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**FIRST
QUARTER
REPORT
2011**

MANAGEMENT'S DISCUSSION AND ANALYSIS

CERVUS EQUIPMENT CORPORATION FOR THE PERIOD FROM JANUARY 1, 2011 TO MARCH 31, 2011

The following Management's Discussion & Analysis ("MD&A") was prepared as of May 10, 2011 and is provided to assist readers in understanding Cervus Equipment Corporation's ("Cervus" or "Company") financial performance for the three month period ended March 31, 2011 and significant trends that may affect future performance of Cervus. This MD&A should be read in conjunction with the accompanying interim unaudited consolidated financial statements for the period ended March 31, 2011 and the notes contained therein. The accompanying interim unaudited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "IFRSs") and Cervus' functional and reporting currency is the Canadian dollar. Cervus' shares trade on the Toronto Stock Exchange under the symbol "CVL".

Additional information relating to Cervus 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 IFRSs and are therefore unlikely to be comparable to similar measures presented by other issuers. These measures are identified and described under the section "Non-IFRS Financial Measures".

OVERVIEW OF CERVUS

Cervus is a diversified corporation and has historically operated in two separate business segments, an agricultural equipment segment and a construction and industrial segment. These segments are managed separately and strategic decisions are made on the basis of their respective operating results. The agricultural equipment segment consists primarily of 21 John Deere dealerships with 15 in Alberta, Saskatchewan and British Columbia and 6 in New Zealand. The construction and industrial equipment segment consists primarily of 15 dealerships, 5 Bobcat and JCB dealerships operating in Alberta and 10 Clark, Sellick, Nissan and Doosan material handling equipment dealerships operating in Alberta, Saskatchewan and Manitoba. Cervus owns directly or indirectly, 100% of Cervus LP, Cervus AG Equipment LP and Cervus Contractors Equipment LP, together with 100% of the outstanding and issued shares of their respective general partners, Cervus GP Ltd., Cervus AG Equipment Ltd. and Cervus Contractors Equipment Ltd. and 60.3% of Agriturf Limited, a New Zealand company and its 100% interest in its subsidiary, Agriturf Rental and Leasing Limited. In addition to the aforementioned subsidiaries, Cervus owns a 20% interest in Maple Farm Equipment Partnership in Saskatchewan and Manitoba that is comprised of 7 John Deere dealerships. The cash flow of Cervus is primarily dependent on the results of the underlying limited partnerships and is derived from the flow-through of income of the LP's to Cervus by means of partnership allocations.

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

On January 1, 2011, Cervus adopted IFRSs for financial reporting purposes with a transition date of January 1, 2010. The unaudited consolidated financial statements for the three months ended March 31, 2011, including comparative information, have been prepared in accordance with IFRSs, *First-time Adoption of International Financial Reporting Standards* and with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”). The Company previously prepared its consolidated financial statements in accordance with Canadian generally accepted accounting principles (“GAAP”).

The adoption of IFRSs has not had a significant impact on the Company's operations and its cash flows. The most significant area of impact in the adoption of IFRSs was IAS12, *Income Taxes*, which required previously recognized deferred credits as a result of the Company's acquisition of tax losses to be recorded as an adjustment to opening retained earnings and equity. Further information on the IFRS impacts is provided in the Accounting Policies and Estimates Section of this MD&A, including reconciliations between previous GAAP and IFRS Net Earnings, Operating Earnings and other financial matrices.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute “forward-looking statements”. 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 elsewhere in this MD&A. Certain of these risks and uncertainties are beyond our control. Consequently, all of the forward-looking statements made in this MD&A are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, Cervus. These forward-looking statements are made as of the date of this MD&A, and we assume no obligation to update or revise them to reflect subsequent information, events, or circumstances unless otherwise required by applicable securities legislation.

In the Market Outlook section of our December 31, 2010 MD&A, we discussed the wet weather conditions from 2010 that may impact spring seeding and eventually, crop yields in the latter part of 2011. It would appear that colder than normal spring conditions, combined with some precipitation, has caused delays in spring planting in certain of the Company’s area of operations. We estimate that areas at risk due to excessive moisture to be approximately 10% to 15% of our Saskatchewan trade area.

In our December 31, 2010 MD&A we discussed that Cervus expects to make quarterly dividend payments to its shareholders of \$0.18 per common share. The most recent quarterly dividend payment was made to the shareholders of record on March 31, 2011 on April 15, 2011. At this time, there is no reason to believe that the quarterly dividend will be changed for the remainder of 2011, however the payments of dividends is always subject to certain risk (see “cautionary note regarding dividends”).

MARKET OUTLOOK (SEE “NOTE REGARDING FORWARD-LOOKING STATEMENTS”)

AGRICULTURAL EQUIPMENT

Based on the 2011 market outlook prepared by Agriculture and Agri-Food Canada’s 2011, preliminary forecasts have indicated that farm income will decline somewhat as increased expenses and decreased program payments will be greater than the increase in receipts from higher grain prices and livestock prices.

Agriculture and Agri-Food Canada’s Medium Term Outlook indicates that many of the forces affecting farm incomes in Canada in 2010 and 2011 may continue into future years. This includes an increase in world-wide demand for feed grains, a rising price of crude oil, a Canadian dollar near par with the American dollar, and Canadian population growth of 1.2 % per year and its required increase in domestic food demands.

CONSTRUCTION AND INDUSTRIAL EQUIPMENT

In their first quarter 2011 Housing Outlook, CMHC has reported that Alberta’s economic expansion in 2011 and 2012, combined with the expected turnaround in oil sands investment and oil prices has been sufficient to restart many of the halted oil sands projects. There is significant upside for energy investment as these projects become viable. As a result, the Government of Alberta is predicting over a 3% real gross domestic product growth for 2011 based on Alberta’s Finance and Enterprise 2011 – 2014 Economic Outlook.

In addition, AEM is reporting over a 60% increase in the number of units sold in our industries over 2010 unit numbers in most of our major product categories. We believe that this is a continuation of the economic turnaround experienced in 2009 and a continuation of the increases experienced in the latter part of 2010. Though some components of this segment’s supply were interrupted by the tsunami that hit Japan, the manufacturer (primarily NISSAN), is continuing to ship and supply products and we should not see any significant impact on our future financial results.

OVERALL

During 2011, we expect the construction and industrial equipment segment results will improve at a more rapid pace than our agricultural equipment segment as a result of the factors noted above. This is primarily based on improved performance in the first quarter of 2011 which is consistent with AEM’s estimate of construction equipment unit statistics for the first quarter of 2011. We believe we will grow at, or slightly above, market growth expectations.

HIGHLIGHTS OF THE QUARTER

- Revenue has increased by \$17.1 million (same store \$11.7 million) to \$84.3 million from \$67.2 million.
- Net cash from operating activities increased by \$3.5 million to \$525 thousand from a use of cash of \$3.0 million in the same period of 2010.
- Net loss for the period decreased to \$155 thousand from \$613 thousand for the same period of 2010, an increase in earnings of \$458 thousand.

OVERALL PERFORMANCE

During the first three months of 2011 revenue grew by \$17.1 million to \$84.3 million compared to \$67.2 million in 2010, an increase of 25%. Same store sales increased by \$11.7 million or 17% (\$5.4 million or 12% in the agricultural equipment segment and \$6.3 million or 28% in the construction and industrial equipment segment).

For the three months ended March 31, 2011, gross margin decreased by 1.2% to 21.5% when compared to 22.7% for the same period of 2010. Our agricultural equipment segment gross margin decreased to 17.7% when compared to 18.8% and our construction and industrial equipment segment which decreased to 28.6% when compared to 30.3% for the same period of 2010. The decrease in our gross margin is primarily related to our new and used equipment revenue per unit which has decreased as a result of the strengthening Canadian dollar, putting margin pressures on previously purchased equipment. We plan to continue our efforts to reduce overall used equipment inventories and compete aggressively for new and used equipment sales (see "Note Regarding Forward-Looking Statements").

The net loss for the three months ended March 31, 2011 decreased by \$458 thousand to \$155 thousand or \$0.01 per basic share from \$613 thousand or \$0.04 per basic share for the same period of 2010. The agricultural equipment segment reported a net loss of \$792 thousand (an increase of \$274 thousand over a net loss of \$518 thousand in 2010) and the construction and industrial equipment segment reported net profit of \$637 thousand (an increase of \$732 thousand over a net loss of \$95 thousand reported in 2010). The primary change in the agricultural equipment segment's reported net loss was from the acquisition of Agriturf in the third quarter of 2010 which reported a net loss of \$243 thousand and this was offset by an increase in the construction and industrial equipment segment as a result of significant increases in sales activity from the lows experienced in 2009.

As a result of our increase in earnings, depreciation and amortization, and other non-cash working capital adjustments, net cash flows from operating activities increased to \$525 thousand (\$0.04 per basic share) from a net use of cash flows \$3.0 million (\$0.21 per basic share) in 2010 and EBITDA increased to \$2.1 million (\$0.15 per basic share) in 2011 when compared to \$1.2 million (\$0.09 per basic share) for 2009.

SELECTED QUARTERLY INFORMATION

\$ thousands, except per share amounts	March 31, 2011	March 31, 2010	% change
Revenues	84,273	67,201	25.4
Gross profit	18,094	15,272	18.5
Gross margin	21.5%	22.7%	(5.3)
Loss for the period	(155)	(613)	(74.7)
Per share - Basic and diluted	(0.01)	(0.04)	(75.0)
Net cash provided by (used in) operating activities	525	(2,960)	n/a
Per share - Basic	0.04	(0.20)	n/a
EBITDA ¹	2,137	1,244	71.8
EBITDA margin ¹	2.5%	1.8%	38.9
Per share - basic	0.15	0.09	100.0
Dividends to preferred shareholders	78	78	-
Dividends declared to common shareholders	2,557	2,547	0.4
Per share	0.18	0.18	-
Weighted average shares outstanding			
Basic	14,201	14,150	0.4
Diluted	14,654	14,484	1.3
Actual common shares outstanding	14,204	14,151	0.4
Closing market price per share	16.15	13.40	20.5
Total assets	267,524	252,574	6.0
Long-term liabilities	9,986	11,478	(13.0)
Total liabilities	96,418	86,537	11.4
Total equity	171,106	166,037	3.1
Net book value per share - diluted	11.68	11.47	1.8

Notes: (1)

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

RESULTS OF OPERATIONS

REVENUES

\$ thousands	March 31, 2011	March 31, 2010	% change
Revenues by segment:			
Equipment:	41,174	33,918	21.4
New	26,010	20,889	24.5
Used	15,164	13,029	16.4
Parts	8,015	6,305	27.1
Service	5,299	4,029	31.5
Rental and other	603	60	905.0
Agricultural equipment	55,091	44,312	24.3
Equipment	16,113	12,176	32.3
New	13,706	9,868	38.9
Used	2,407	2,308	4.2
Parts	6,615	5,209	27.0
Service	4,620	3,858	19.8
Rental and other	1,834	1,646	11.4
Construction and industrial equipment	29,182	22,889	27.5
Total	84,273	67,201	25.4

AGRICULTURAL EQUIPMENT

Revenue for our agricultural equipment segment increased by \$10.8 million (same store increased \$5.4 million or 12.1%) for the three month period ended March 31, 2011 when compared to the same period of 2010. Same store sales exclude the acquisition of Agriturf in July 2010.

New equipment sales increased by \$5.1 million (same store \$2.6 million or 12.7%) during the first three months of 2011 when compared to the same period of 2010. Used equipment sales also increased by \$2.1 million (same store increased \$1.7 million or 13.0%) for the first three months of 2011 when compared to the same period of 2010. The increase in our new equipment sales is primarily related to the timing of the arrival of the new equipment and eventual delivery to our customers. Used equipment sales have increased as a result of the additions to inventories from trade-ins on new equipment sales as well as management's continuing effort to reduce and keep used equipment inventories at manageable levels.

Our parts revenue has increased \$1.7 million (same store \$463 thousand or 7.3%) during the three month period ended March 31, 2011 when compared to the same period of 2010. Service revenue has also increased \$1.3 million (same store \$394 thousand or 9.8%) for the first three months of 2011 when compared to the same period of 2010. The increase in parts and service revenue is primarily related to the increase in our machine population combined with work required to be performed to prepare both new and used equipment for sale.

Rental and other revenue increased \$543 thousand (same store increased \$163 thousand). The primary reason for the increase in rental and other revenue on a same store basis is related to long-term lease agreements entered into for the use of 10 combines in the third quarter of 2010 and on a combined basis, due to the acquisition of Agriturf which realizes more income from lease arrangements than what has historically been experienced in our Canadian agricultural operations.

CONSTRUCTION AND INDUSTRIAL EQUIPMENT

Revenue from our construction equipment segment increased by \$6.3 million for the three month period ended March 31, 2011 when compared to the same period of 2010.

New equipment sales have increased by \$3.8 million during the first three months of 2011 when compared to the same period of 2010. This increase in revenue is directly related to AEM's market share unit reports that have indicated a 62% overall increase in unit sales in our industry year-to-date when compared to the same period of 2010. Used equipment sales have increased only slightly by \$99 thousand.

Parts revenues have increased \$1.4 million and service revenue has increased by \$762 thousand during the first three months of 2011 when compared to the same period of 2010. The overall parts and service revenue increase is related primarily to an increase in activity from our customers in putting previously owned machines back to work prior to purchasing new machines.

Rental income has increased \$188 thousand for the three month period ended March 31, 2011 when compared to the same period of 2010. The increase in rental income is also related to customers wanting to rent equipment prior to purchase on the overall increase in economic activity being experienced from the lows of 2009.

