Ontario, competitive pressures result in lower equipment margins than the Saskatchewan average. This was compounded by the need to reduce inventory levels following acquisition.

Acquisition SG&A expenses were lower as a percent of total revenue, resulting in an overall SG&A decrease to 18.3% as a percent of total revenue, including acquisition costs. The high transaction volume of the fleet market in Ontario positively impacts SG&A on a percent of revenue basis, as the Ontario operating costs as a factor of revenue are below that experienced in the smaller Saskatchewan market.

The acquired operations generated $0.7 million of negative EBITDA, with the primary difference between EBITDA and the $2.3 million loss from operating activities relating to interest on additional floor plan and acquisition borrowing, along with depreciation of capital property and intangible assets identified on acquisition.

Commercial and Industrial Segment Results

	Total 2014		
($ thousands, except per share amounts)	**2014**	**% Change Compared to 2013**	**2013**
Equipment			
New equipment	**95,681**	(4%)	99,916
Used equipment	**8,533**	(16%)	10,210
Total equipment revenue	**104,214**	(5%)	110,126
Parts	**29,414**	1%	29,084
Service	**16,810**	4%	16,106
Rental and other	**8,660**	(2%)	8,843
Total revenue	**159,098**	(3%)	164,159
Cost of sales	**(115,467)**	(4%)	(120,078)
Gross profit	**43,631**	(1%)	44,081
Other income	**770**	(40%)	1,286
Selling, general and administrative expense	**(38,821)**	(0%)	(38,987)
Income from operating activities	**5,580**	(13%)	6,380
EBITDA	**12,142**	(3%)	12,564
Ratios as a percentage of revenue:			
Gross profit margin	**27.4%**		26.9%
Selling, general and administrative	**24.4%**		23.7%

Operating Summary

Income from operating activities decreased $0.8 million in the Commercial and Industrial (C&I) segment, primarily due to timing differences of gains on rental equipment replacement and disposal. EBITDA decreased by $0.4 million.

For the year ended December 31, 2014, revenue decreased by $5.1 million primarily due to the non-recurrence of a single $4.0 million mulcher order received in 2013. Excluding the impact of the one-time order, the segment maintained steady overall equipment sales. Parts and service revenue increased $1.0 million, generating increased gross profit margin percentage on sales mix shifts, while gross profit dollars were impacted by lower equipment sale revenue.

In 2013, rental equipment was replaced according to its planned life cycle, and was sold for a gain which was included in other income in 2013. The rental fleet was not due for a substantial replacement in 2014, resulting in a $0.5 million reduction in gains on sale compared to 2013.

Income from operating activities decreased $0.8 million compared to 2013, as gross profit margin growth partially offset reduced revenue, with the remaining variance due to the occurrence and timing of gains on sale of rental equipment.

Cash and Cash Equivalents – Year Ended December 31, 2014

Cervus' primary sources and uses of cash flow for the year ended December 31, 2014 are as follows:

Operating Activities
Net cash provided by operating activities was $69.1 million for the year ended December 31, 2014 when compared to $30.5 million for the same period of 2013, an increase of $38.6 million. The primary reason for this increase is $23.2 million of net cash received from working capital items, compared to $13.5 million used in 2013, primarily due to an $20.8 million increase in accounts payable compared to a $4.5 million decrease in 2013 and a $6.5 million decrease in accounts receivable compared to a $4.1 million increase in 2013.

Investing Activities
During the year ended December 31, 2014, the Company used $101.2 million of net cash from investing activities compared to a use of cash of $18.4 million for the same period in 2013, for a net use of $82.8 million. Primary drivers of the change when compared to the same period in 2013 were $84.4 million in business acquisitions in 2014 related to Agriculture and Transportation, compared to $1.4 million for the step acquisition of Australia Ag in 2013. In addition, there were fewer capital additions in 2014 ($3.1 million), largely due to construction of the Balzac facility in 2013 of $11.6 million.

Financing Activities
During the year ended December 31, 2014, the Company's financing activities provided $36.1 million of cash, compared to a use of $6.1 million in 2013, for a net source of $42.2 million. The primary driver of the change when compared to the same period in 2013 is due to net proceeds from term debt of $50.9 million in 2014, compared to $6.9 million in 2013. In addition, to these 2014 cash inflows, there was also a $1.5 million source of cash from issuance of shares which did not occur in 2013.

Fourth Quarter Consolidated Results

For the fourth quarter consolidated results, same store results in the Agricultural segment exclude the 2014 results of six John Deere dealerships and Deer Star Systems Inc. as these operations were acquired or gained a majority control during 2014 in the months of October and December. For the Transportation segment, same store results exclude the 2014 results of thirteen Peterbilt dealerships acquired in August 2014.

	Total 2014		2014 Same Store		
($ thousands, except per share amounts)	2014	% Change Compared to 2013	2014 Same Store	% Change Compared to 2013	2013
Revenue	**289,040**	28%	211,949	(6%)	225,813
Cost of sales	**(233,086)**	28%	(166,790)	(9%)	(182,625)
Gross profit	**55,954**	30%	45,159	5%	43,188
Other income	**406**	(81%)	1,028	(51%)	2,097
Selling, general and administrative expense	**(45,966)**	23%	(33,906)	(9%)	(37,227)
Income from operating activities	**10,394**	29%	12,281	52%	8,058
Finance income	**181**	85%	73	(26%)	98
Finance costs	**(2,028)**	39%	(1,775)	22%	(1,456)
Share of profit of equity accounted investees, net of income tax	**(91)**	(107%)	(91)	(107%)	1,386
Profit before income tax expense	**8,456**	5%	10,488	30%	8,086
Income tax expense	**(2,528)**	48%	(3,197)	87%	(1,713)
Profit for the period	**5,928**	(7%)	7,291	14%	6,373
Profit attributable to shareholders	**5,870**	(6%)	7,233	16%	6,250
EBITDA	**15,909**	21%	16,055	22%	13,120
EBITDA margin	**5.5%**		7.6%		5.8%
Ratios as a percentage of revenue:					
Gross profit margin	**19.4%**		21.3%		19.1%
Selling, general and administrative	**15.9%**		16.0%		16.5%
Earnings per share					
Basic	**0.38**	(10%)	0.47	12%	0.42
Diluted	**0.37**	(8%)	0.45	13%	0.40

Operating Summary

Overall profit available to shareholders decreased $0.4 million, and increased $0.3 million when acquisition costs are excluded. Income from operations increased $2.3 million on increased revenues and consistent gross profit margins, while SG&A expenses decreased as a percentage of revenue. Total EBITDA increased $2.8 million or 21% compared to 2013, and increased $3.5 million or 27% excluding acquisition costs in the quarter.

Same Store Highlights

On a same store basis, profit attributable to shareholders increased $1.0 million, primarily due to $4.2 million of incremental income from operating activities, partially offset by a $1.5 million decrease in earnings from equity investments and $1.5 million of additional tax expense related to timing differences between accounting income and taxable income.