GROSS PROFIT

	March 31, 2011	March 31, 2010	% change
Gross profit margin by segment:			
Agricultural equipment	17.7%	18.8%	(5.9)
Construction and industrial equipment	28.6%	30.3%	(5.6)
Total	21.5%	22.7%	(5.3)

AGRICULTURAL EQUIPMENT

Gross profit dollars have increased by \$1.3 million (same store increased slightly by \$93 thousand) during the first three months of 2011 when compared to the first three months of 2010. Gross profit margin however decreased 1.1 basis points overall to 17.7% in 2011 from 18.8% in 2010.

The most significant factor affecting the combined gross profit margin has been from the segment's equipment sales which have been affected by a combination of equipment pricing fluctuations caused by foreign exchange changes, management's continued aggressive efforts to reduce overall used equipment inventories and from competition being experienced in the new equipment market.

The Canadian dollar has appreciated with an average foreign exchange rate that has increased by approximately 5.3% when comparing January to March 2011 to the same period of 2010. This strengthening Canadian dollar has resulted in pressure on selling prices of equipment which has decreased overall margins being realized, especially from used equipment inventories that were purchased when the Canadian dollar was weaker.

Part margins and service margins have increased primarily as a result of a change in sales mix of parts from our original equipment manufacturers and outside suppliers.

CONSTRUCTION AND INDUSTRIAL EQUIPMENT

Gross profit dollars have increased by \$1.4 million during the first three months of 2011 when compared to the same period of 2010. Gross profit margin however has decreased by 1.7 basis points to 28.6% in 2011 compared to 30.3% in 2010.

The most significant change in gross margin continued to be from new and used aged equipment which is being sold at lower margins due to the increasing Canadian dollar as explained above which negatively affects the margins on current inventory as new machines can be purchased at a lessor cost.

The reduction in new and used equipment margins has been neutralized somewhat by an increase in service margin due to increased efficiency from personnel as a result of increased market activity. Parts margins remain consistent with the prior year.

Rental equipment margin has increased for the first three months of 2011 when compared to the same period of 2010. This is primarily a result of a rationalization of the rental equipment fleet, which has reduced depreciation and interest expense, as well as better utilization being experienced on the remaining fleet as activity increases.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

\$ thousands	March 31, 2011	March 31, 2010	% change
Selling, general and administrative expenses by segment:			
Agricultural equipment	10,964	9,064	21.0
Construction and industrial equipment	7,376	6,974	5.8
Total	18,340	16,038	14.4
% of revenue			
Agricultural equipment	19.9	20.5	(2.9)
Construction and industrial equipment	25.3	30.5	(17.1)
Total	21.8	23.9	(8.8)

AGRICULTURAL EQUIPMENT

The agricultural equipment segment reported an increase in selling, general and administrative expenses of \$1.9 million (same store increased \$352 thousand or 3.9%) during the first three months of 2011 when compared to the same period of 2010. Same store selling, general and administrative expenses increased primarily due to an increase in commission expense on an increase in same store sales as explained above as well as general wage and salary increase of approximately 3%. It should be noted that Agriturf's selling, general and administrative expenses as a percentage to revenue is significantly higher than our Canadian operations. This is primarily due to continuing efforts surrounding the merging of store activities in New Zealand.

CONSTRUCTION AND INDUSTRIAL EQUIPMENT

The construction and industrial equipment segment's selling, general and administrative expenses increased \$402 thousand or 5.8% during the first three months of 2011 when compared to the first three months of 2010. The increase was primarily related to commission increase on increased sales activity as well as an increase in wages as a result of salary increases as explained above. The segment has been able to control expenses as well on increased sales activity which has resulted in the reduction of expenses as a percentage of revenue from the prior period.

DEPRECIATION AND AMORTIZATION

\$ thousands	March 31, 2011	March 31, 2010	\$ change
Depreciation and amortization by segment:			
Agricultural equipment:			
Depreciation on equipment included in cost of sales	218	-	218
Depreciation on equipment	421	296	125
Amortization of intangible assets	199	202	(3)
	838	498	340
Construction and industrial equipment:			
Depreciation on equipment included in cost of sales	521	611	(90)
Depreciation on equipment	164	121	43
Amortization of intangible assets	415	477	(62)
	1,100	1,209	(109)
Total	1,938	1,707	231

AGRICULTURAL EQUIPMENT

The agricultural equipment segment depreciation and amortization increased by \$340 thousand (same store increased \$2 thousand) during the three month period ended March 31, 2011 when compared to the same period of 2010. The acquisition of Agriturf in July 2010 accounted for most of the \$340 thousand increase which included \$218 thousand of rental equipment depreciation included in the results of Agriturf.

CONSTRUCTION EQUIPMENT

The construction equipment segment reported a decrease of \$109 thousand for the first three months of 2011 compared to the first three months of 2010. The decrease is related to both a reduction in overall rental equipment fleet, reducing the charge to cost of sales, and a decrease in intangible asset amortization for items that are completely amortized.

FINANCE INCOME AND COSTS

\$ thousands	March 31, 2011	March 31, 2010	\$ change
Finance income by segment			
Agricultural equipment	26	15	11
Construction and industrial equipment	23	14	9
Finance income	49	29	20
Finance cost by segment:			
Agricultural equipment	121	156	(35)
Construction and industrial equipment	188	228	(40)
Finance costs	309	384	(75)
Net finance costs	260	354	(94)

Finance costs are comprised primarily of interest expense related to the Company's financing of its short-term debt for floor-plan financing arrangements and long-term debt related to certain equipment financing arrangements, primarily rental equipment. Due to excess cash and cash equivalents on hand, management has utilized excess cash to reduce floor plan financing of inventories.

Floor plan liabilities as a percentage of inventories at March 31, 2011 and 2010 were approximately 50% and December 31, 2010 and 2009, approximately 45%. Rental equipment financing as a percentage of the original cost of short-term rental equipment has increased to 45% at December 31, 2010 when compared to 34% at December 31, 2009. The increase is primarily due to the addition of ARW and Agriturf rental fleet equipment. In addition, there is an increase in interest expense related to the note payable that financed a portion of the ARW acquisition in 2010.

Overall, the simple average interest rate for 2010 was 3.7% compared to 2.1% during 2009. The increase in the simple average rate was primarily caused by the increase in the prime lending rate during 2010 in Canada in addition to higher borrowing costs related to Agriturf's finance contracts.

INCOME TAXES

As at March 31, 2011, Cervus has the following tax pools available to be used in future periods:

	(\$ thousands)	
Carrying values in excess of tax values	\$	(3,624)
Non-capital losses carry-forward		52,245
Federal investment tax credits		12,746
Capital losses carried forward		19,357
Total estimated future tax asset		80,724
Less: valuation allowance for non-capital and capital losses carried forward		(19,553)
Balance, March 31, 2011	\$	61,171

As a result of the Company's transition to IFRS, deferred credits previously recognized as a liability and a reduction in income tax expense have been recorded as an increase in equity as a result of applying IAS 12 *Income Taxes*. As a result of a business combination completed in 2009, the fair value of the assets purchased exceeded the purchase price resulting in negative goodwill. Under IFRSs, this negative goodwill would have been brought directly into income and therefore, the balance outstanding at December 31, 2009 has been recorded as a transitional adjustment at January 1, 2010.

In addition, for the four quarterly periods ending in 2010, income tax expense will be recognized for a much higher amount due to the inability to offset the expense with deferred credits. The differences in the 2010 previously reported income taxes under Canadian GAAP and income taxes reported under IFRSs are as follows:

In \$ thousands	Previously Reported	Reversal of deferred credit	Movement of income tax between periods	Total Income Tax Recovery (Expense)
				Quarter ending:
March 31, 2010	\$ -	\$ -	\$ 236	\$ 236
June 30, 2010	(182)	(2,074)	288	(1,968)
September 30, 2010	(175)	(1,989)	(1,910)	(4,074)
December 31, 2010	(217)	(2,457)	1,386	(1,288)
	\$ (574)	\$ (6,520)	\$ -	\$ (7,094)

LOSS FOR THE PERIOD AND TOTAL COMPREHENSIVE LOSS

The Company has a foreign subsidiary, Agriturf which upon consolidation, results in unrealized gains (losses) on translation of financial statements of a self-sustaining foreign operation. As a result, \$38 thousand has been recorded as other comprehensive income for the three month period ended March 31, 2011 (\$nil for the three month period ended March 31, 2010 as Agriturf was purchased in the third quarter of 2010). This translation adjustment is the only difference between the loss for the period and total comprehensive loss for the period at March 31, 2011.

The loss for the period, excluding other comprehensive income for the three month periods ended March 31 is as follows:

	2011	2010	% change
(\$ thousands except net earnings per share):			
Agricultural equipment	(791)	(526)	50.1
Construction and industrial equipment	636	(87)	n/a
Total	(155)	(613)	(74.7)
% of revenue			
Agricultural equipment	(1.4)	(1.2)	16.7
Construction and industrial equipment	2.2	(0.4)	n/a
Total	(0.2)	(0.9)	(77.8)
Loss per share:			
Shares outstanding - basic	14,201	14,150	0.4
Agricultural equipment	(0.06)	(0.04)	50.0
Construction and industrial equipment	0.05	(-)	n/a
Total	(0.01)	(0.04)	(75.0)

The most significant contributing factor to our \$458 thousand decrease in the net loss reported for the three month period ended March 31, 2011 was due to a \$723 thousand increase in earnings reported by the construction and industrial equipment segment. This is primarily related to the increase in this segment's sales activity when compared to the previous period.

Though the agricultural equipment segment reported an increase in same store sales during the three month period ended March 31, 2011 when compared to the same period of 2010, the loss increased by \$265 thousand. A significant portion of this increase in the net loss is attributed to Agriturf which is continuing to consolidate its operations.

EBITDA

(See Non-IFRS Financial Measures)

\$ thousands	March 31, 2011	March 31, 2010	\$ change
EBITDA by segment:			
Agricultural equipment			
Net earnings (loss) and comprehensive income (loss)	(791)	(518)	(273)
Add:			
Income taxes (recovery)	(257)	(200)	(57)
Interest	138	112	26
Depreciation and amortization	838	499	339
EBITDA	(72)	(107)	35
Construction and industrial equipment			
Net earnings (loss) and comprehensive income (loss)	636	(95)	731
Add:			
Income taxes (recovered)	236	(36)	272
Interest	237	274	(37)
Depreciation and amortization	1,100	1,208	(108)
EBITDA	2,209	1,351	858
Total EBITDA	2,137	1,244	893
% of revenue	2.5	1.8	

EBITDA is used by management to monitor its results and compare its profitability between itself and other entities in its industries. It is primarily used to evaluate potential business acquisitions.

For the three month period ended March 31, 2011, EBITDA increased by \$829 thousand or 1.0% of gross revenue reported for the period when compared to the three month period ended March 31, 2010. The largest contributing factor for the increase was the increase in net profit of the construction and industrial equipment segment which increased its earnings by \$731 thousand.

SUMMARY OF QUARTERLY RESULTS

The 2010 quarterly results have been restated to reflect the Company's transition to IFRSs. An explanation of the transitional differences is shown below the quarterly summary which includes primarily the increase in deferred share compensation and the change in income taxes as shown above.

\$ thousands, except per share amounts	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010
Revenues	84,273	109,542	164,461	127,927
Net profit (loss)	(155)	2,189	6,753	3,254
Basic earnings (loss) per share	(0.01)	0.15	0.48	0.23
Diluted earnings (loss) per share	(0.01)	0.15	0.47	0.22
Weighted average shares outstanding				
- Basic	14,201	14,189	14,176	14,162
- Fully diluted	14,654	14,616	14,517	14,504

\$ thousands, except per share amounts	March 31, 2010	December 31, 2009	September 30, 2009	June 30, 2009
Revenues	67,201	84,239	121,195	105,701
Net earnings	(613)	(573)	8,745	7,330
Basic earnings (loss) per share	(0.04)	(0.04)	0.61	0.52
Diluted earnings (loss) per share	(0.04)	(0.04)	0.61	0.51
Weighted average shares outstanding				
- Basic	14,150	14,138	14,117	14,087
- Fully diluted	14,474	14,449	14,361	14,258

The financial data shown above has been prepared in accordance with IFRSs as of the date of transition being January 1, 2010 and Canadian generally accepted accounting principles for the three quarters of 2009 shown.

Sales activity for the agricultural segment is normally highest between April and September during growing seasons in Canada and the impact on the growing seasons for New Zealand has not materially impacted the above results as the purchase occurred in July 2010. The construction and industrial equipment sector is not as volatile but does see slower sales activity in the winter months. As a result, earnings or losses may not accrue uniformly from quarter to quarter. The primary reason for the change in net earnings for the four quarters of 2011/2010 when compared to 2010/2009 is from the acquisition of ARW in January 2010 and the increase in net earnings being experienced from our same store activities in the construction and industrial equipment segment.

The following is a reconciliation of changes in profit (loss) for the four quarterly periods of 2010 from the date of transition of January 1, 2010.

In \$ thousands	Note	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010	Total
Net profit (loss) previously reported		\$ (827)	\$ 5,062	\$ 10,679	\$ 3,287	\$ 18,201
Change in amortization of deferred share plan	1	(22)	(22)	(27)	(27)	(98)
Change in income taxes	2	236	(1,786)	(3,899)	(1,071)	(6,520)
Net profit (loss) as revised		\$ (613)	\$ 3,254	\$ 6,753	\$ 2,189	\$ 11,583

Notes to transitional adjustments:

1. Under IFRS 2, *Share-Based Payments*, awards will continue to be measured at fair value, with compensation expense under share-based plans recognized over the service period. However, IFRS does not permit the attribution of costs on a straight-line basis for stock options with graded vesting provisions whereas Canadian GAAP does.
2. As a result, the Company has recalculated deferred shares issued and is recognizing the compensation cost over the vesting period which has accelerated some of the overall costs, however, the costs in total will remain the same over the life of the plan.
3. IFRS requires that if the fair value of the net assets acquired is greater than the cost of the business combination, any excess remaining is immediately recognized in profit or loss. Under Canadian GAAP, if the amount assigned to assets acquired and liabilities assumed exceeds the cost of the purchase, the excess is eliminated to the extent possible by allocating it as a pro rata reduction across all the acquired non-current and non-financial assets (with certain exceptions).
4. As a result, in applying IAS 12 *Income Taxes*, the Company has recorded the deferred credit at December 31, 2009 in opening equity as if the amount had been recorded in profit or loss on the date of acquisition. As a result, previously recorded deferred credits in profit (loss) have been reversed and shown above as a change in income taxes during the year.

LIQUIDITY

\$ thousands, except ratio amounts	March 31, 2011	December 31, 2010
Current assets	151,602	143,496
Total assets	267,524	260,760
Current liabilities	86,432	75,481
Long-term liabilities	9,986	11,692
Shareholders' equity	171,106	173,587
Working capital (see "Non-IFRS Financial Measures")	65,170	68,015
Working capital ratio (see "Non-IFRS Financial Measures")	2.3	2.1

WORKING CAPITAL

Our working capital decreased by \$2.8 million to \$65.2 million at March 31, 2011 when compared to \$68.0 million at December 31, 2010. In accordance with outstanding debt agreements, the Company is required to maintain a working capital ratio of no less than 1.25 to 1.

The Company's ability to generate sufficient cash and cash equivalents is determined by continued strong gross revenue performance, maintaining existing gross margins and controlling its costs. At this time, there are no known factors that management is aware of that would affect its short and long-term objectives of meeting the Company's obligations as they come due. Working capital may fluctuate from time to time based primarily on the use of cash and cash equivalents to fund future business acquisitions as well as due to the seasonal nature of our business. Cash resources can normally be restored by accessing floor plan monies from unencumbered used equipment inventories. Also, the seasonality of our business requires greater use of cash resources in the first and fourth quarter of each year as explained above to fund general operations caused by the cyclical nature of our sales activity.

LIQUIDITY RISK

The Company's exposure to liquidity risk is dependent on the collection of accounts receivable and the ability to raise funds to meet purchase commitments and financial obligations and to sustain operations. The Company controls its liquidity risk by managing its working capital, cash flows, and the availability of borrowing facilities. The Company's contractual obligations at March 31, 2011 are described below.

The Company has available for its current use, \$16.5 million of operating credit facilities (\$15 million in Canada and \$1.5 million in New Zealand) less \$2.4 million for irrevocable letters of credit issued to John Deere and \$163 thousand of financial guarantees provided for which \$1.1 million of advances have been made from its New Zealand facilities. In addition, the Company has a committed reducing term facility in the amount of \$1.5 million to finance capital asset additions of which no amounts have been advanced.

The Company also has \$2.4 million of irrevocable letters of credit issued to John Deere Limited ("JDL"). The letters of credit were provided to JDL in an effort to reduce personal guarantees required of our senior management and as collateral for past business acquisitions.

The Company has approximately \$14.7 million in cash and cash equivalents on hand at March 31, 2011 which consists of \$5.7 million in funds on deposit and \$10.1 million in money market funds and term deposits and is reduced by \$1.1 million of credit facilities drawn on by our foreign subsidiary, Agriturf. The money market funds and term deposit are available immediately upon request.

As at March 31, 2011, inventories had increased by \$11.9 million to \$109.7 million. Used equipment represents \$50.1 million (December 31, 2010 - \$45.8 million) of the equipment inventories and is represented by \$44.7 million in the agricultural equipment segment and \$5.4 million in the construction and industrial equipment segment.

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

The market value of aged new and used equipment has been affected by the strengthening Canadian dollar throughout the first three months of 2011 and fiscal 2010. This provides for less expensive new equipment, causing downward pressure on used equipment pricing. As at March 31, 2011, the Company believes that its recoverable amounts on its used equipment inventories exceed their respective carrying values and no impairment reserve is required or has been recorded.

MARKET RISK

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

FOREIGN CURRENCY EXPOSURE

Other than the Company's exposure to foreign currency fluctuations on its translation of its foreign subsidiary, Agriturf, the Company is not exposed to fluctuations in foreign currency in its sales and expenditures as they are incurred in Canadian dollars. Many of our products, including equipment and parts are based on a U.S. dollar price as they are supplied primarily by U.S. manufacturers but are settled in Canadian dollars as they are received. However, this may cause fluctuations in the sales values assigned to equipment and parts inventories as the Company's price structure is to maintain consistent gross margins. Both sales revenues and gross margins may fluctuate based on the foreign exchange rate in effect at the time of purchase. Certain of the Company's manufacturers also have programs in place to facilitate and/or reduce the effect of foreign currency fluctuations, primarily on new equipment inventory purchases. Based on the Company's results reported from its foreign subsidiary, an increase or decrease of 5% in foreign currency exchange rates would impact the Company's consolidated net earnings by approximately \$5 thousand.

INTEREST RATE RISK

The Company's cash flow is exposed to changes in interest rates on its floor plan arrangements and certain term debt which bear interest at variable rates. The cash flows required to service these financial liabilities will fluctuate as a result of changes in market interest rates. Based on the Company's outstanding long-term debt at March 31, 2011, a one percent increase or decrease in market interest rates would impact the Company's annual interest expense by approximately \$676 thousand. The Company's other financial instruments are not exposed to interest rate risk.

ENVIRONMENTAL RISKS

Our dealerships routinely handle hazardous and non-hazardous wastes as part of their day-to-day operations and though the Company tries to achieve full compliance with applicable laws, from time-to-time, the Company may be involved in, and subject to, incidents and conditions that render us in non-compliance with environmental laws and regulations. The Company is also in the process of establishing an environmental management program to reduce the risk of these incidents from occurring. The Company is not aware of any material environmental liabilities at this time,

CREDIT RISK

By granting credit sales to customers, it is possible these entities, to which the Company provides services, may experience financial difficulty and be unable to fulfill their obligations. A substantial amount of the Company's revenue is generated from customers in the farming and construction industries. This results in a concentration of credit risk from customers in these industries. A significant decline in economic conditions within these industries would increase the risk that customers will experience financial difficulty and be unable to fulfill their obligations to the Company. The Company's exposure to credit risk arises from granting credit sales and is limited to the carrying value of accounts receivable and deposits with John Deere. The Company's revenues are normally invoiced with payment terms of net, 30 days. The average time to collect the Company's outstanding accounts receivable was approximately 16 days for the rolling 12 month period ended March 31, 2011 (15 days for the year ended December 31, 2010) 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 and establishes a provision for bad debts based on specific customers' credit risk, historical trends, and other economic information.

The Company's allowance for doubtful collections has decreased by \$36 thousand to \$418 thousand at March 31, 2011 which represents approximately 1.7% of outstanding trade accounts receivable. No amounts were written-off during the three month period ended March 31, 2011.

CASH AND CASH EQUIVALENTS

Consistent with the Companies accounting policy choice under IAS7, Statement of Cash Flows, interest paid has been moved into the body of the Statement of Cash Flows, whereas they were previously disclosed as supplementary information. There are no other material differences between the statement of cash flows presented under IFRSs and the statement of cash flows presented under previous Canadian GAAP.

Cervus' primary sources and uses of cash flows for the three months ended March 31 are as follows:

SUMMARY OF CASH FLOWS¹

\$ thousands	2011	2010
Net cash flows used in operating activities	\$ 525	\$ (2,960)
Investing activities:		
Interest received	49	29
Business acquisitions and deposits recovered	-	1,680
Advances from (to) related parties	24	(299)
Purchase of property and equipment, net	(1,505)	(596)
Proceeds from investments, at equity	400	300
Increase in other long-term assets	(4)	(1,075)
Cash flows provided by (used in) investing activities	(1,036)	39
Financing activities:		
Repayment of term debt and notes payable	(2,579)	(833)
Advances from non-controlling interest	150	-
Dividends/Distributions	(2,480)	(2,406)
Decrease (increase) in deposits with manufacturers	528	162
Cash flows used in financing activities	(4,381)	(3,077)
Decrease in cash	(4,892)	(5,997)
Cash and cash equivalents, beginning of period	19,605	13,453
Cash and cash equivalents, end of period	\$ 14,713	\$ 7,456

1. See the Interim Unaudited Consolidated Statements of Cash Flows for additional details.

Net cash from operating activities increased by \$3.5 million to \$525 thousand for the three month period ended March 31, 2011 when compared to the same period of 2010. The primary reason for the increase in cash flows from operating activities was due to both an increase in net earnings of \$458 thousand and the net change in non-cash working capital of \$2.6 million. The change in non-cash working capital related to operations for the three month period ended March 31, 2011 of \$1.3 million was primarily related to the difference in inventories purchased and floor plan financing incurred between December 2010 and March 2010. Management uses its discretion to either pre-pay or buy down certain floor plans and thereby reduce the related interest costs associated with the debt. As the facilities are available at any time, management is prepared to increase its floor plan payables if it is deemed necessary.

During the three month period ended March 31, 2011, the Company used \$1.0 million of net cash flows for investing activities. The most significant items were the purchase of property and equipment of \$1.5 million, net of proceeds received and the receipt of \$400 thousand from the Company's equity investment in Maple Farm Equipment Partnership.

During the three month period ended March 31, 2011, financing activities used \$4.4 million of net cash flows. The primary use of cash was the payment of dividends in the amount of \$2.5 million and the repayment of term debt in the amount of \$2.5 million related primarily to rental equipment fleet financing. In addition, the Company received \$528 thousand from its deposits with John Deere.

CONTRACTUAL OBLIGATIONS

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

\$ in thousands	Total	Due 2012	Due 2013 through 2015	Due 2016 through 2017	Due thereafter
Long-term debt	8,018	3,275	4,743	-	-
Notes payable	7,965	2,722	5,243	-	-
Operating leases	22,519	4,637	10,585	3,924	3,373
Total contractual obligations	38,502	10,634	20,571	3,924	3,373

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 March 31, 2011 are as follows:

In \$ thousands	Total amount	Borrowings	Letters of Credit	Amount Available
Operating and other bank credit facilities	16,461	1,461	2,400	12,600
Term loans	1,813	313	-	1,500
Floor plan facilities and rental equipment term loan financing	180,900	62,981	-	117,919
Total	199,174	64,755	2,400	132,019

We believe that the credit facilities available to the Company and outlined above are sufficient to meet our market share targets for 2011.

OPERATING AND OTHER BANK CREDIT FACILITIES

Operating and other bank credit facilities include both the Canadian and New Zealand amounts. The borrowings of \$1.5 million represent the Company's advances from its New Zealand bank. We believe that the credit facilities available to the Company and outlined above are sufficient to meet our market share targets for 2011.

OPERATING AND OTHER BANK CREDIT FACILITIES

Operating and other bank credit facilities are discussed above in the liquidity risk section.

TERM LOANS

The Company also has two term loans with the bank, a committed reducing term facility and an uncommitted term facility. The committed reducing term facility was provided to the Company in 2005 as part of a business acquisition in the original amount of \$5.0 million. The facility requires principal repayments of \$104 thousand per month plus interest and its balance at March 31, 2011 is \$313 thousand which has subsequently been repaid in full. The uncommitted term facility amounts to \$1.5 million and is provided for the purchase of capital assets. As at March 31, 2011, no amounts had been drawn on this facility.

FLOOR PLAN FACILITIES

Floor plan payables consist of financing arrangements for the Company's inventories and rental equipment financing with John Deere Limited, John Deere Financial, GE Canada Equipment Financing G.P., General Electric Canada Equipment Financing G.P., GE Commercial Distribution Finance Canada, Textron Financial, US Bank and Royal Bank. At March 31, 2011, floor plan payables related to inventories were \$55.0 million (December 31, 2010 - \$44.2 million) and rental equipment term loan financing was \$7.5 million (December 31, 2010 - \$9.4 million). Floor plan payables at March 31, 2011 and December 31, 2010 represented approximately 50% and 45% 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.

OUTSTANDING SHARE DATA

As of the date of this report, there are 14,647 thousand common shares, 33 share options, and 424 deferred shares outstanding. As at March 31, 2011 and 2010, the Company had the following weighted average shares outstanding:

In thousands	March 31, 2011	March 31, 2010
Basic weighted average number of shares outstanding	14,201	14,150
Dilutive impact of deferred share plan	424	316
Dilutive impact of share options	29	18
Diluted weighted average number of shares outstanding	14,654	14,484

Also, as at March 31, 2011 and as part of the ARW acquisition, the Company has 425 thousand series 1 preferred shares with a 7% cumulative dividend rate, redeemable and retractable when certain conditions are met. On April 6, the preferred shares, together with cumulative dividends of \$78 thousand were redeemed for 432,836 common shares of the Company.

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 and/or payable for the three month period ended March 31, 2011 (\$ thousands, except per share amounts):

Record Date	Dividend per Share	Dividend Payable	Dividends Reinvested	Net Dividend Paid
March 31, 2011	0.18	2,556	159	2,397
Preferred shares		78	-	78
Total dividends/distributions		2,634	159	2,475

Cash dividends are paid quarterly and are paid on or about the 15th day of the month following the record date. As of the date of this report, all common share dividends as described above were paid and the preferred share dividends were converted into common shares as explained above.

DIVIDEND REINVESTMENT PLAN (“DRIP”)

The DRIP was implemented to allow shareholders to reinvest monthly dividends into additional 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 may participate in the DRIP by directing their broker, dealer, or investment advisor holding their shares to notify the plan administrator, Computershare Trust Company of Canada Ltd., through the Clearing and Depository Services Inc. (“CDS”), or directly where they hold the certificates personally.

TAXATION

Cervus' dividends to March 31, 2011 are considered to be eligible dividends for tax purposes on the date paid.

CAUTIONARY NOTE REGARDING DIVIDENDS

The payment of future dividends are not assured and may be reduced or suspended. Our ability to continue making cash dividend payments and the actual amount paid 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 common shares may decline if we were unable to meet our cash dividend targets in the future, and that decline may be significant. Under the terms of our credit facilities, we are restricted from declaring dividends or distributing cash if the Company is in breach of its debt covenants. As at the date of this report, the Company is not in violation of any of its covenants.