The $4.2 million increase in operating income resulted from growth in gross profit percentage due to sales mix shifts towards parts and service in all segments, combined with a $3.3 million decrease in SG&A expenses. A significant factor in decreased SG&A levels is the allocation of shared costs to the operations of acquired entities. A portion of incremental SG&A costs in recent periods was incurred in preparation for acquisition activity, and subsequent to acquisition the ongoing SG&A costs have been allocated to the segments to which they relate. Additionally, SG&A within the Commercial and Industrial segment decreased $2.3 million, primarily related to recoveries of bad debts and non-recurrence of 2013 branding expenses.

Earnings from equity investments decreased due to adverse weather events impacting the geography where the Company holds a minority interest in seven Agriculture dealerships, combined with the results of Deer Star being excluded from equity investments due to Deer Star being consolidated upon acquisition in the fourth quarter of 2014. Income tax expense has increased due to current period timing differences between the taxation of income and deductions of expense between accounting and taxation basis. The Company continues to expect long term effective tax rates to approximate 26% to 28%.

EBITDA increased $2.9 million or 22% during the period due to increases in operating income as discussed herein, and the exclusion of incremental additional income tax in the calculation of EBITDA.

Acquisition Performance

Acquisitions contributed a $1.9 million loss from operating activities due to the factors outlined in the discussion of annual results. Excluding $0.7 million of acquisition expenses, Ontario generated an operating loss of $1.6 million while agriculture acquisitions generated $0.4 million of operating income.

The $1.9 million operating loss from acquisitions was partially offset by reduced tax expense of $0.7 million, resulting in the net loss attributable to shareholders of $1.4 million. Excluding the impact of income taxes, depreciation of acquired intangibles, and incremental interest on additional floor planned inventory, EBITDA of the acquired operations was a $0.1 million loss.

Fourth Quarter Segment Results

Agricultural Segment Results

	Total 2014		2014 Same Store		
($ thousands, except per share amounts)	**2014**	**% Change Compared to 2013**	**2014 Same Store**	**% Change Compared to 2013**	**2013**
Equipment					
New equipment	**84,506**	10%	73,291	(5%)	76,783
Used equipment	**50,648**	1%	44,858	(11%)	50,321
Total equipment revenue	**135,154**	6%	118,149	(7%)	127,104
Parts	**16,417**	16%	14,530	3%	14,144
Service	**10,082**	18%	8,648	1%	8,549
Rental and other	**2,634**	68%	2,404	53%	1,570
Total revenue	**164,287**	9%	143,731	(5%)	151,367
Cost of sales	**(132,869)**	5%	(115,767)	(8%)	(126,262)
Gross profit	**31,418**	25%	27,964	11%	25,105
Other income	**1,382**	(19%)	1,127	(34%)	1,700
Selling, general and administrative expense	**(23,232)**	17%	(19,644)	(1%)	(19,900)
Income from operating activities	**9,568**	39%	9,447	37%	6,905
Ratios as a percentage of revenue:					
Gross profit margin	**19.1%**		19.5%		16.6%
Selling, general and administrative	**14.1%**		13.7%		13.1%

Operating Summary

Income from operating activities in the fourth quarter of 2014 increased $2.7 million compared to Q4 2013, $0.1 million of which was contributed by the Alberta acquisitions, combined with a $2.5 million increase in same store results driven by gross profit margin growth.

Same Store Highlights

Income from operating activities increased $2.5 million primarily due to margin growth across all revenue streams. Gross profit margin percentage increased 2.9% primarily due to shifts in sales mix towards higher parts and service sales. The timing of rebates and incentives in 2014 were weighted towards the fourth quarter compared to being more evenly distributed through 2013, further bolstering margin in the quarter. Australia and NZ contributed $1.3 million of incremental equipment gross profit margin dollars due to accelerated demand and margin growth over the prior period. SG&A dollars were consistent, resulting in incremental margin dollars driving the 37% growth in income from operating activities.

Acquisition Performance

The acquired entities contributed $20.6 million of incremental revenue and $0.1 million of operating income in the period. The sales mix and gross profit margins of acquired operations were consistent with our existing operations, while SG&A as a percent of revenue was 17.5% for the period. Excluding acquisition costs of $0.3 million, the acquired operations contributed $0.4 million of incremental income from operations in the period.

Transportation Segment Results

	Total 2014		2014 Same Store		
($ thousands, except per share amounts)	**2014**	**% Change Compared to 2013**	**2014 Same Store**	**% Change Compared to 2013**	**2013**
Equipment					
New equipment	**50,007**	186%	13,786	(21%)	17,489
Used equipment	**1,954**	58%	1,005	(19%)	1,238
Total equipment revenue	**51,961**	177%	14,791	(21%)	18,727
Parts	**21,634**	156%	7,992	(5%)	8,436
Service	**6,715**	144%	3,168	15%	2,753
Rental and other	**2,627**	348%	451	(23%)	587
Total revenue	**82,937**	172%	26,402	(13%)	30,503
Cost of sales	**(69,798)**	188%	(20,604)	(15%)	(24,272)
Gross profit	**13,139**	111%	5,798	(7%)	6,231
Other income	**(1,132)**	(2019%)	(255)	(532%)	59
Selling, general and administrative expense	**(13,508)**	135%	(5,036)	(13%)	(5,760)
Income (loss) from operating activities	**(1,501)**	(383%)	507	(4%)	530
Ratios as a percentage of revenue:					
Gross profit margin	**15.8%**		22.0%		20.4%
Selling, general and administrative	**16.3%**		19.1%		18.9%

Operating Summary

Total income from operating activities decreased $2.0 million, or $1.6 million excluding acquisition costs, due to initial losses in the Ontario operations.

Same Store Highlights

Income from operating activities remained consistent. The revenue weighting shifted towards parts and service primarily due to the timing of fleet sales within new equipment. The decrease in equipment sales reduced gross profit dollars, partially offset by stable margins within revenue streams and growth in parts and service revenues. SG&A expenses decreased, as incremental costs incurred in anticipation of acquisition are now prospectively allocated to the acquired entity.

Acquisition Performance

The acquired Ontario operations generated a $2.0 million loss from operating activities during the period, primarily due to lower profit margins due to the need to work through excess inventory levels, an unrealized foreign exchange related loss of $0.6 million included in other income, and $0.4 million of acquisition costs within SG&A. Excluding the impact of acquisition costs and foreign exchange, acquisitions generated a $0.7 million loss from operating activities in the period.

As noted in the discussion of annual results, the concentration of fleet customers in Ontario resulted in a lower margin on equipment sales, which was not fully offset in the period by lower SG&A in the acquired entities. Foreign exchange losses primarily relate to unrealized losses on inventory floor planned in US dollars. These inventory units are priced to the customer at the US exchange rate at the date of sale, which has not historically resulted in material realized exchange gains or losses upon sale to the customer.

Commercial and Industrial Segment Results

	Total Q4 2014		
($ thousands, except per share amounts)	2014	% Change Compared to 2013	2013
Equipment			
New equipment	**25,061**	(8%)	27,195
Used equipment	**2,509**	0%	2,499
Total equipment revenue	**27,570**	(7%)	29,694
Parts	**7,932**	(2%)	8,104
Service	**4,108**	3%	4,000
Rental and other	**2,206**	3%	2,145
Total revenue	**41,816**	(5%)	43,943
Cost of sales	**(30,419)**	(5%)	(32,091)
Gross profit	**11,397**	(4%)	11,852
Other income	**156**	(54%)	338
Selling, general and administrative expense	**(9,226)**	(20%)	(11,567)
Income from operating activities	**2,327**	274%	623
Ratios as a percentage of revenue:			
Gross profit margin	**27.3%**		27.0%
Selling, general and administrative	**22.1%**		26.3%

Operating Summary

Income from operating activities increased $1.7 million in the C&I segment, primarily due to decreased SG&A on reduced branding costs and increased recoveries of bad debts in the quarter.

For the quarter ended December 31, 2014, revenue decreased by $2.1 million, due to a decrease in mulcher sales of $1.2 million, however, parts and service sales were in line with the prior period. Gross profit margin percentage increased 0.3% due to product mix within new equipment sales, partially offset by shifts in sales mix.

SG&A expenses decreased $2.3 million compared to the prior quarter, primarily due to a $1.1 million reduction in marketing expense as the 2013 branding initiative was non-recurring, and a $0.5 million recovery of bad debt allowance.

Income from operating activities increased $1.7 million compared to the fourth quarter of 2013, largely tied to the non-recurrence of 2013 branding costs and recovery of bad debts expense which offset the impact of reduced revenues.

Fourth Quarter Cash Flows

Cervus' primary sources and uses of cash flow for the three month period ended December 31, 2014 are as follows:

Operating Activities
Net cash provided in operating activities was $26.9 million, compared to cash provided of $10.0 million for the same period of 2013, an increase of $16.9 million. The primary reason for this increase is $10.8 million of net cash received from working capital items, compared to $0.3 million in 2013. The $10.5 million increase in cash from working capital items is primarily due to $23.5 million of cash provided by accounts receivable and prepaid expenses, a source of cash of $3.6 million from accounts payable and customer deposits, offset by a net use of cash for inventories and floor plan payables of $16.7 million.

Investing Activities
The Company used $56.2 million in net cash for investing activities. The most significant use of cash for investing activities was $49.8 million in business acquisitions for the purchase of Evergreen Equipment Ltd. and Deer-Country Equipment (1996) Ltd. In addition, the purchase of property and equipment used $3.6 million of cash, which primarily related to the construction of a replacement Agriculture Store in Ponoka, Alberta.

Financing Activities
Financing activities provided $39.6 million in cash flows in the period, primarily from $43.7 million advanced under the Company's debt facilities, offset by the payment of dividends of $2.9 million.

Consolidated Financial Position

Liquidity

($ thousands, except ratio amounts)	2014	2013
Current assets	**410,214**	242,454
Total assets	**669,303**	426,230
Current liabilities	**290,838**	129,270
Long-term liabilities	**148,974**	78,540
Shareholders' equity	**229,491**	218,420
Working capital (see "Non-IFRS Measures")	**119,376**	113,184
Working capital ratio (see "Non-IFRS Measures")	**1.41**	1.88

Working Capital

Cervus' working capital increased by $6.2 million to $119.4 million at December 31, 2014 when compared to $113.2 million at December 31, 2013. As at the date of this report, the Company is in compliance with all of its covenants.

Based on inventory levels at December 31, 2014, the Company had the ability to floor plan an additional $40.5 million of inventory, and $263.8 million of undrawn floor plan capacity.

The Company's ability to maintain sufficient liquidity is primarily driven by revenue, gross profit realization, and judicious allocation of resources. At this time, there are no known factors that management is aware of that would affect its short and long-term objectives of meeting the Company's obligations as they come due. Working capital may fluctuate from time to time based primarily on the use of cash and cash equivalents to fund future business acquisitions, as well as due to the seasonal nature of our business. Cash resources can normally be restored by accessing floor plan monies from unencumbered equipment inventories or accessing undrawn credit facilities. Also, the seasonality of our business requires greater use of cash resources in the first and fourth quarter of each year to fund general operations caused by the seasonal nature of our sales activity.

Further, if the Company is reassessed by the CRA as discussed in Business Risks and Uncertainties, the Company expects to appeal such reassessment. If the Company was reassessed up to and including its December 31, 2014 tax year, the amount due on appeal is expected to approximate $21.6 million. The Company anticipates making this deposit would not adversely impact its working capital position.

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, financial obligations, and to sustain operations. The Company controls its liquidity risk by managing its working capital, cash flows, and the availability of borrowing facilities. The Company's contractual obligations at December 31, 2014 are described below.

The Company has bank credit facilities available for its current use of $58.6 million as follows:

Balance as at December 31, 2014 ($ thousands)	Limit	Borrowings and pledged amounts	Available
Operating	**100,000**	44,161	55,839
Flexible credit, New Zealand	**2,715**	-	2,715
Australia operating	**569**	569	-
Total	**103,284**	44,730	58,554

The Company has guaranteed the net residual value of certain customer leases, for leases between customers and John Deere Financial ("JDF") as set out in Note 29 to the consolidated financial statements. The Company regularly assesses the residual value of the JDF lease portfolio relative to wholesale values for comparable equipment. On the maturity of customer's leases, the equipment is returned to the Company and sold as used equipment. Upon the return of equipment, JDF will provide the Company floor planning based on John Deere's pricing guide. Of the lease portfolio at December 31, 2014, leases with a residual value of $7.5 million are scheduled to mature in 2015.

Contractual Obligations

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

($ thousands)	Total carrying value	Due 2015	Due 2016 through 2017	Due 2017 through 2018	Due thereafter
Long-term debt	106,817	9,974	60,519	32,253	4,535
Finance lease obligation	24,509	6,175	5,295	5,458	7,581
Convertible debenture	32,065	-	-	34,500	-
Operating leases	-	5,387	4,472	3,976	9,430
Total	163,391	21,536	70,286	76,187	21,546

Inventories

As at December 31, 2014, inventories had increased by $146.1 million to $324.6 million when compared to $178.5 million at December 31, 2013. Of the $146.1 million increase, $86.4 million relates to inventory from business acquisitions during the year.

On a same store basis, inventory has increased by $59.7 million, comprised of a $45.6 million increase in new equipment, a $13.2 million increase in used equipment, and a $3.7 million increase in parts. In the Canadian agriculture sector, a later harvest in 2014 drove increased in season new sales, which generally come with used equipment taken on trade, increasing used inventory levels at December 31, 2014 compared to 2013. In Australia Ag, new inventory has increased to service higher demand year over year, as well as in preparation for a busy winter season. Further, our new construction inventory has increased to facilitate adequate product as construction OEM manufacturing lead times have increased.

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

As at December 31, 2014, the Company believes that its recoverable amounts on its used equipment inventories exceed their respective carrying values and no general impairment reserve is required or has been recorded.

Accounts Receivable

For the year ended December 31, 2014 the average time to collect the Company's outstanding accounts receivable was approximately 18 days as compared to 16 days for the year ended December 31, 2013. At December 31, 2014 no single outstanding customer balance, excluding sales contract financing receivables, represented more than 10% of total accounts receivable. The Company closely monitors the amount and age of balances outstanding on an on-going basis and establishes provisions for bad debts based on account aging, combined with specific customers' credit risk, historical trends, and other economic information.