OFF-BALANCE SHEET ARRANGEMENTS

In the normal course of business, we enter into agreements that include indemnities in favor of third parties, such as engagement letters with advisors and consultants, and service agreements. We have also agreed to indemnify our general partner's directors, officers, and employees in accordance with our limited partnership agreement 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 March 31, 2011, payments in arrears by such customers aggregated \$174 thousand. In addition, the Company is responsible for assuming all lease obligations held by its customers with Deere Credit, Agrifinance and Roynat Lease Finance for the net residual value of the lease outstanding at the maturity of the contract. At March 31, 2011, the net residual value of such leases aggregated \$57.4 million.

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 may arise related to these arrangements is limited to the deposits of \$1.2 million at March 31, 2011. Deere Credit reviews the deposit account balances quarterly and if the balances exceed the minimum requirements, Deere Credit refunds the difference to the Company. During the three month period ended March 31, 2011, the Company received \$527 thousand of excess amounts.

As part of the business acquisition in 2009 of Ranchers and the 2010 investment in Agriturf, the Company issued irrevocable standby Letters of Credit to John Deere Limited (“JDL”) in the amount of \$1.5 million and \$900 thousand respectively. The Letters of Credit were issued in accordance with the dealership arrangement that would allow JDL to draw upon the letter of credit if the Company was in default of any of its obligations to JDL. Also, the Company's foreign subsidiary, Agriturf, has \$170 thousand of financial guarantees issued for the purposes of providing financial guarantees to creditors and for a bankcard facility.

TRANSACTIONS WITH RELATED PARTIES

KEY MANAGEMENT PERSONNEL COMPENSATION

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

The remuneration of key management personnel and directors during the three month period ended March 31 was:

	2011		2010
Short-term benefits	\$ 318	\$	402
Share-based payments	30		30
	\$ 348	\$	432

KEY MANAGEMENT PERSONNEL AND DIRECTOR TRANSACTIONS

Key management and directors of the Company control approximately 34% of the common voting shares of the Company.

During the three months ended March 31, 2011, the Company transacted in the normal course of business, \$9 thousand (2010 - \$16 thousand) of parts and service sales with a company controlled by a Director.

OTHER RELATED PARTY TRANSACTIONS

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

	2011		2010
Expenses:			
Real estate leases	\$ 736	\$	657
Guarantee fees	\$ 21	\$	21
Revenue:			
Management fees for administration	\$ 8	\$	8
Interest on advances	\$ 22	\$	17

The Company receives \$2.5 thousand per month to carry out all administrative and management tasks related to the Fund's operations.

The Company pays a guarantee fee to the Fund equal to 3% per annum for the guaranteed amounts that the Fund has provided to John Deere. This guarantee is a result of guarantees provided to John Deere prior to the establishment of the Fund and for which John Deere has not yet released the Fund from the contractual obligation. At March 31, 2011 and 2010, the Fund has outstanding guarantees with John Deere aggregating \$2,750 thousand.

Certain officers and dealer managers of the Company have provided guarantees to John Deere aggregating \$6,400 thousand. During the three month period ended March 31, 2011 and 2010, the Company paid those individuals \$192 thousand for providing these guarantees. These transactions were recorded at the amount agreed to between the Company and the guarantors and are included in selling, general and administrative expense.

CRITICAL ACCOUNTING ESTIMATES

Preparation of audited consolidated financial statements requires that we make assumptions regarding accounting estimates for certain amounts contained within the audited consolidated financial statements. Our significant accounting estimates include estimating bad debts on accounts receivable; amortization of intangible assets and property, plant, and equipment; the fair value of assets and liabilities acquired in business combinations; estimated impairment of long-lived assets; the fair value of share-based awards; the fair value of reporting shares for goodwill impairment testing purposes; and estimates of various taxation matters. We believe that each of our assumptions and estimates is appropriate to the circumstances and represents the most likely future outcome. However, because of the uncertainties inherent in making assumptions and estimates regarding unknown future outcomes, future events may result in significant differences between estimates and actual results.

PROVISION FOR DOUBTFUL ACCOUNTS RECEIVABLE

We perform ongoing credit evaluations of our customers and grant credit based upon past payment history, financial condition, and anticipated industry conditions. Customer payments are regularly monitored and a provision for doubtful accounts is established based upon specific situations and overall industry conditions. Our history of bad debt losses has been within expectations and is generally limited to specific customer circumstances. However, given the cyclical nature of the agricultural business in which many of our customers operate, a customer's ability to fulfill its payment obligations can change suddenly and without notice.

DEPRECIATION AND AMORTIZATION OF INTANGIBLE ASSETS AND PROPERTY AND EQUIPMENT

Our intangible assets and property, plant, and equipment are depreciated and amortized based upon estimated useful lives and salvage values. We review our historical experience with similar assets to ensure that these amortization rates are appropriate. However, the actual useful life of the assets may differ from our original estimate due to factors such as technological obsolescence and maintenance activity.

FAIR VALUE OF INVENTORIES

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

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. In certain circumstances, such as the valuation of property, plant, and equipment and intangible assets acquired, we rely on independent third party valuations.

ASSET IMPAIRMENT

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

Goodwill is assessed for impairment at least annually. This assessment includes a comparison of the carrying value of the reporting share to the estimated fair value to ensure that the fair value is greater than the carrying value. We arrive at the estimated fair value of a reporting share using valuation methods such as discounted cash flow analysis. These valuation methods employ a variety of assumptions, including future revenue growth, expected earnings, and earnings multiples. Estimating the fair value of a reporting share is a subjective process and requires the use of our best estimates. If our estimates or assumptions change from those used in our current valuation, we may be required to recognize an impairment loss in future periods.

TAXATION MATTERS

Income tax provisions, including current and future income tax assets and liabilities, may require estimates and interpretations of federal and provincial income tax rules and regulations, and judgments as to their interpretation and application to our specific situation. Although there are tax matters that have not yet been confirmed by taxation authorities, we believe that the provision for the Company's income taxes is adequate.

FAIR VALUE OF SHARE-BASED AWARDS

The fair value of share options granted is determined at the date of grant using the Black-Scholes option-pricing model. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including expected share price volatility. Because changes in subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a single reliable measure of the fair value of our share options granted.

IFRSS CHANGES

At the date of authorization of these financial statements, the following standards and interpretations were issued but not yet effective.

Conceptual Framework for Financial Reporting	Issued	Effective Date
IFRS 1 First-time Adoption of International Financial Reporting Standards – Amendments regarding <i>Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> ” to provide guidance for entities emerging from severe hyperinflation and to provide relief for first – time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRSs.	December 2010	Annual periods beginning on or after July 1, 2011
IFRS 7 Financial Instruments: Disclosures – Amendments to enhance the disclosure requirements for transfers of financial assets that result in derecognition.	October 2010	Annual periods beginning on or after July 1, 2011
IFRS 9 Financial Instruments – Amendments to provide guidance on the classification and reclassification of financial liabilities, their measurement and the presentation of gains and losses on financial liabilities designated at fair value through profit and loss.	October 2010	Annual periods beginning on or after January 1, 2013
IAS 12 Income Taxes – Amendments regarding <i>Deferred Tax: Recovery of Underlying Assets</i> to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model .	December 2010	Annual periods beginning on or after January 1, 2012

The above revisions to IFRSs will not have a material impact on the Company’s financial statements.

BUSINESS RISKS AND UNCERTAINTIES

RELIANCE ON OUR KEY MANUFACTURERS AND DEALERSHIP ARRANGEMENTS

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

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

The success of our dealership depends 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 circumstances will not arise which gives these equipment manufacturers the right to terminate their dealership agreements.

DEPENDENCE ON INDUSTRY SECTORS

Authorized John Deere agricultural dealerships sell John Deere agricultural and lawn and garden 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 farm 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 that the Company’s dealerships are located. Presently, 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 within the agricultural sector and industry diversification into the construction sector in Alberta.

The construction equipment group sells light and medium construction equipment and is comprised of several lines of equipment from two major manufacturers, Bobcat and JCB. The major competitors are Caterpillar, Komatsu, CNH (Case), John Deere, Volvo, Hitachi and Liebherr. The light and medium construction equipment market is very much dependent upon residential construction of new housing. Over the past few years the residential construction markets in Alberta have been very strong, however we have seen reductions in this market beginning in 2008 and carrying through 2010. However based on CMHC’s first quarter housing report, the 2011 market appears to be somewhat improving and we expect this to have a positive impact on our 2011 operating results for our construction equipment segment.

The industrial equipment group sells material handling equipment from several manufacturers, Clark, Sellick, Nissan, and Doosan being the major suppliers. Their major competitors are Toyota, Hyster, and Caterpillar. The materials handling equipment is primarily sold to oilfield supply companies, building supply companies, warehousing, food processors, and the grocery industry. This customer diversity mitigates to some degree the risks inherent in any one of these customer segments. However, this group has been impacted negatively by the general slowdown in the oil and gas and building sectors.

Presently the majority of the construction and industrial equipment division’s revenue is derived from the sale of Bobcat, JCB, Doosan, Nissan, Clark and Sellick equipment and products. All these equipment manufacturers have established themselves as industry leaders in the Western Canada market for the manufacture and delivery of light construction and industrial equipment. There can be no assurance however that these suppliers will continue to manufacture high quality, competitively priced products or maintain its market share in the future.

OTHER RISKS

Although the Company has conducted investigations of, and engaged legal counsel to review, the corporate, legal, financial and business records of Vasogen, 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.

The steps under the plan of arrangement, pursuant to which the corporate conversion was completed, were structured to be tax-deferred to the Company and the Company’s shareholders based on certain rules under the Income Tax Act (Canada). There is a risk that the tax consequences contemplated by the Company or the tax consequences of the plan of arrangement to the Company and the shareholders may be materially different from the tax consequences anticipated by the Company in undertaking the conversion. While the Company is confident in its current position, there is a risk that the Canada Revenue Agency could successfully challenge the tax consequences of the plan of arrangement or prior transactions of Vasogen. Such a challenge could potentially affect the availability or amount of the tax basis or other tax accounts of Cervus.

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

The Company's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, disclosure controls and procedures ("DC&P") to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's Chief Executive Officer and Chief Financial Officer by others, particularly during the periods in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. All control systems by their nature have inherent limitations and, therefore, the Company's DC&P are believed to provide reasonable, but not absolute, assurance that the objectives of the control systems are met. The Company's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with Canadian IFRS.

Although DC&P and ICFR were in place as of March 31, 2011, the Company was not required to evaluate the effectiveness of DC&P and ICFR, as the Company only became a reporting issuer in January 2011. Management will be required to certify the design of the Company's DC&P and ICFR as of June 30, 2011, and will be required to certify the effectiveness of DC&P and ICFR as of December 31, 2011. The evaluation of ICFR will be based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations. Cervus is in the final stages of completion of the project to support the certification of the design of DC&P and ICFR, and will continue to work to complete the project to support the certification of effectiveness by December 31, 2011.

It should be noted that while the Company's management including the Chief Executive Officer and Chief Financial Officer believe that the Company's ICFR and DC&P provide a reasonable level of assurance that they are effective, they do not expect that these controls will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

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 net earnings 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 earnings 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; is defined as earnings before interest, taxes, depreciation, and amortization. We believe, in addition to net earnings, EBITDA is a useful supplemental earnings 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 revenue.

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

Senior debt to EBITDA; senior debt to EBITDA ratio is defined as all interest bearing indebtedness for borrowed money, interest bearing liabilities, capital lease obligations, vendor take back agreements but excluding accounts payable, floor plan financing arrangements, subordinated related debt and other short-term non-interest bearing liabilities and future income taxes divided by EBITDA.

**UNAUDITED CONSOLIDATED
FINANCIAL STATEMENTS OF
CERVUS EQUIPMENT
CORPORATION**

FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2011 AND 2010

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2011, December 31, 2010 and January 1, 2010

(\$ thousands)	Note	March 31, 2011	December 31, 2010	January 1, 2010
			(Note 32)	(Note 32)
Assets				
Current assets				
Cash and cash equivalents	11	14,713	19,605	13,453
Deposit for business acquisition	10	-	-	6,810
Trade and other accounts receivable	12	27,190	26,067	16,850
Inventories	13	109,699	97,824	89,150
Total current assets		151,602	143,496	126,263
Non-current assets				
Investments in associates, at equity	14	4,433	4,760	1,956
Other long-term assets	15	117	115	1,351
Deposits with manufacturers	16	1,188	1,715	1,649
Intangible assets	17	21,738	22,352	11,021
Property and equipment	18	22,174	22,018	10,338
Deferred tax asset	9	61,171	61,150	70,068
Goodwill	17	5,101	5,154	3,200
Total non-current assets		115,922	117,264	99,583
Total assets		\$ 267,524	\$ 260,760	\$ 225,846

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

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at March 31, 2011, December 31, 2010 and January 1, 2010

(In \$ thousands)	Note	March 31, 2011	December 31, 2010	January 1, 2010
			(Note 32)	(Note 32)
Liabilities				
Current liabilities				
Trade and other accrued liabilities		\$ 14,661	\$ 19,820	\$ 9,981
Customer deposits		8,175	2,148	2,689
Floor plan payables	20	54,964	44,203	40,426
Dividends payable		2,635	2,634	2,545
Current portion of term debt	20	3,275	3,993	4,004
Current portion of notes payable	20	2,722	2,683	367
Total current liabilities		86,432	75,481	60,012
Non-current liabilities				
Term debt	20	4,743	6,438	1,839
Notes payable	20	5,243	5,254	492
Total non-current liabilities		9,986	11,692	2,331
Total liabilities		96,418	87,173	62,343
Equity				
Shareholders' capital	21	71,852	71,641	65,600
Deferred share plan	22	2,945	2,823	1,882
Other reserves		2,943	2,927	2,882
Accumulated other comprehensive income		(34)	157	-
Retained earnings		91,488	94,202	93,139
Total equity attributable to equity holders of the Company		169,215	171,750	163,503
Non-controlling interest		1,891	1,837	-
Total equity		171,106	173,587	163,503
Total liabilities and equity		\$ 267,524	\$ 260,760	225,846