The Company's allowance for doubtful collections has increased to $1.4 million (2013 - $0.7 million) at December 31, 2014, which represents 2.4% (2013 - 1.7%) of outstanding trade accounts receivable and 0.1% (2013 - 0.1%) of gross revenue on an annual basis. Bad debt expense for the year ended December 31, 2014 amounted to a $0.8 million (2013 - $0.2 million recovery).

Capital Resources

We use our capital to finance our current operations and growth strategies. Our capital consists of both debt and equity and we believe the best way to maximize our shareholder value is to use a combination of equity and debt financing to leverage our operations. A summary of the Company's available credit facilities as at December 31, 2014 is as follows:

($ thousands)	Total Amount	Borrowings	Letters of Credit	Consigned Inventory	Amount Available
Operating and other bank credit facilities	103,284	42,174	2,556		58,554
Floor plan facilities and rental equipment floor plan facilities	507,927	195,596		48,493	263,838
Capital facilities	64,169	44,546			19,623
Total	675,380	282,316	2,556	48,493	342,015

Operating and Other Bank Credit Facilities

At December 31, 2014, the Company has a committed revolving credit facility with a syndicate of underwriters. The principal amount available under this facility as amended December 17, 2014 is $100.0 million, representing an increase from the principal amount previously available of $60.0 million. The facility is committed for a two year term, but may be extended on or before the anniversary date with the consent of the lenders. The facility contains an $80.0 million accordion which the Company may request as an increase to the total available facility, subject to lender approval. As at December 31, 2014 there was $41.6 million drawn on the facility and $2.4 million had been utilized for outstanding letters of credit to John Deere.

Operating and other bank credit facilities include both the Canadian and New Zealand amounts. The New Zealand operating facility of NZ $1.5 million (CAD $1.3 million), represents the Company's operating credit facility with its New Zealand bank.

We believe that the credit facilities available to the Company outlined above are sufficient to meet our market share targets and working capital requirements for 2015.

Floor Plan Facilities

Floor plan payables consist of financing arrangements for the Company's inventories and rental equipment financing with John Deere Canada ULC, GE Canada Equipment Financing G.P., General Electric Canada Equipment Financing G.P., GE Commercial Distribution Finance Canada, De Lage Landen Financial Services Canada Inc., PACCAR Financial Ltd., US Bank, and Canadian Imperial Bank of Commerce. At December 31, 2014, floor plan payables related to inventories was $175.0 million. Floor plan payables at December 31, 2014 and December 31, 2013 represented approximately 54.3% and 37.6% of our inventories, respectively. Floor plan payables fluctuate significantly from quarter to quarter based on the timing between the receipt of equipment inventories and their actual repayment so that the Company may take advantage of any programs made available to the Company by its key suppliers. In addition to cyclical industry factors, floor planned inventory has been intentionally increased through December 31, 2014 to reallocate the proceeds of the 2012 convertible debenture for acquisition purposes. Interest on floor plans at the contractual rate were largely offset by dealer rebates and interest free periods. Total Agricultural segment interest otherwise payable on John Deere floor plans approximates $1.9 million for the year ended December 31, 2014. This amount was offset by rebates applied during the year ended December 31, 2014 of $1.5 million. At December 31, 2014 approximately 71% of the C&I and Transportation segment's outstanding floor plan balance was non-interest bearing due to various incentives and interest free periods in place.

Outstanding Share Data

As of the date of this MD&A, there are 15,435 thousand common shares, 57 thousand share options, and 716 thousand deferred shares outstanding. The Company also has convertible debentures with a face value of $34.5 million, convertible at the holder's option, into common shares prior to the maturity date at a conversion price of $26.15 per common share see "Contractual Obligations"). As at December 31, 2014 and 2013, the Company had the following weighted average shares outstanding:

(thousands)	2014	2013
Basic weighted average number of shares outstanding	**15,147**	14,968
Dilutive impact of deferred share plan	**745**	677
Dilutive impact of share options	**11**	8
Diluted weighted average number of shares outstanding	**15,903**	15,653

Dividends Paid and Declared to Shareholders

The Company, at the discretion of the board of directors, is entitled to make cash dividends to its shareholders. The following table summarizes our dividends paid for the year ended December 31, 2014:

($ thousands, except per share amounts)				
Record Date	**Dividend per Share**	**Dividend Payable**	**Dividends Reinvested**	**Net Dividend Paid**
March 31, 2014	$ 0.2025	$ 3,075	$ 250	$ 2,825
June 28, 2014	0.2050	3,116	265	2,851
September 30, 2014	0.2075	3,159	272	2,887
December 31, 2014	0.2100	3,233	288	2,945
Total	**$ 0.8250**	**$ 12,583**	**$ 1,075**	**$ 11,508**

As of the date of this MD&A, all dividends as described above were paid (see "Capital Resources - Cautionary note regarding dividends").

Dividend Reinvestment Plan ("DRIP")

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

During the year ended December 31, 2014, 52 thousand common shares were issued through the Company's dividend reinvestment plan.

Taxation

Cervus' dividends declared and paid to December 31, 2014 are considered to be eligible dividends for tax purposes on the date paid.

Cautionary Note Regarding Dividends (see "Note Regarding Forward-Looking Statements")

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

Summary of Results

Annual Results Summary

($ thousands, except per share amounts)	2014	2013	2012
Total Revenues	**979,609**	861,138	702,352
Profit for the year	**18,496**	23,326	23,625
Profit for the year attributable to shareholders	**18,362**	23,090	23,437
Net earnings per share - basic	**1.21**	1.54	1.58
Net earnings per share - diluted	**1.15**	1.48	1.52
Cash provided by operating activities	**69,094**	30,480	18,951
EBITDA	**50,811**	51,883	46,856
Total assets	**669,303**	426,230	399,816
Total long-term liabilities	**148,974**	78,540	69,562
Total liabilities	**439,812**	207,810	199,172
Shareholders' equity	**229,491**	218,420	200,644
Net book value per share - diluted	**14.43**	13.95	13.02
Dividends declared to shareholders	**12,583**	11,759	11,031
Dividends declared per share	**0.825**	0.785	0.745
Weighted average shares outstanding			
Basic	**15,147**	14,968	14,791
Diluted	**15,903**	15,653	15,406
Actual shares outstanding	**15,325**	15,012	14,900

Quarterly Results Summary

($ thousands, except per share amounts)	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
Revenues	289,040	286,192	237,488	166,889
Profit attributable to the shareholders	5,870	7,707	5,618	(833)
Gross profit dollars	55,954	52,345	45,253	33,121
Gross margin percentage	19.4%	18.3%	19.1%	19.8%
EBITDA	15,909	17,599	13,247	4,053
Basic earnings per share	0.38	0.51	0.37	(0.06)
Diluted earnings per share	0.37	0.49	0.35	(0.05)
Weighted average shares outstanding				
- Basic	15,273	15,148	15,130	15,034
- Fully diluted	16,023	15,884	15,835	15,728

($ thousands, except per share amounts)	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Revenues	225,813	249,394	244,245	141,686
Profit attributable to the shareholders	6,250	8,646	8,318	(122)
Gross profit dollars	43,188	47,445	45,001	27,674
Gross margin percentage	19.1%	19.0%	18.4%	19.5%
EBITDA	13,120	17,242	17,081	4,441
Basic earnings per share	0.42	0.58	0.56	(0.01)
Diluted earnings per share	0.40	0.55	0.53	(0.01)
Weighted average shares outstanding				
- Basic	15,005	14,989	14,956	14,918
- Fully diluted	15,689	15,650	15,576	15,535

Sales activity for the Agricultural segment is normally highest between April and September during growing seasons in Canada and the impact on the growing seasons for New Zealand and Australia has not materially impacted the above results. The Transportation and Commercial and Industrial equipment sectors are not as volatile. Activity in the Transportation sector generally increases in winter months, while the Commercial and Industrial sector generally slows in the winter months. As a result, earnings or losses may not accrue uniformly from quarter to quarter. The primary reason for the change in net profit for the four quarters of 2014 when compared to 2013 is due to shifts in equipment demand within the Agricultural sector, driven by grain transportation constraints combined with softer commodity prices in the first and second quarter of 2014, compared to the same period in 2013.