Approved by the Board:



Peter Lacey, Director



Gary Harris, Director

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

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three month periods ended March 31, 2011 and 2010

(In \$ thousands)	Note	2011	2010
			(Note 32)
Revenue			
Equipment sales		\$ 57,287	\$ 46,094
Parts		14,629	11,513
Service		9,920	7,887
Rentals		2,437	1,707
Total revenue		84,273	67,201
Cost of sales		(66,179)	(51,929)
Gross profit		18,094	15,272
Other income	6	257	257
Selling, general and administrative	7	(18,340)	(16,038)
Results from operating activities		11	(509)
Finance income		49	29
Net Finance costs		(309)	(384)
Net Finance Costs	8	(260)	(355)
Share of profit of equity accounted investees, net of income tax	14	73	15
Loss before other income taxes		(176)	(849)
Income tax recovery	9	21	236
Loss for the period		(155)	(613)
Other comprehensive income			
Foreign currency translation differences for foreign operations		38	-
Total comprehensive loss for the period		\$ (117)	(613)

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

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the three month periods ended March 31, 2011 and 2010

(In \$ thousands, except per share amounts)	Note	2011	2010
Loss attributable to:			
Shareholders of the Company		\$ (58)	\$ (613)
Non-controlling interest		(97)	-
Loss for the period		\$ (155)	\$ (613)
Total comprehensive loss attributable to:			
Shareholders of the Company		\$ (20)	\$ (613)
Non-controlling interest		(97)	-
Total comprehensive income for the period		\$ (117)	\$ (613)
Net loss per share			
Basic	21	\$ (0.01)	\$ (0.04)
Diluted	21	\$ (0.01)	\$ (0.04)

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

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Period Ended March 31, 2011 and the Year Ended December 31, 2010

Attributable to equity holders of the Company											
(In \$ thousands)	Note	Share capital	Preferred shares	Share purchase plan	Deferred share plan	Other reserves	Cumulative translation account	Retained earnings	Total	Non-controlling interest	Total equity
Balance, January 1, 2010	32	\$ 65,766	\$ -	\$ (166)	\$ 1,882	\$ 2,882	\$ -	\$ 93,139	\$ 163,503	\$ -	\$ 163,503
Comprehensive income for the period											
Profit or loss		-	-	-	-	-	-	(613)	(613)	-	(613)
Transactions with owners, recorded directly in equity											
Dividends to equity holders	21	-	-	-	-	-	-	(2,607)	(2,607)	-	(2,607)
Shares issued through DRIP	21	139	-	-	-	-	-	-	139	-	139
Share-based payment transactions	23	-	-	-	222	-	-	-	222	-	222
Stock options issued	23	-	-	-	-	4	-	-	4	-	4
Amortized to profit during the year	23	-	-	28	-	-	-	-	28	-	28
Issue of preferred shares related to business combination	10	-	5,361	-	-	-	-	-	5,361	-	5,361
Total transactions with owners		139	5,361	28	222	4	-	(2,607)	3,147	-	3,147
Balance March 31, 2010		65,905	5,361	(138)	2,104	2,886	-	89,919	166,037	-	166,037

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

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the Period Ended March 31, 2011 and the Year Ended December 31, 2010

Attributable to equity holders of the Company											
(In \$ thousands)	Note	Share capital	Preferred shares	Share purchase plan	Deferred share plan	Other reserves	Cumulative translation account	Retained earnings	Total	Non-controlling interest	Total equity
Balance December 31, 2010		66,350	5,361	(70)	2,823	2,927	157	94,202	171,750	1,837	173,587
Comprehensive income for the Period											
Profit or loss		-	-	-	-	-	-	(58)	(58)	(97)	(155)
Other comprehensive income											
Foreign currency translation adjustments		-	-	-	-	-	(191)	-	(191)	151	(40)
Total comprehensive income for the period		-	-	-	-	-	(191)	(58)	(249)	54	(195)
Transactions with owners, recorded directly in equity											
Dividends to equity holders	21	-	-	-	-	-	-	(2,635)	(2,635)	-	(2,635)
Shares issued through DRIP	21	154	-	-	-	-	-	-	154	-	154
Shares issued through deferred share plan	23	25	-	-	(25)	-	-	-	-	-	-
Share-based payment transactions	23	-	-	-	147	-	-	-	147	-	147
Stock options issued	23	-	-	-	-	16	-	-	16	-	16
Amortized to profit during the year	23	-	-	32	-	-	-	-	32	-	32
Total transactions with owners		179	-	32	122	16	(191)	(2,693)	(2,535)	54	(2,481)
Balance March 31, 2011		66,529	5,361	(38)	2,945	2,943	(34)	91,509	169,215	1,891	171,106

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

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

For the periods ended March 31, 2011 and 2010

(In \$ thousands)	Note	2011	2010
			(Note 29)
Cash flows from operating activities			
Loss for the period		\$ (155)	\$ (613)
Depreciation		1,323	1,028
Amortization of intangibles	17	614	679
Forgiveness of employee purchase loans	23	33	28
Equity-settled share-based payment transactions	23	162	78
Net finance costs	8	260	355
Gain on sale of property and equipment		(78)	(47)
Share of profit of equity accounted investees, net of tax	14	(73)	(15)
Income taxes recovered	9	(21)	(236)
Change in non-cash working capital		(1,292)	(3,851)
		773	(2,594)
Interest paid		(248)	(366)
Net cash from (used in) operating activities		525	(2,960)
Cash flows from investing activities			
Interest received	8	49	29
Proceeds from business acquisitions	10	-	1,680
Advances from (to) related party	12	24	(299)
Purchase of property and equipment, net	18	(1,505)	(596)
Proceeds from investments, at equity	14	400	300
Increase in other investments, at cost	15	(4)	(1,075)
Net cash used in investing activities		(1,036)	39
Cash flows from financing activities			
Repayments of term debt	20	(2,479)	(733)
Repayment from non-controlling interest		150	-
Dividends		(2,480)	(2,406)
Decrease in deposits with John Deere	16	528	162
Repayment of notes payable	20	(100)	(100)
Net cash used in financing activities		(4,381)	(3,077)
Net decrease in cash and cash equivalents		(4,892)	(5,997)
Cash and cash equivalents, beginning of period		19,605	13,453
Cash and cash equivalents, end of period	11	\$ 14,713	\$ 7,456

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

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended March 31, 2011

1. REPORTING ENTITY

Cervus Equipment Corporation (“Cervus”, the “Company” and the “Group”) is an incorporated entity under the Canada Business Corporations Act and is domiciled in Canada. The registered office of the Company is situated at 5201 - 333, 96th Avenue N.E., Calgary, Alberta, Canada, T3K 0S3. The consolidated financial statements of the Company as at and for the period ended March 31, 2011 comprise of the Company and its subsidiaries. The Company is primarily involved in the sale, after-sale service and maintenance of agricultural, construction and industrial equipment. The Company also provides equipment rental, primarily in the construction and industrial equipment segment. The Company operates 30 John Deere agricultural equipment, Bobcat and JCB construction equipment and Clark, Sellick, Nissan and Doosan material handling equipment dealerships in 29 locations across Western Canada. Cervus also has a majority interest in Agriturf Limited (“Agriturf”), with six locations on the north island of New Zealand. The Company’s shares are listed on the Toronto Stock Exchange (“TSX”) and trade under the symbol “CVL”.

2. BASIS OF PREPARATION

STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) IAS 34 *Interim Financial Reporting* and these are the first consolidated financial statements prepared in accordance with IFRSs and IFRS 1, *First-time Adoption*.

An explanation of effect of the transition to IFRS on the financial position, financial performance and cash flows is included in note 32.

The Board of Directors authorized the issue of these consolidated financial statements on May 10, 2011.

BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on the historical cost basis..

The consolidated financial statements have been prepared on the going concern basis.

FUNCTIONAL CURRENCY

These consolidated financial statements are presented in Canadian dollars which is the Company’s functional currency. All financial information has been rounded to the nearest thousand except for per share amounts.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include the net realizable value of inventories as described in note 13.

Information about critical assumptions and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Valuation allowance for trade accounts receivable (note 12);
- Impairment of other assets and goodwill (notes 17);
- Determination of the valuation allowance related to future income tax assets (note 9);
- Utilization of tax losses (note 9); and
- Commitments and contingencies (note 29).

3. REVISED IFRSs

At the date of authorization of these financial statements, the following standards and interpretations were issued but not yet effective.

Conceptual Framework for Financial Reporting	Issued	Effective Date
IFRS 1 First-time Adoption of International Financial Reporting Standards – Amendments regarding <i>Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> ” to provide guidance for entities emerging from severe hyperinflation and to provide relief for first -time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRSs.	December 2010	Annual periods beginning on or after July 1, 2011
IFRS 7 Financial Instruments: Disclosures – Amendments to enhance the disclosure requirements for transfers of financial assets that result in derecognition.	October 2010	Annual periods beginning on or after July 1, 2011
IFRS 9 Financial Instruments – Amendments to provide guidance on the classification and reclassification of financial liabilities, their measurement and the presentation of gains and losses on financial liabilities designated at fair value through profit and loss.	October 2010	Annual periods beginning on or after January 1,2013
IAS 12 Income Taxes – Amendments regarding <i>Deferred Tax: Recovery of Underlying Assets</i> to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model .	December 2010	Annual periods beginning on or after January 1,2012

The above revisions to IFRSs will not have a material impact on the Company’s financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by all the Group’s entities and to all periods presented in these consolidated financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of transition to IFRSs.

BASIS OF CONSOLIDATION

These consolidated financial statements include the accounts of the parent company Cervus Equipment Corporation and its wholly-owned subsidiaries, Cervus LP, Cervus Contractors Equipment LP and Cervus AG Equipment LP and their respective general partners, Cervus GP Ltd., Cervus Contractors Equipment Ltd. and Cervus AG Equipment Ltd. and its 60.3% interest in Agriturf.

Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Non-controlling interests in subsidiaries are identified separately from the Company's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance

BUSINESS SEGMENTS

The Company has historically operated two distinct business segments, an agricultural equipment segment and a construction and industrial equipment segment. These segments are managed separately and strategic decisions are made on the basis of their respective operating results. All business segments' operating results are reviewed regularly by the Company's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The agricultural equipment segment consists primarily of John Deere dealership locations in Alberta, Saskatchewan, British Columbia and New Zealand and the construction and industrial equipment segment consists primarily of Bobcat, JCB, Clark, Sellick, Doosan and Nissan dealership locations in Alberta, Saskatchewan and Manitoba.

CASH AND CASH EQUIVALENTS

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

FOREIGN CURRENCY TRANSLATION

The individual financial statements of each Company are stated in the currency of the primary economic environment in which it operates (its functional currency). Transactions in currencies other than the entity's functional currency (foreign currency) are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are recorded at the rates of exchange prevailing at that date. Any resulting gains and losses are included in net profit or loss for the period.

For the purpose of presenting consolidated financial statements the results of entities denominated in currencies other than Canadian dollars are translated at the rate of exchange at the date of the transactions and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on retranslation at the closing rate of the opening net assets and results of entities denominated in currencies other than Canadian dollars are recognized in other comprehensive income in the cumulative translation account.

INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the specific identification method for new and used equipment, average cost for parts and a specific job basis for work-in-progress. Net realizable value approximates the estimated selling price less all estimated cost of completion and necessary cost to complete the sale. Cost shall be assigned using the first-in, first-out (FIFO) or weighted cost-formula for parts inventories.. Previous write-downs of inventory are reversed when economic changes support an increased value.

PROPERTY AND EQUIPMENT

Buildings, equipment, automotive and trucks, furniture and fixtures, computers, and parts and shop equipment are recorded at cost, less any accumulated depreciation and accumulated impairment losses.

Depreciation is provided for using both the declining balance and straight-line methods at annual rates intended to depreciate the cost of each component of an asset, less its residual values over its estimated useful lives which range from 2 to 8 years. The estimated useful lives, residual values and depreciation method are reviewed at each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The following useful lives are used in the calculation of depreciation

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

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

INTANGIBLE ASSETS

Intangible assets include dealership distribution agreements, trade names, customer lists and non-competition agreements and are recorded at cost and are amortized on a straight-line basis. Dealership distribution agreements and non-competition agreements are amortized over the expected term of the agreements. Customer lists and computer software are amortized over the estimated useful lives of the lists and software. The estimated useful life and amortisation method are reviewed at the end of each period, with the effect of any changes in estimate being accounted for on a prospective basis. At each period end, the Company reviews the carrying amounts of the intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The following useful lives are used in the calculation of amortization.

Intangible assets	Years
Dealership distribution agreements	5
Trade name	5
Customer lists	20
Non-competition agreements	20

INVESTMENTS ON ASSOCIATES

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

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statements of financial position at cost as adjusted for post-acquisition changes in the Company's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate) are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

INCOME TAX

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income taxes are recorded based on the estimated income taxes payable on taxable income for the year and any adjustment to tax payable in respect of previous years. The Company's liability for current tax is calculated using tax rates that have been substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are determined based on differences between the accounting and tax bases of assets and liabilities, and are measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. A deferred tax asset is recognized if it is more likely than not to be realized. The effect of a change in tax rates on future income tax assets and liabilities is recorded in the period in which the change occurs.