Market Outlook (see "Note Regarding Forward-Looking Statements")

The Company's three operational segments are subject to broad market forces in addition to the underlying economic factors specific to the industries they serve. Further, the geographical diversity of the Company's operations may temper or accelerate broader market forces in their significance region to region. The following provides an overview of Management's market outlook as it relates to the Company's operations.

Alberta & Saskatchewan

Agriculture remains the driving variable in the Company's western Canadian operations, and is in a positive position heading into the calendar 2015 crop year. Current strength in livestock prices are a boon for mixed farms which are dominant in Alberta, while a successful 2014 crop is positive for broad acre farmers who are concentrated in our Saskatchewan geography. Farm income is a leading indicator of equipment demand, and Agriculture and Agri-Food Canada ("AAFC") is estimating Canadian farmer's aggregate 2014 net cash farm income will be $14 billion. If achieved this is reflects a 10% increase above the previous record set in 2013.[1] Of the total forecast 2014 farm income, Saskatchewan generated $4.3 billion (an 11% increase over prior year), followed by Alberta totalling $2.7 billion (a 16% increase).[2] Driving the increases were record cattle receipts, stable input costs, and record 2013 yield. Cumulative annual records in Canadian net cash farm income support the capital investment required of today's farmers, and is a positive indicator for farmers in our geography. Further, AAFC is forecasting calendar 2015 seeded acres surpassing seeded acres in 2014, supporting both equipment demand and utilization into 2015.

Our Commercial and Industrial operations are indirectly impacted by petroleum prices, linked through the impact resource prices have on residential and commercial construction in western Canada. As a result of the decline in oil prices in the fourth quarter of 2014, TD Economics is forecasting Alberta's 2015 GDP growth to slow to 0.5%. Decreased capital outlays in the oil industry are expected to translate to weaker employment and wage growth, in turn driving a slower resale housing market and corresponding decrease in new residential construction activity. TD Economics notes Saskatchewan's increased resource diversity, however a period of housing price correction, accompanied with reduced government spending is forecast.[3] Outlook for mid-term oil prices remain uncertain, with TD Economics forecasting West Texas Intermediate climbing to the $60 range by 2016, and when combined with a lower Canadian dollar, may improve fundamentals from current levels.[4] At present, construction projects in progress are expected to continue, however a prolonged decline in oil prices would have a noticeable impact as the broader economy slows.

Our Saskatchewan Transportation operations have also benefited from a strong resource extraction sector, as a number of customers provide transportation for the industry. However, the majority of our Transportation customers in Saskatchewan are consumer freight and agricultural driven. We expect a prolonged depression in oil prices would temper growth in Saskatchewan compared to recent years, however potential for continued transportation activity driven by other Saskatchewan industries remains.

Ontario

The same factors creating headwinds for some segments in western Canada, have generated tailwinds for the Ontario economy, including the transportation sector. TD Economics is forecasting Ontario to lead the Country in real GDP growth at 2.8%,[5] with a lower Canadian dollar and interest rate reductions driving manufacturing activity and cross border trade. These macroeconomic factors are corroborated by trends in the transportation industries. TransCore's Freight index reported record annual Canadian freight volumes in 2014, 33% above 2013 levels, and fourth quarter 2014 volumes 20% higher than Q4 2013. Further, TransCore reports US and Canada cross-border trade volumes averaged 70% of total volumes, while cross border loads leaving Canada increased 41% year over year.[6] Ontario is ideally positioned to benefit, as Today's Trucking reports that the balance of these cross border loads originate in Ontario.[7] Accelerated transportation activity has driven increased demand for highway tractors. PACCAR reported 2014 US and Canada Class 8 truck sales of 250,000, the highest since 2006, while Today's trucking reports a 14% increase in commercial trucks operating in North America in the first nine months of 2014 compared to the same period in 2013.[8] Our Ontario transportation operations are well positioned within the emerging regional economic climate.

New Zealand & Australia

New Zealand (NZ) is the world's largest dairy exporter, as a result, dairy prices are a significant economic driver for the country as a whole, and a bellwether for its Agricultural industry specifically. Dairy prices were at record levels in 2013 and the early part of 2014, however strong global supply combined with political events in a number of major dairy importing nations resulted in NZ dairy prices falling by half in late 2014. The ANZ New Zealand ("ANZ") economics team is expecting a 30-40% increase in Global Dairy Trade auction prices by the end of 2015, indicating that a recovery is likely. However global demand and political factors add uncertainty, particularly with respect to farm cash flows. ANZ expects conservatism in farm capital and discretionary spending until price stability returns to the market.[9] Under such circumstances, we expect farmers to be cautious with investments in equipment, although existing equipment population will continue to drive parts and service requirements.

The outlook for our Australian operations is influenced by a number of factors, reflecting the mixed farming prevalent in the geography served by our dealerships. Pricing for farm outputs is positive, with livestock prices at or near five year highs, while grain and oilseed pricing approximate the five year average.[10] Precipitation remains a key variable in our south-eastern geography, which received adequate but below average rainfall through the 2014 growing season. The Australian Bureau of Meteorology is forecasting slightly below average rainfall in our region for 2015. Our dealership activity in 2015 is contingent on the continuation of positive pricing trends and sufficient precipitation in our geography.

FOOTNOTES

1 Agriculture and Agri-Food Canada *2015 Canadian Agricultural Outlook* February, 12, 2015
2 FCC Express *Domestic Ag Strength Forecasted* February 20, 2015, retrieved from www.fcc-fac.ca/eng
3 TD Economics *Provincial Economic Forecast Update,* January26, 2015
4 TD Economics *Economic Forecast Update,* January 26,2015, www.td.com/economics
5 TD Economics *Provincial Economic Forecast Update,* January26, 2015
6 TransCore Link Logistics 2014 Canadian Freight Index, retrieved February 20, 2015, from: www.transcore.ca/news
7 Today's Trucking, *Truckers Had Second Busiest January on Record,* retrieved February 20, 2015, from: www.todaystrucking.com
8 Today's Trucking, *New, Used Truck Registrations up Year-Over-Year,* retrieved February 21, 2015, from: www.todaystrucking.com
9 ANZ New Zealand Economics, *Our Key Downside Risk,* Cameron Bagrie et. al., February 10, 2014, retrieved from www.interest.co.nz
10 NAB *Economic Report: Rural Commodities Wrap - February 2014,* Phin Ziebell http://business.nab.com/au

Off-Balance Sheet Arrangements

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

John Deere Credit Inc. ("Deere Credit") provides financing to certain of the Company's customers. A portion of this financing is with recourse to the Company if the amounts are uncollectible. At December 31, 2014, payments in arrears by such customers aggregated $304 thousand. In addition, the Company is responsible for assuming all lease obligations held by its customers with Deere Credit for the net residual value of the lease outstanding at the maturity of the contract. At December 31, 2014, the net residual value of such leases aggregated $166.7 million of which the Company believes all are recoverable.