EARNINGS PER SHARE

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

REVENUE RECOGNITION

Revenue is recorded based on the fair value of the consideration received or receivable. Revenue on agricultural equipment is recorded once all financial obligations have been received and settled. This includes, but is not limited to, the receipt of required equipment deposits, approval of debt loan arrangements, if required, and substantial completion of all required presale work orders and delivery of equipment to customers. Revenue on construction equipment is recorded upon the customer receiving receipt of the related equipment. Rental and service revenue are recognized at the time the service is provided.

Revenue is not recognized before there is persuasive evidence that an arrangement exists, delivery has occurred, the rate is fixed and determinable, and the collection of outstanding amounts is considered probable. The Company considers persuasive evidence to exist when a formal contract or purchase order is signed and required deposits have been received. Sales terms do not include provision for post service obligations.

BUSINESS COMBINATIONS

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities and contingent liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Transaction costs are expensed as incurred. Acquisitions prior to January 1, 2010 have not been restated.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities, including derivatives, are recognized on the consolidated balance sheet at the time the Company becomes a party to the contractual provisions. Upon initial recognition, financial instruments are measured at fair value and for the purpose of subsequent measurement; financial instruments are allocated into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale or other financial liabilities. The Company's financial assets and liabilities consist primarily of cash and cash equivalents, short-term loans, accounts receivable, advances to a related party, accounts payable and accrued liabilities, dividend/distribution payable, floor plan payables, and long-term debt and notes payable. The Company has designated its financial instruments as follows:

Held-for-trading instruments are financial assets and liabilities typically acquired with the intention of generating revenues in the short-term. However, an entity is allowed to designate any financial instrument as held-for-trading on initial recognition even if it would otherwise not satisfy the definition. Financial assets and financial liabilities required to be classified or designated as held for-trading are measured at fair value, with gains and losses recorded in net earnings for the period in which the change occurs. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred.

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

Available-for-sale financial assets are non-derivative assets that are designated as available-for sale or that are not classified as loans and receivables, held-to-maturity investments or held for-trading. Available-for-sale financial assets are carried at fair value with unrealized gains and losses included in other comprehensive income (OCI) until such gains or losses are realized or an other than temporary impairment is determined to have occurred. Available-for-sale assets are measured at fair value, except for assets that do not have a readily determinable fair value which are recorded at cost. As at March 31, 2011, December 31, 2010 and March 31, 2010, the Company does not have any financial assets classified as available-for-sale. Initially, available-for-sale assets are recognized at fair value plus any directly attributable transaction costs.

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

All other equity investments that do not have a quoted price in an active market and accordingly are carried at cost and their respective carrying values are adjusted for impairment, if required.

The Company does not currently have any derivative financial instruments.

PROVISIONS

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and measured reliably..

FINANCE INCOME AND FINANCE COSTS

Finance income comprises interest income on funds invested (including available-for-sale financial assets), gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss.

Finance costs comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss as incurred.

LEASE PAYMENTS

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

SHARE CAPITAL

COMMON SHARES

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

PREFERENCE SHARE CAPITAL

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity.

IMPAIRMENT

FINANCIAL ASSETS (INCLUDING RECEIVABLES)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in unrealized gains/losses on available-for-sale financial assets in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognized in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

NON-FINANCIAL ASSETS

The carrying amounts of the Company's non-financial assets, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time, or when an indication of impairment exists..

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognized separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

SHARE-BASED PAYMENT TRANSACTIONS

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

5. COST OF SALES

The following amounts have been included in cost of sales for the periods ended March 31, 2011 and 2010:

	2011	2010
Depreciation of rental equipment	\$ 1,107	\$ 611
Interest paid on rental equipment financing	48	47
	\$ 1,155	\$ 658

6. OTHER INCOME

Interest and other income for the periods ended March 31, 2011 and 2010 are comprised of the following:

	2011	2010
Net gain on sale of property and equipment	\$ 78	\$ 47
Other miscellaneous income	179	210
	\$ 257	\$ 257

7. WAGES AND BENEFITS

Included in selling, general and administrative expenses are the following related to total employee expense:

	2011	2010
Short-term benefits	\$ 10,311	\$ 8,798
Share-based payments	234	576
	\$ 10,545	\$ 9,374

8. FINANCE INCOME AND FINANCE COSTS

Finance income and finance costs for the periods ended March 31, 2011 and 2010 are comprised of the following:

	2011	2010
Interest income on advances to related party	\$ 22	\$ 17
Interest income on held-to-maturity investments	27	12
Finance income	49	29
Net foreign exchange loss	-	(45)
Interest expense on financial liabilities	(309)	(339)
Finance costs	(309)	(384)
Net finance costs recognized in profit or loss	\$ (260)	\$ (355)

9. INCOME TAXES

Income tax recognized in profit or loss for the periods ended March 31, 2011 and 2010 are:

The expense for the year can be reconciled to the accounting profit (loss) based on using federal and provincial statutory rates of 28.6% as follows:

(in \$ thousands)	March 31, 2011	March 31, 2010
Loss for the period	\$ (176)	\$ (849)
Expected income tax recovery (expense)		
Loss from continuing operations	\$ 50	\$ 236
Non-deductible costs and other	(29)	-
Income tax recovery recognized in profit or loss	\$ 21	\$ 236

10. BUSINESS COMBINATIONS

- a. On July 13, 2010, the Company completed a transaction whereby it has acquired control through a 60.3% equity interest in a subsidiary, Agriturf, a private New Zealand corporation for a purchase price of \$2,744 thousand. The estimated purchase price was paid by the conversion of the loan described in note 15:

Net assets purchased (in \$ thousands):		
Accounts receivable	\$	1,104
Inventories		4,632
Property and equipment		4,064
Deposits with John Deere finance		267
Goodwill and other intangibles		993
Accounts payable and accrued liabilities		(1,722)
Floor plan payable		(3,953)
Term debt		(836)
Minority interest		(1,805)
Purchase price of 60.28% partnership interest in Agriturf	\$	2,744

Agriturf had existed prior to the purchase date of July, 13, 2010 and had the business combination been effected on the commencement of business in April 2010, the revenue of the Company from continuing operations would have been \$2,330 thousand greater, and the income for the period from continuing operations would have been \$287 thousand less.

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

Net assets acquired (in \$ thousands):		
Accounts receivable	\$	5,600
Inventories		4,782
Prepaid expenses		40
Property and equipment		6,309
Other intangible assets		14,200
Goodwill		666
Accounts payable and accrued liabilities		(3,246)
Floor plans payable		(3,224)
Future income taxes		(1,824)
Long-term debt		(3,202)
	\$	20,101
Financed by:		
Cash, net of cash received of \$1,680 thousand	\$	5,130
425 thousand series 1 preferred shares		5,361
Note payable, non-interest bearing, due in equal annual installments		9,610
Purchase price	\$	20,101

Goodwill arose on the acquisition of A.R. Williams Materials Handling Ltd. because the cost of the combination included a control premium. As the acquisition was at the beginning of the year, no addition revenue or income would have occurred.

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

Net assets sold (in \$ thousands):		
Accounts receivable	\$	83
Inventories		3,185
Property and equipment		381
Deposits with John Deere finance		260
Accounts payable and accrued liabilities		(76)
Customer deposits		(41)
Floor plan payable		(529)
		3,263
Payable to Cervus, non-interest bearing, due October 31, 2010		(252)
Purchase price of 20% partnership interest in Maple	\$	3,011

11. CASH AND CASH EQUIVALENTS

(In \$ thousands)	March 31, 2011	December 31, 2010	January 1, 2010
Bank balances	\$ 5,746	\$ 714	\$ 531
Money market funds	8,064	18,041	12,922
Short-term deposits	2,016	2,011	-
	15,826	20,766	13,453
Bank overdrafts used for cash management purposes	(1,113)	(1,161)	-
	\$ 14,713	\$ 19,605	\$ 13,453

The Company's bank overdrafts used for cash management purposes are comprised of the use of credit facilities available for the Company's subsidiary, Agriturf, see note 20. The company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities is disclosed in note 24.

12. TRADE AND OTHER ACCOUNTS RECEIVABLE

(In \$ thousands)	March 31, 2011	December 31, 2010	January 1, 2010
Trade receivables	\$ 15,363	\$ 15,320	\$ 7,685
Advances to related party	2,704	2,728	2,111
Prepaid expenses	2,348	2,047	1,340
Volume bonus	520	57	50
Contracts in transit	6,673	6,279	6,183
Allowance for doubtful debts	(418)	(364)	(519)
	\$ 27,190	\$ 26,067	\$ 16,850

The Company's exposure to credit and currency risks, and impairment losses related to trade and other receivables is disclosed in note 24.

The Company has provided a \$2.75 million revolving credit facility to Proventure Income Fund (the "Fund"), a related party (see note 30), which expires on November 30, 2013. The facility is due on demand and bears interest at the rate of prime plus 0.25% which is the rate agreed to between the related parties. The facility can be used for operations, capital acquisitions, and investments and is secured by a general security agreement.

13. INVENTORIES

(in \$ thousands)	March 31, 2011	December 31, 2010	January 1, 2010
New equipment	\$ 43,347	\$ 36,755	\$ 35,095
Used equipment	50,120	45,837	42,092
Parts and accessories	15,533	14,597	11,553
Work-in-progress	699	635	410
	\$ 109,699	\$ 97,824	\$ 89,150

During the three month period ended March 31, 2011, inventories recognized as cost of sales amounted to \$78,054 thousand (2010 - \$63,776 thousand). No write-downs or reversal of write-downs was recorded for the three month periods ended March 31, 2011 and 2010.

14. EQUITY ACCOUNTED INVESTEES

(In \$ thousands)	Ownership	March 31, 2011	December 31, 2010	January 1, 2010
101034350 Saskatchewan Ltd.	33.0	\$ -	\$ -	\$ 651
Greenway Sprayers	38.0	-	-	372
Deer Star Systems, Inc.	35.7	752	656	864
Maple Farm Equipment Partnership	20.0	3,627	4,050	-
Agritronics Inc.	25.8	54	54	69
		\$ 4,433	\$ 4,760	\$ 1,956

The Company's share of profit in its equity accounted investees for the three month period ended March 31, 2011 was \$73 thousand (2010 - \$15 thousand). During the three month period ended March 31, 2011, the Company received \$400 thousand (2010 - \$nil) of repayments from its investees.

During the year ended December 31, 2010, the Company purchased a 20% interest in Maple Farm Equipment Partnership ("Maple"), see note 10. In addition, during 2010, the Company Greenway Sprayers discontinued operations and the operations were effectively assumed by each of the joint venturers and 101034350 Saskatchewan Ltd. was sold to Maple for its net book value.

15. OTHER LONG-TERM ASSETS

(In \$ thousands)	March 31, 2011	December 31, 2010	January 1, 2010
Investment in companies at cost:			
Employee housing loan, non-interest bearing	\$ -	\$ -	\$ 365
Agriturf Limited loan, unsecured, due on demand, bearing interest at 5% per annum	-	-	883
Cash surrender value of life insurance	117	115	103
	\$ 117	\$ 114	\$ 1,351

The employee housing loan was repaid during the three month period ended March 31, 2010.

During 2010, the Company advanced funds to Agriturf in the amount of NZ \$2,550 thousand and combined with the advances made in 2009, the advances aggregated \$3,700 thousand. As described in note 10, the funds were used to purchase a 60.3% equity interest in Agriturf, which transaction was completed on July 13, 2010. Prior to the purchase, the Company recorded interest of \$10 thousand and a foreign exchange loss of \$45 thousand for the three month period ended March 31, 2010.

16. DEPOSITS WITH MANUFACTURERS

John Deere Credit Inc. ("Deere Credit") provides and administers financing for retail purchases and leases of new and used equipment. Under the financing and lease plans, Deere Credit retains the security interest in the financed equipment. The Company is liable for a portion of the deficiency in the event that the customer defaults on their lease obligation. Deere Credit retains 1% to 2% of the face amount of the finance or lease contract for amounts that the Company may have to pay Deere Credit under this arrangement. The deposits are capped at 3% of the total dollar amount of the lease finance contracts outstanding.

The maximum liability that may arise related to these arrangements is limited to the deposits of \$1,188 thousand (December 31, 2010 - \$1,715 thousand and January 1, 2010 - \$1,649 thousand). Deere Credit reviews the deposit account balances quarterly and if the balances exceed the minimum requirements, Deere Credit refunds the difference to the Company.

17. INTANGIBLE ASSETS

Intangible assets are comprised of the following:

(In \$ thousands)	Dealership distribution agreements	Trade Name	Customer lists	Non-competition agreements	Total
Cost					
Balance at January 1, 2010	\$ 10,645	\$ -	\$ 2,790	\$ 1,891	\$ 15,326
Additions	6,500	3,100	4,600	-	14,200
Balance at December 31, 2010 and March 31, 2011	\$ 17,145	\$ 3,100	\$ 7,390	\$ 1,891	\$ 29,526

Accumulated amortization					
Balance at January 1, 2010	\$ 1,637	\$ -	\$ 1,532	\$ 1,136	\$ 4,305
Amortization expense	866	155	1,478	370	2,869
Balance at December 31, 2010	2,503	155	3,010	1,506	7,174
Balance, January 1, 2011	2,503	155	3,010	1,506	7,174
Amortization expense	214	39	314	47	614
Balance at March 31, 2011	\$ 2,717	\$ 194	\$ 3,324	\$ 1,553	\$ 7,778

Carrying amounts					
At January 1, 2010	\$ 9,008	\$ -	\$ 1,258	\$ 755	\$ 11,021
At December 31, 2010	\$ 14,642	\$ 2,945	\$ 4,380	\$ 385	\$ 22,352
At January 1, 2011	\$ 14,642	\$ 2,945	\$ 4,380	\$ 385	\$ 22,352
At March 31, 2011	\$ 14,428	\$ 2,906	\$ 4,066	\$ 338	\$ 21,738

The amortization expense has been recorded in selling, general and administrative expense. No impairment losses have been recognized in the statement of comprehensive income.

For the purpose of impairment testing, goodwill is allocated to the Company's operating divisions within the Company's business segment which represent the lowest level with the Company at which goodwill is monitored for internal management purposes.

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

(In \$ thousands)	March 31, 2011	December 31, 2010	January 1, 2010
Agricultural equipment segment			
Alberta division	\$ 1,346	\$ 1,346	\$ 1,346
Saskatchewan division	326	327	327
New Zealand	1,236	1,288	-
Construction and Industrial Equipment Segment			
Construction equipment	1,527	1,527	1,527
Industrial equipment	666	666	-
	\$ 5,101	\$ 5,154	\$ 3,200

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit. Unless indicated otherwise, value in use in 2011 was determined similarly as in 2010. The calculation of the value in use was based on the following key assumptions:

- Cash flows were projected based on past operating experience, actual operating results and the budget projection for both 2010 and 2011. Cash flows for a further 5 to 15-year period were extrapolated using a constant growth rate of 2.5% for the first three years and 5 percent for each year thereafter, which does not exceed the long-term average growth rate for the industry.
- In the first year of the cash flows, revenue was projected using the growth rate used in the budget projections for 2011, reflecting management's best estimate of current trading conditions. The anticipated annual revenue growth included in the cash flow projections for the years 2012 to 2025 has been based on average growth levels anticipated and reflecting a recovery in the economy.
- Maintenance capital expenditures were determined for each business unit using the average of historical capital additions made by each business unit over the past 3 years.
- A pre-tax discount rate of 12 percent was applied in determining the recoverable amount of the unit. The discount rate was estimated based on past experience, and industry average weighted average cost of capital, which was based on a possible range of debt leveraging of 40 percent at a market interest rate of 6 to 7 percent.

The values assigned to the key assumptions represent management's assessment of future trends in the agricultural and construction and industrial equipment industries and are based on both external sources and internal sources (historical data).

18. PROPERTY AND EQUIPMENT

(In \$ thousands)	Short-term rental equipment	Automotive and trucks	Furniture and fixtures	Parts and shop equipment	Computers and software	Leasehold improvements	Total
Cost							
Balance at January 1, 2010	8,069	4,656	2,047	2,441	1,571	1,935	20,719
Additions	6,411	2,010	382	314	431	87	9,635
Disposals	(5,738)	(331)	(249)	(156)	(344)	(132)	(6,950)
Acquisitions through business combinations	11,716	1,108	516	816	277	157	14,590
Transfer to equity accounted investees	-	(562)	(166)	(190)	(119)	(208)	(1,245)
Effect of foreign currency exchange differences	180	42	12	22	11	3	270
Balance at December 31, 2010	20,638	6,923	2,542	3,247	1,827	1,842	37,019
Balance at January 1, 2011	20,638	6,923	2,542	3,247	1,827	1,842	37,019
Additions	683	795	31	43	105	15	1,672
Transfer from inventories	320			-			320
Disposals	(733)	(60)		-	(2)	(218)	(1,013)
Effect of foreign currency exchange differences	(171)	(34)	(6)	(15)	(11)	(2)	(239)
Balance at March 31, 2011	20,737	7,624	2,567	3,275	1,919	1,637	37,759
Accumulated depreciation and impairment							
Balance at January 1, 2010	2,979	2,598	1,306	1,351	938	1,209	10,381
Depreciation expense	2,684	891	274	348	302	264	4,763
Disposals	(2,937)	(159)	(137)	(37)	(317)	(75)	(3,662)
Acquisition through business combination	3,394	223	243	274	143	89	4,366
Transfer to equity accounted investee		(423)	(146)	(133)	(66)	(97)	(865)
Effect of foreign currency exchange differences	5	5	3	3	2	-	18
Balance at December 31, 2010	6,125	3,135	1,543	1,806	1,002	1,390	15,001
Balance at January 1, 2011	6,125	3,135	1,543	1,806	1,002	1,390	15,001
Depreciation expense	739	285	72	109	90	33	1,328
Disposals	(433)	(16)	(9)	-	(4)	(257)	(719)
Effect of foreign currency exchange differences	(10)	(5)	(2)	(5)	(3)	-	(25)
Balance at March 31, 2011	6,421	3,399	1,604	1,910	1,085	1,166	15,585
Carrying value							
Balance at January 1, 2010	5,090	2,058	741	1,090	633	726	10,338
Balance at December 31, 2010	14,513	3,788	999	1,441	825	452	22,018
Balance at January 1, 2011	14,513	3,788	999	1,441	825	452	22,018
Balance at March 31, 2011	14,316	4,225	963	1,365	834	471	22,174

Included in the January 1, 2010 opening balance was \$66 thousand of building cost and \$16 thousand of building accumulated depreciation that has been included in leasehold improvements. This building was sold to an equity accounted investee, Maple, at carrying value during 2010.

ASSETS PLEDGED AS SECURITY

All of the Company's assets are pledged under a general security agreement with the Company's bank. Assets with a carrying amount of \$5,045 thousand are pledged as security to a bank in New Zealand on behalf of our subsidiary, Agriturf. In addition, certain of the short-term rental equipment with a carrying amount of \$3,988 thousand are pledged as security for the finance company debt described in note 21.

19. TRADE AND OTHER PAYABLES

(In \$ thousands)	March 31, 2011	December 31, 2010	January 1, 2010
Trade and other payables	\$ 9,902	\$ 12,449	\$ 4,903
Non-trade payables and accrued expenses	4,759	7,371	5,078
	\$ 14,661	\$ 19,820	\$ 9,981

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 24.

20. LOANS AND BORROWINGS

BANK INDEBTEDNESS

At March 31, 2011 and December 31, 2010, the Company has an operating bank line of credit to a maximum amount of \$15,000 thousand in Canada and NZ\$1,960 thousand in New Zealand. Of the Canadian operating bank line, \$2,400 thousand (December 31, 2009 - \$1,500 thousand) has been utilized for outstanding letters of credit to John Deere (see note 24) and of the New Zealand line of credit, \$210 thousand has been utilized as financial guarantees. In addition, the Company has \$1,500 thousand available by way of a non-committed reducing term facility to facilitate capital asset purchases. The operating line of credit and the non-committed reducing term facility bear interest at rates ranging from prime plus 1.25% to prime plus 2.0% based on certain financial covenants for Canada and 6.24% for New Zealand. The Canadian facility is secured by a general security agreement, a priority agreement; trade accounts receivable, unencumbered inventories, assignment of fire insurance and guarantees from the Company's subsidiaries and the general partner and the New Zealand facility is secured by a general security agreement covering all property. At March 31, 2011 and December 31, 2010, NZ\$1,500 thousand has been drawn on the New Zealand facility which for the purposes of consolidation has been included in cash and cash equivalents as described in note 1.

FLOOR PLAN PAYABLES

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

TERM DEBT

(In \$ thousands)	March 31, 2011	December 31, 2010	January 1, 2010
Bank term loan, due July 1, 2011, interest at rates ranging from prime plus 0.25% to prime plus 0.75% and principal instalments of \$104 thousand per month. For security, see above.	\$ 312	\$ 625	\$ 1,875
Finance company, payable in monthly instalments of approximately \$223 thousand including interest at prime plus 2.5%, secured by short term rental equipment	4,368	6,120	2,786
John Deere finance contracts, payable in monthly instalments ranging up to \$5 thousand including interest at the rate of 4.0% to 5.01%, secured by related equipment	209	437	1,134
John Deere Financial, Australia, finance contracts, payable in monthly instalments ranging up to \$5 thousand including interest from 4.75% to 8.15%, secured by related equipment	3,121	3,234	-
Finance contracts and fixed rate bank term loans repayable in monthly instalments ranging from \$664 to \$725 including interest up to 9.4%, secured by related equipment	8	15	48
	8,018	10,431	5,843
Less current portion	(3,275)	(3,993)	(4,004)
	\$ 4,743	\$ 6,438	\$ 1,839

NOTES PAYABLE

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

	March 31, 2011	December 31, 2010	January 1, 2010
Note payable, non-interest bearing, repayable in annual instalments of \$2,838 thousand, discounted at a rate of 7% per annum.	\$ 7,573	\$ 7,445	\$ -
Notes payable, due in annual instalments of \$200 including interest at the rate of 6% per annum	225	325	526
Note payable, due September 10, 2011 including interest at the rate of 6% per annum	167	167	333
	7,965	7,937	859
Less: current portion	(2,722)	(2,683)	(367)
	\$ 5,243	\$ 5,254	\$ 492

21. CAPITAL AND OTHER COMPONENTS OF EQUITY

SHARE CAPITAL AND CONTRIBUTED SURPLUS

(In thousands)	Number of preferred shares	Amount	Number of common shares	Amount	Share purchase loan	Total Carrying Amount
Balance January 1, 2010	-	\$ -	14,140	\$ 65,766	\$ (166)	\$ 65,600
Issued in business combination	425	5,361	-	-	-	5,361
Issued under the DRIP plan			12	139		139
Amortized to profit					28	28
Balance March 31, 2010	425	5,361	14,152	65,905	(138)	71,128
Issued under the DRIP plan	-	-	38	440	-	440
Issued under the deferred share plan	-	-	1	5	-	5
Amortized to profit	-	-	-	-	68	68
Balance December 31, 2010	425	5,361	14,191	66,350	(70)	71,641
Issued under the DRIP plan	-	-	11	154	-	154
Issued under the deferred share plan	-	-	2	25	-	25
Amortized to profit	-	-	-	-	32	32
Balance March 31, 2011	425	\$ 5,361	14,204	\$ 66,529	(38)	71,852

ISSUANCE OF COMMON SHARES

During the period ended March 31, 2011, the Company issued 11 thousand (50 thousand for the year ended December 31, 2010) common shares to shareholders participating in the Company's dividend reinvestment plan ("DRIP"). In addition, the Company issued 2 thousand (1 thousand for the year ended December 31, 2010) common shares as a result of redemptions of vested shares from the deferred share plan.

ISSUANCE OF PREFERENCE SHARES

During the year ended December 31, 2010 the Company issued 425 thousand non-voting convertible redeemable series 1 preference shares. The series 1 preference shares shall be entitled to a preference over the common shares with respect to priority in the payment of dividends. Each series 1 preference share shall be entitled to a cumulative dividend at the rate of 7% per annum on the stated amount at the discretion of the Company. It is anticipated that the dividends on the series 1 preferred shares will be paid in cash quarterly concurrently with the payment of cash dividends on the common shares of Cervus. If the 30 day volume weighted average trading price of the common shares of Cervus on any stock exchange recognized for the purposes of the Income Tax Act (Canada) upon which the common shares of Cervus are listed and posted for trading is equal to or greater than \$16.00 per common share, Cervus shall have the right to redeem the series 1 preferred shares, in whole or in part. The holders of series 1 preferred shares shall be entitled to exchange those shares at any time for common shares of Cervus on the basis of one common share for each series 1 preferred share exchanged.

On April 6, 2011, the Company redeemed and converted the 425 thousand Series 1 preference shares plus cumulative and unpaid dividends in the amount of 78 thousand for 433 thousand common shares.

COMMON SHARES AND PREFERENCE SHARES

The Company has unlimited authorized share capital for all common shares, preference shares and Series 1 preference shares.

ACCUMULATED AND OTHER COMPREHENSIVE INCOME

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

DIVIDENDS

The Company has declared and paid the following dividends:

(In \$ thousands)		Three month period ended March 31, 2011		Year ended December 31, 2010
\$0.18 per qualifying common share (\$0.72 for the year ended December 31, 2010)	\$	2,557	\$	10,203
7% of face value of \$4,540 thousand		78		318
	\$	2,635	\$	10,521

DIVIDEND REINVESTMENT PLAN

The Company has a Dividend Reinvestment Plan ("DRIP") entitling shareholders to reinvest cash distributions in additional common shares. The DRIP allows shareholders to reinvest distributions into new shares at 95 percent of the average share price of the previous 10 trading days prior to distribution. During the three months ended March 31, 2011, the Company issued 11 thousand (year ended December 31, 2010 - 50 thousand) shares under this plan.

22. EARNINGS PER SHARE

PER SHARE AMOUNTS

Both basic and diluted earnings per share have been calculated using the net earnings attributable to the shareholders of Cervus as the numerator. No adjustments to net earnings were necessary for the three months ended March 31, 2011 and 2010. The weighted average number of shares for the purposes of diluted earnings per share can be reconciled to the weighted average number of basic shares as follows:

(In thousands of shares)	March 31, 2011	March 31, 2010
Issued common shares January 1	14,191	14,140
Effect of shares issued under the DRIP plan	9	10
Effect of shares issued under the deferred share plan	1	-
Weighted average number of common shares at March 31	14,201	14,150

DILUTED EARNINGS PER SHARE

The calculation of diluted earnings per share at March 31, 2011 and 2010 was based on the profit attributable to common shareholders and the weighted average number of common shares outstanding after adjustment for the effects of dilutive potential common shares which consist of the following:

(In thousands of shares)	2011	2010
Weighted average number of common shares (basic)	14,201	14,150
Effect of dilutive securities:		
Deferred share plan	424	316
Share options	29	18
Weighted average number of shares (diluted) at March 31	14,654	14,484

23. SHARE BASED PAYMENTS

EMPLOYEE SHARE PURCHASE PLAN

The Company has an employee share purchase plan available to all employees on a voluntary basis. Under the plan, employees are able to contribute 2% to 4% of their annual salaries, based on years of service. The Company contributes at a minimum of 15% to 100% on a matching basis to a maximum of \$5,000 per year, per employee. The shares are purchased on the open market through a trustee; therefore, there is no dilutive effect to existing shareholders. Included in general, sales and administrative expenses are \$160 thousand (2010 - \$130 thousand) of contributions made on behalf of the Company's employees.