The Company is liable for a potential deficiency in the event that the customer defaults on their lease obligation or retail finance contract. Deere Credit retains 1% of the face amount of the finance or lease contract for amounts that the Company owes Deere Credit under this obligation. The deposits are capped at between 1% and 3% of the total dollar amount of the lease and finance contracts outstanding. The maximum liability that can arise related to these arrangements is limited to the deposits of $3.5 million at December 31, 2014. Deere Credit reviews the deposit account balances quarterly and if the balances exceed the minimum requirements, Deere Credit refunds the difference to the Company.

The Company has issued irrevocable standby Letters of Credit to Deere Credit and another supplier in the aggregate amount of $2.4 million. The Letters of Credit were issued in accordance with the dealership arrangements with the suppliers that would allow the supplier to draw upon the letter of credit if the Company was in default of any of its obligations.

Transactions with Related Parties

Key Management Personnel Compensation

In addition to their salaries, the Company also provides non-cash benefits to its directors and executive officers. The Company contributes to the deferred share plan on behalf of directors and executive officers, and to the employee share purchase plan on behalf of executive officers, if enrolled, in accordance with the terms of the plans. The Company has no retirement or post-employment benefits available to its directors and executive officers, aside from permitting unvested deferred share units earned during employment to continue vesting upon retirement. In addition, no directors or executive officers are part of the share option plan.

Total remuneration of key management personnel and directors during the year ended December 31, 2014 and 2013 was:

($ thousands)	**2014**	**2013**
Short-term benefits	**2,684**	2,028
Share-based payments	**573**	517
Total	**3,257**	2,545

Key Management Personnel and Director Transactions
Key management and directors of the Company control approximately 28% of the common voting shares of the Company.

Other Related Party Transactions
Certain officers and dealer managers of the Company have provided guarantees to John Deere as required by John Deere aggregating $6.5 million. The guarantees are kept in place until released by John Deere. During the twelve month periods ended December 31, 2014 and 2013, the Company paid those individuals $184 thousand and $177 thousand, respectively, for providing these guarantees which represents a similar amount to guarantee fees otherwise paid to financial institutions. These transactions were recorded at the amount agreed to between the Company and the guarantors and are included in selling, general and administrative expenses.

Business Risks and Uncertainties

Reliance on Our Key Manufacturers and Dealership Arrangements

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

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

The success of our dealerships depend on the timely supply of equipment and parts from our manufacturers to ensure the timely delivery of products and services to our customers. We also depend on our suppliers to provide competitive prices and quality products. Currently all of our dealership contracts are in good standing with our suppliers. There can be no guarantee that: (i) circumstances will not arise which give these equipment manufacturers the right to terminate their dealership agreements or (ii) one or more of the equipment manufacturers will decide not to renew their dealership agreements with us upon expiry.

Dependence on Industry Sectors

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

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

The Commercial and Industrial segment sells light and medium construction equipment and is comprised of several lines of commercial equipment from major manufacturers, Bobcat and JCB. The major competitors are Caterpillar, Komatsu, CNH (Case), John Deere, Volvo, Hitachi and Liebherr. The light and medium commercial equipment market is very much dependent upon residential and commercial construction. The segment also sells industrial equipment from several manufacturers, Clark, Sellick, and Doosan being the major suppliers. Their major competitors are Toyota, Hyster, Crown, and Caterpillar. Industrial equipment is primarily sold to building supply companies, warehousing, food processors, oilfield supply companies, and the grocery industry. This customer diversity mitigates to some degree the risks inherent in any one of these customer segments.

The Transportation equipment group primarily sells transport equipment through PACCAR, which manufacturers Peterbilt and Kenworth trucks. The major competitors to Peterbilt are Kenworth, International, Freightliner, Volvo, and Mack trucks. The segment is highly dependent on consumer and commercial transportation of goods, as well as service based industries including oil and gas in western Canada, and manufacturing in eastern Canada. This diverse customer base does mitigate the risks inherent in any one of those customer segments.

Presently the majority of the Transportation, and Commercial and Industrial equipment segment revenues are derived from the sale of Peterbilt, Bobcat, JCB, Sellick, and Doosan equipment and products. All these equipment manufacturers have established themselves as industry leaders in our markets for the manufacture and delivery of Commercial, Industrial and Transportation equipment. There can be no assurance however that these suppliers will continue to manufacture high quality, competitively priced products or maintain its market share in the future.

Market Risk

Market risk is the risk that the fair value of financial instruments will fluctuate due to changes in market factors and is comprised of currency risk, interest rate risk and other price risks. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing return.

Foreign Currency Exposure
The Company is exposed to foreign currency fluctuation related to translation adjustments upon consolidation of its Australian and New Zealand operations. Based on the Company's results reported from its foreign subsidiaries, a strengthening or weakening of the Canadian dollar by 5% against the New Zealand dollar at December 31, 2014 would have increased (decreased) profit or loss by $54 thousand (2013 - $34 thousand). A strengthening or weakening of the Canadian dollar by 5% against the Australian dollar at December 31, 2014 would have increased (decreased) profit or loss by $20 thousand (2013 - $25 thousand).

Other than the Company's exposure on its translation of its foreign subsidiaries, the Company's exposure to fluctuations in foreign currency is limited, as its sales and expenditures are primarily incurred in Canadian dollars. Many of our products, including equipment and parts, are based on a U.S. dollar price as they are supplied primarily by U.S. manufacturers but are settled in Canadian dollars as they are received. However, this may cause fluctuations in the sales values assigned to equipment and parts inventories as the Company's price structure is to maintain consistent gross margins. Both sales revenues and gross profit 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.

A portion of the Company's owned inventory is floor planned in U.S. dollars. As such, a portion of the floor plan payable is exposed to fluctuations in the U.S. dollar exchange rate. As discussed above, this contributes to fluctuations in sales values based on the U.S. dollar exchange rate. The Company's objective is to maintain consistent gross margins by pricing equipment carried in U.S. dollars according to the exchange rate at the sale date. If the Company was unable to capture fluctuations in the US/CAD dollar in the sales price, a $0.01 change in the U.S. exchange rate would have increased (decreased) profit or loss by $260 thousand based on the U.S. dollar floor plan balances at December 31, 2014.

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

Based on the Company's outstanding long-term debt at December 31, 2014, a one percent increase or decrease in market interest rates would impact the Company's annual interest expense by approximately $2.0 million (2013 - $1.2 million).

Operational Risk

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

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict innovation and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including maintaining insurance coverage.

Compliance with Company standards is supported by a program of periodic reviews in consultation with an internal audit firm. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Company.

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

Credit Risk
By granting credit sales to customers, it is possible these customers may experience financial difficulty and be unable to fulfill their repayment obligations. The Company's revenue is generated from customers in the farming, construction, industrial, and transportation industries, resulting in a concentration of credit risk from customers in these industries. The strength of our Agricultural segment is influenced by the prices of crop inputs, commodity prices, as well as local and global weather patterns in a growing season. Our Commercial and Industrial equipment sector is influenced by general economic and construction activity, and due to location, oil prices for Western Canadian crude oil. Our Transportation segment is influenced by regional, national, and North American economic activity, particularly factors impacting manufacturing and the demand for, and transportation of, consumer and industrial goods.

A significant decline in economic conditions within these industries would increase the risk that customers will experience financial difficulty and be unable to fulfill their obligations to the Company. The Company's exposure to credit risk arises from granting credit sales and is limited to the carrying value of accounts receivable, and deposits and guarantees with John Deere. The Company's revenues are normally invoiced with payment terms of net, 30 days. The average time to collect the Company's outstanding accounts receivable was approximately 18 days for the year ended December 31, 2014 (16 days for the year ended December 31, 2013) and no single outstanding customer balance, excluding sales contract financing receivables, represented more than 10% of total accounts receivable. The Company mitigates its credit risk by assessing the credit worthiness of its customers on an ongoing basis. The Company closely monitors the amount and age of balances outstanding on an on-going basis and establishes provisions for bad debts based on specific customers' credit risk, historical trends, and other economic information.

Capital Risk Management
The Company's objective when managing its capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for Shareholders and benefits for other stakeholders and to provide an adequate return to Shareholders by pricing products and services commensurately with the level of risk. In the management of capital, the Company monitors its adjusted capital which comprises all components of equity (i.e. shares issued, accumulated earnings, shareholder distributions and dilutive instruments).

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

The Company uses the following ratios in determining its appropriate capital levels; a) a debt to total capital ratio (total interest bearing debt divided by total interest bearing debt plus book value of equity); b) an adjusted debt to adjusted EBITDA ratio (adjusted debt divided by adjusted EBITDA); c) an adjusted debt to adjusted assets ratio (calculated as adjusted debt divided by adjusted assets); d) a fixed charge coverage ratio (calculated as adjusted EBITDA divided by contractual principal, interest, dividend, and operating lease payments); and e) an asset coverage ratio (tangible assets divided by specific drawn amounts under certain credit facilities). 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.

Income Taxes
The Canada Revenue Agency has previously requested information relating to the conversion transaction involving Cervus LP and Vasogen Inc. completed in October 2009 pursuant to which Cervus LP converted from a limited partnership structure to the current corporate structure of Cervus Equipment Corporation.

On March 4, 2014 Cervus received a proposal letter from the Canada Revenue Agency ("CRA") indicating that it intends to challenge Cervus' tax filing position stemming from the conversion transaction. In its proposal letter, the CRA has informed the Company of their proposed position that non-capital tax losses of $138.6 million claimed or pending claim by the Company through to December 31, 2013 are ineligible for deduction against taxable income. Further, it is the CRA proposes that the Company's 2014 non-capital carry forward balance of $82 million; capital loss carry forward balances of $146 million; scientific research and experimental development expenditure pool of $29 million and investment tax credits of $12 million, are not available for deduction against future taxable income. To date, Cervus has not yet received a formal reassessment of its previous income tax filings but expects to receive one in due course. Upon reassessment, Cervus is able to appeal.

Cervus remains confident in the appropriateness of its tax-filing position and the expected tax consequences of the conversion transaction and intends to defend such position vigorously if a notice of reassessment is received from the Canada Revenue Agency. Cervus strongly believes that the acquisition of control and general anti-avoidance rules do not apply to the conversion transaction and intends to file its future tax returns on a basis consistent with its view of the outcome of the conversion transaction. In order to appeal, 50% of any reassessed amount is due. Based on Cervus' taxation years since the conversion transaction and ending with the taxation year ended December 31, 2014, if Cervus is reassessed on the basis of the proposal letter, Cervus expects the 50% amount to approximate $21.6 million. Cervus would also be required to make a payment of 50% of the taxes the CRA claims are owed in any future tax year if the Canada Revenue Agency issues a similar notice of reassessment for such years and Cervus appeals it.

While Cervus is confident in the appropriateness of its tax-filing position and the expected tax consequences of the conversion transaction, there remains a possibility that, if the Canada Revenue Agency elects to challenge Cervus tax filings and such challenge is successful, it will negatively affect the availability or quantum of the tax losses or other tax accounts of Cervus. If Cervus is ultimately successful in defending its position, such payments, plus applicable interest, will be refunded to Cervus. If the Canada Revenue Agency is successful, Cervus will be required to pay the balance of the taxes claimed plus applicable interest.

Acquisition and Integration Risks
Strategic acquisitions have been an important element of Cervus' business strategy, and Cervus expects to continue to pursue such acquisitions in the future. Although Cervus engages in discussions with, and submits proposals to acquisition candidates, suitable acquisitions may not be available in the future on reasonable terms. If Cervus does identify an appropriate acquisition candidate, Cervus may not be able to successfully negotiate the terms of the acquisition, finance the acquisition or, if the acquisition occurs, effectively integrate the acquired business into Cervus' existing business. In addition, the negotiation of a potential acquisition and the integration of an acquired business may require a disproportionate amount of management's attention and resources.

Cervus' inability to successfully identify, execute, or effectively integrate future or previous acquisitions may negatively affect its results of operations. Even though Cervus performs a due diligence review of the businesses it acquires that it believes is consistent with industry practices, such reviews are inherently incomplete. Even an in-depth due diligence review of a business may not necessarily reveal existing or potential problems or permit Cervus to become familiar enough with the business to fully assess its deficiencies and potential. Even when problems are identified, Cervus may assume certain risks and liabilities in connection with the acquired business.

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

Further, there is a risk that the tax consequences contemplated by Cervus may be materially different from the tax consequences anticipated by Cervus in undertaking the conversion transaction. The Canada Revenue Agency has requested information relating to the plan of arrangement involving Cervus LP and Vasogen Inc. completed in October 2009 pursuant to which Cervus LP converted from a limited partnership structure to the current corporate structure of Cervus Equipment Corporation.

Critical Accounting Estimates and Judgements

Preparation of unaudited and audited consolidated financial statements requires that we make assumptions regarding accounting estimates for certain amounts contained within the unaudited and audited consolidated financial statements. We believe that each of our assumptions and estimates is appropriate to the circumstances and represents the most likely future outcome. However, because of the uncertainties inherent in making assumptions and estimates regarding unknown future outcomes, future events may result in significant differences between estimates and actual results.

Determination of Fair Values

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

Fair Value of Assets and Liabilities Acquired In Business Combinations

The value of acquired assets and liabilities on the acquisition date require the use of estimates to determine the purchase price allocation. Estimates are made as to the valuations of property, plant, and equipment, intangible assets, and goodwill, among other items. These estimates have been discussed further below.

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

Intangible Assets
The fair value of dealership distribution agreements and trade names acquired in a business combination is based on the incremental discounted estimated cash flows enjoyed post acquisition, or expenditures avoided, as a result of owning the intangible assets. The fair value of customer lists acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows. The fair value of other intangible assets including non-competition agreements is based on the discounted cash flows expected to be derived from the use and any residual value of the assets.

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

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

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

Derivative Financial Instruments
The fair value of foreign currency derivative financial instruments is calculated based on market comparison technique. The fair value is based on similar contracts in an active market and based on quotes using the prevailing foreign exchange translation rate from the Bank of Canada or similar sources.

Taxation Matters

Income tax provisions, including current and future income tax assets and liabilities, require estimates and interpretations of federal and provincial income tax rules and regulations, and judgments as to their interpretation and application to our specific situation. Estimates are also made as to the availability of future taxable profit against which carryforward tax losses can be used. Although there are tax matters that have not yet been confirmed by taxation authorities, we believe that the provision for the Company's income taxes is adequate (see "Business Risks and Uncertainties - Other Risks").

Lease Arrangements

In determining classification of leases as an operating or finance lease, the Company applies judgement to determine whether substantially all of the significant risks and rewards of ownership are transferred to the customer or remain with the Company; or where the Company is the lessee, whether substantially all the significant risks and rewards of ownership are transferred to the Company or remain with the lessor. These judgements can be significant as to how the Company classifies amounts related to the arrangements as rental equipment, net investment in finance lease, or lease obligation of these arrangements.

Net Realizable Value of Inventories

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

Asset Impairment

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

Goodwill is assessed for impairment at least annually. This assessment includes a comparison of the carrying value of the Cash Generating Unit ("CGU") to its estimated recoverable amount to ensure that the recoverable amount is greater than the carrying value. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. These valuation methods employ a variety of assumptions, including future revenue growth, expected profit, and profit multiples. Estimating the recoverable amount of a CGU is a subjective process and requires the use of our best estimates. If our estimates or assumptions change from those used in our current valuation, we may be required to recognize an impairment loss in future periods.

Future Accounting Standards

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

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

New Standards Not Yet Adopted

Certain new or amended standards or interpretations have been issued by the IASB or IFRIC that are required to be adopted in the current or future periods. New and amended standards effective for annual periods beginning on or after January 1, 2015 that have not been applied in preparing these consolidated financial statements are set out below:

Effective January 1, 2014, the Company was required to adopt IFRIC 21 Levies which provides guidance on when to recognize a financial liability imposed by a government, if the levy is accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, or where the timing and amount of the levy is certain. The amendment did not have a material impact on the Company's financial statements.

Effective January 1, 2016, the Company will be required to adopt amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible for clarification on acceptable methods of depreciation and amortization. The amendments are to be applied prospectively for the annual period commencing January 1, 2016. The Company does not expected the amendments to have a material impact on the Company's financial statements.

Effective January 1, 2017, the Company will be required to adopt IFRS 15 related to revenue from contracts with customers. Revenue from Contracts with Customers, was issued in May 2014 and replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue - Barter Transactions Involving Advertising Services. The new standard requires revenue to be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services. The principles are to be applied in the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The extent of the impact of adoption has not yet been determined. The impact on the financial statements has yet to be determined.

The IASB has released updates to IFRS 9, related to the accounting and presentation of financial instruments and applies a principal-based approach to the classification and measurement of financial assets and financial liabilities, including an expected credit loss model for calculating impairment, and includes new requirements for hedge accounting. The mandatory effective date is January 1, 2018; however, early adoption is permitted. The Company does not intend to adopt IFRS 9 (2009), IFRS 9 (2010), or IFRS 9 (2013) in its financial statements in this annual period beginning on January 1, 2015. The impact on the financial statements has yet to be determined.

Responsibility of Management and Board

Disclosure Controls

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

The CEO and the CFO evaluated, or caused to be evaluated under their supervision, the effectiveness of our disclosure controls and procedures and based on this evaluation, the CEO and the CFO concluded that, as of December 31, 2014, Cervus' disclosure controls and procedures are effective.

Internal Controls Over Financial Reporting

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

The CEO and the CFO evaluated, or caused to be evaluated under their supervision, the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2014, based on the criteria set forth in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), (2013). Based on this assessment, the CEO and the CFO concluded that, as of December 31, 2014, Cervus' internal control over financial reporting are effective.

It should be noted a control system, including the Company's DC&P and ICFR, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objective of the control system will be met, and it should not be expected that DC&P and ICFR will prevent all errors or fraud.

Exclusion of Acquired Entities: Internal Controls Over Financial Reporting and Disclosure Controls

Section 3.3(1)(b) of NI 52-109 allows an issuer to limit the scope of its design of DC&P and ICFR to exclude controls, policies and procedures of a business that the issuer acquired not more than 365 days before the end of the financial period that the issuer is reporting on. Accordingly, Management has limited the scope of the design of DC&P and ICFR to exclude controls, policies and procedures of the POI business that was acquired on August 11, 2014, the Evergreen business that was acquired on October 16, 2014 and the Deer Country business that was acquired on December 10, 2014.

Financial information of the businesses acquired and excluded from DC&P and ICFR from the date of acquisition to December 31, 2014, (excluding allocation of shared resource expenditures) is summarized below:

($ thousands)				
Selected balance sheet information	**POI**	**Evergreen**	**Deer Country**	**Total**
Current assets	66,994	21,575	9,639	**98,208**
Long term assets	28,373	2,032	827	**31,232**
Current liabilities	77,531	2,446	6,190	**86,167**
Long term liabilities	18,334	410	-	**18,744**

($ thousands)				
Selected balance sheet information	**POI**	**Evergreen**	**Deer Country**	**Total**
Revenue	74,490	12,508	69	**87,067**
Costs of sales	(63,483)	(10,093)	(31)	**(73,607)**
Profit (loss)	(498)	913	(20)	**395**

Non-IFRS Financial Measures

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

EBITDA

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

($ thousands)				
EBITDA - Year ended December 31, 2014	**Total**	**Agricultural**	**Transportation**	**Commercial & Industrial**
Net profit	**18,362**	16,061	(876)	3,177
Add:				
Interest	**8,352**	4,980	1,927	1,445
Income taxes	**7,654**	6,703	(362)	1,313
Depreciation and Amortization	**16,443**	6,351	3,885	6,207
EBITDA	**50,811**	34,095	4,574	12,142

($ thousands)				
EBITDA - Year ended December 31, 2013	**Total**	**Agricultural**	**Transportation**	**Commercial & Industrial**
Net profit	**23,090**	17,834	1,450	3,806
Add:				
Interest	**7,089**	4,536	1,202	1,351
Income taxes	**8,396**	6,505	521	1,370
Depreciation and Amortization	**13,308**	4,987	2,284	6,037
EBITDA	**51,883**	33,862	5,457	12,564

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

EBITDA Margin

EBITDA margin is calculated as EBITDA divided by gross revenue.

Same Store

Same store illustrates the current period results for stores that were included in the comparable period for the prior year. Excluded from same store are the incremental results for newly acquired stores for the period they were not owned in the prior year, including any current year acquisition related costs and amortization of intangibles.

Price Earnings Ratio

Price earnings ratio is calculated by dividing the Company's market capitalization by its total annual profit.

Working Capital

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

Market Capitalization

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

Net Book Value Per Share – Diluted

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