DEFERRED SHARE PLAN

As at March 31, 2011, 424 thousand (2010 - 316 thousand) deferred shares have been issued under the deferred share plan and remain outstanding. As at March 31, 2011, the matching component of the plan aggregated \$1,619 thousand (2010 - \$1,136 thousand) of which \$780 thousand (2010 - \$400 thousand) has been amortized into compensation expense.

SHARE PURCHASE LOANS

The Company has provided loans to certain employees for shares issued under the Company's private placement offerings and to pay for the exercise of share options. The loans bear interest at the rate of 4% per annum. The employees have provided the shares as security for the loans. During the three month period ended March 31, 2011, \$32 thousand (year ended December 31, 2010 - \$96 thousand) has been forgiven and recorded as compensation expense. The share capital on the face of the balance sheet is disclosed net of the employee share purchase loans.

SHARE OPTION PLAN

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

Changes in the outstanding options are as follows:

(In thousands except for weighted average exercise price)	Number outstanding	Weighted average exercise price
Outstanding and exercisable, January 1, 2010	33	\$ 6.20
Granted under share option plan Forfeited during the year	38	12.05
Outstanding at March 31, 2011 and December 31, 2010	71	9.30

The weighted average remaining life of the options is 4.0 years (December 31, 2010 - 4.1 years). During the three month period ended March 31, 2011, no share options (year ended December 31, 2010- 38 thousand) were granted and no options have been exercised or forfeited.

The fair value of the 2010 awards, calculated using the Black-Scholes option pricing model, was \$6.31 per share using a risk free interest rate of 1.7%, expected life of 5 years, expected annual distribution of 5.98% and an expected share price volatility of 101%.

For the three month period ended March 31, 2011, \$15 thousand (2010 - \$4 thousand), has been recorded as compensation cost and respective increase in contributed surplus related to the share options.

24. FINANCIAL INSTRUMENTS

CREDIT RISK

EXPOSURE TO CREDIT RISK

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

(in \$ thousands)	Carrying amount		
	March 31, 2011	December 31, 2010	January 1, 2010
Cash and bank balances	\$ 14,713	\$ 19,605	\$ 13,453
Loans and receivables	25,260	24,384	16,029
	\$ 39,973	\$ 43,989	\$ 29,482

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

(in \$ thousands)	Carrying amount		
	March 31, 2011	December 31, 2010	January 1, 2010
Domestic	\$ 23,935	\$ 22,589	\$ 16,029
New Zealand	1,325	1,795	-
	\$ 25,260	\$ 24,384	\$ 16,029

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

(in \$ thousands)	Carrying amount		
	March 31, 2011	December 31, 2010	January 1, 2010
Current	\$ 20,013	\$ 19,004	\$ 13,368
Past due - 30 - 60 days	3,124	2,855	1,522
Past due - 61 to 120 days	1,108	1,308	733
Past due more than 120 days	1,015	1,217	406
	25,260	24,384	16,029

The Company recorded the following activity in its allowance for impairment of loans and receivables for the three month periods ended March 31, 2011 and 2010:

	2011	2010
Balance at January 1	\$ 364	\$ 519
Additional allowance recorded	54	76
Amounts written-off as uncollectible	-	(141)
Balance at March 31	\$ 418	\$ 454

In our industries, customers typically pay invoices within 30 to 60 days. The average time to collect Company's outstanding accounts receivable was approximately 16 days for the period ended March 31, 2011, 15 days for the year ended December 31, 2011 and 14 days for the period ended March 31, 2010. No single outstanding customer balance represented more than 10% of total accounts receivable.

The Company mitigates its credit risk by assessing the credit worthiness of its customers on an ongoing basis. The Company closely monitors the amount and age of balances outstanding and establishes a provision for bad debts based on specific customers' credit risk, historical trends, and other economic information. For the year ended December 31, 2011 and 2010, all customer balances provided as bad debts were calculated based on 25% of accounts between 90 to 120 days outstanding and 85% on amounts over 120 days outstanding unless allowance for certain specified accounts requires a greater amount to be allowed for.

LIQUIDITY RISK

The following are the contractual maturities of financial liabilities, including estimated interest payments.

MARCH 31, 2011

(in \$ thousands)	Carrying amount	Contractual cash flows	6 months or less	6-12 Months	1-2 Years	2 - 5 Years
Bank overdraft	\$ 1,113	\$ 1,113	\$ 1,113	\$ -	\$ -	\$ -
Trade and other payables	14,661	14,661	14,661	-	-	-
Floor plans payable	54,964	54,964	54,964	-	-	-
Dividends payable	2,635	2,397	2,397	-	-	-
Term loans payable	8,018	9,054	1,631	1,318	5,222	883
Notes payable	7,965	8,925	107	3,143	5,675	-
	\$ 89,356	\$ 91,114	\$ 74,876	\$ 4,461	\$ 10,897	\$ 883

DECEMBER 31, 2010

Bank overdraft	\$	1,161	\$	1,161	\$	1,161	\$	-	\$	-	\$	-
Trade and other payables		19,820		19,820		19,820		-		-		-
Floor plans payable		44,203		44,203		44,203		-		-		-
Dividends payable		2,634		2,397		2,397		-		-		-
Term loans payable		10,431		12,169		2,062		1,422		5,475		3,210
Notes payable		7,937		8,925		107		3,143		5,675		
	\$	86,186	\$	88,675	\$	69,750	\$	4,565	\$	11,150	\$	3,210

CURRENCY RISK

The company's exposure to foreign currency risk is nominal based on the notional amounts of the trade receivables, bank overdraft and trade payables outstanding at March 31, 2011 and December 31, 2010. Gross statement of financial position exposure which includes trade receivables, bank overdraft and trade payables is a deficit of \$3,808 thousand at March 31, 2011 and \$5,219 thousand at December 31, 2010.

SENSITIVITY ANALYSIS

A strengthening or weakening of the Canadian dollar by 5% against the New Zealand dollar at March 31, 2011 would have increased (decreased) equity by \$200 thousand and profit or loss by \$ 12 thousand. This analysis is based on foreign currency exchange rate the Company considered to be reasonably possible at the end of the reporting period and assumes that all other variables, including interest rates, remain constant.

INTEREST RATE RISK

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

(in \$ thousands)	Carrying amount		
	March 31, 2011	December 31, 2010	January 1, 2010
Floor plan payables	\$ 54,964	\$ 44,203	\$ 40,426
Term debt	8,018	10,431	5,843
Notes payable	7,965	7,937	859
	\$ 70,947	62,571	\$ 47,128

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates would not affect profit or loss. A change in 100 basis points in interest rates would have increased or decreased equity for the three months ended March 31, 2011 by approximately \$169 thousand (2010 -\$139 thousand).

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

FAIR VALUE HIERARCHY

The Company's financial assets and liabilities that are recorded at fair value have been categorized into one of three categories based upon a fair value hierarchy. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are not readily observable and are significant to the overall fair value measurement.

At December 31, 2011, the Company's investment in money market funds was the only financial instrument carried on the balance sheet at fair value. The investment is short term in nature and is accordingly valued at cost plus accrued interest, which approximates fair value. The Company has classified the determination of fair value of these investments as Level 2, as the valuation methodology used by the Company includes an assessment of assets in quoted markets with similar interest rates and terms to maturity.

25. OPERATING LEASES

The Company leases a number of lands and building facilities, office equipment and vehicles. The leases typically run for a period of between 3 and 10 years with options to renew the leases on the lands and buildings after that date. The land and building leases do not include any provisions for transfer of title, nor does the Company participate in the residual value of the land and buildings. Therefore, it was determined that substantially all the risks and rewards of ownership of the land and buildings remains with the landlord. As such, the Company has determined that the leases are operating leases.

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

Less than 1 year	\$	4,637
Between 1 and 5 years		13,040
More than 5 years		4,842
	\$	22,519

26. 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. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

I. PROPERTY, PLANT AND EQUIPMENT

The fair value of property and equipment recognized as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. 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 replacement cost when appropriate.

II. INTANGIBLE ASSETS

The fair value of trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the trademark being owned. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

III. INVENTORIES

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the common 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.

IV. TRADE AND OTHER RECEIVABLES

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

V. SHARE-BASED PAYMENT TRANSACTIONS

The fair value of the employee share options and the share appreciation rights is measured using the Black-Scholes option-pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

27. FINANCIAL RISK MANAGEMENT

OVERVIEW

The Company has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; and operational risk.

CREDIT RISK

TRADE AND OTHER RECEIVABLES

By granting credit sales to customers, it is possible these entities, to which the Company provides services, may experience financial difficulty and be unable to fulfill their obligations. A substantial amount of the Company's revenue is generated from customers in the farming and construction and industrial equipment industries. This results in a concentration of credit risk from customers in these industries. A significant decline in economic conditions within these industries would increase the risk customers will experience financial difficulty and be unable to fulfill their obligations to the Company. The Company's exposure to credit risk arises from granting credit sales and is limited to the carrying value of accounts receivable and deposits with manufacturers (see note 16).

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

GUARANTEES

The Company has irrevocable standby letters of credit to John Deere in the amount of \$2,400 thousand (December 31, 2010 - \$2,400; January 1, 2010; \$1,500 thousand). As part of the Company's purchase of its 60.3% equity interest in Agriturf, an additional \$900 thousand irrevocable standby letter of credit was issued to John Deere during 2010. The letter of credit agreement allows for John Deere to draw upon it in whole or in part in the event of any default by the Company of any or all obligations of the Company to John Deere.

LIQUIDITY RISK

The Company's exposure to liquidity risk is dependent on the collection of accounts receivable and the ability to raise funds to meet purchase commitments and financial obligations and to sustain operations. The Company controls its liquidity risk by managing its working capital, cash flows, and the availability of borrowing facilities. At March 31, 2011, the Company's contractual obligations are described in note 20 and 25 above. As described in note 20, the Company has available for its current use, \$16,960 thousand of operating credit facilities less \$2,400 thousand for irrevocable letters of credit issued to John Deere and \$210 thousand of financial guarantees provided for which \$1,250 thousand of advances have been made. In addition, the Company has a committed reducing term facility in the amount of \$1,500 thousand to finance capital asset additions of which no amounts have been advanced.

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

MARKET RISK

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

CURRENCY RISK

The Company is exposed to foreign currency fluctuations on its loan to Agriturf Limited however are not exposed to fluctuations in foreign currency to the extent that all sales and expenditures are incurred in Canadian dollars. However, many of our products, including equipment and parts are based on a U.S. dollar price as they are supplied primarily by U.S. manufacturers. This may cause fluctuations in the sales values assigned to equipment and parts inventories as the Company's price structure is to maintain consistent gross margins. Both sales revenues and gross margins may fluctuate based on the foreign exchange rate in effect at the time of purchase. Certain of the Company's manufacturers also have programs in place to facilitate and/or reduce the effect of foreign currency fluctuations, primarily on new equipment inventory purchases.

INTEREST RATE RISK

The Company's cash flow is exposed to changes in interest rates on its floor plan arrangements and certain term debt which bear interest at variable rates. The cash flows required to service these financial liabilities will fluctuate as a result of changes in market interest rates. 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.

OPERATIONAL RISK

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

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

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

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

CAPITAL RISK MANAGEMENT

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

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

The Company uses the following ratios in determining its appropriate capital levels; a) total debt to adjusted equity ratio (calculated as total debt divided by adjusted equity) and; b) adjusted assets to adjusted equity ratio (adjusted assets divided by adjusted equity). Adjusted assets comprise all components of assets other than other intangible assets and goodwill. Adjusted equity comprises of all components of shareholders' equity and is reduced by other intangible assets and goodwill.

During 2011 and 2010, the Company's strategy has remained unchanged and was to maintain the total debt to equity and total adjusted net assets to adjusted equity ratio at no greater than 4 to 1 in order to comply with its dealership arrangements with John Deere and to meet its covenant conditions with the Company's lender. The total debt to adjusted equity ratios and total adjusted net assets to adjusted equity ratios were as follows:

	March 31, 2011	December 31, 2010	January 1, 2010
Total debt	\$ 96,418	\$ 87,173	\$ 62,343
Adjusted equity:			
Total equity	\$ 171,085	\$ 173,587	\$ 163,503
Less other intangible assets and goodwill	(26,839)	(27,506)	(14,220)
Adjusted equity	\$ 144,246	\$ 146,081	\$ 149,283
Total debt to adjusted equity ratio	0.66 to 1	0.59 to 1	0.41 to 1
Adjusted assets:			
Total assets	\$ 267,503	\$ 260,760	\$ 225,846
Less other intangible assets and goodwill	(26,839)	(27,506)	(14,220)
Adjusted assets	\$ 240,664	\$ 233,254	\$ 211,626
Adjusted equity (above)	\$ 144,246	\$ 146,081	\$ 149,283
Adjusted assets to adjusted equity ratio	1.67 to 1	1.60 to 1	1.42 to 1

There were no changes in the Company's approach to capital management in the period. Other than the Company's subsidiary Agriturf, neither the Company, nor any of its other subsidiaries are subject to externally imposed capital requirements. The Company is in the process of providing a guarantee to the New Zealand bank that is financing the operation cash flow of the foreign operation. The guarantee is being put in place to limit additional capital contributions to the subsidiary at this time.

28. SEGMENT INFORMATION

The Company has two reportable segments which include the agricultural equipment segment which primarily distributes agricultural related equipment and services and the construction and industrial equipment segment which includes primarily the sale of construction and industrial equipment and related services. These two business segments are described in note 4 and are considered to be the Company's two strategic business units. The two business segments offer different products and services and are managed separately as they operate in different markets and require separate strategies. For each of the strategic business units, the Company's CEO reviews internal management reports on a monthly basis. The following is a summary of financial information for each of the reportable segments.

The Company allocates corporate expenditures to each individual segment based on a direct allocation method. Total corporate related expenditures that have been allocated for the three month period ended March 31, 2011 are \$447 thousand (2010 - \$433 thousand).

March 31, 2011	Agricultural Equipment	Construction and Industrial Equipment	Total
Revenue	\$ 55,091	\$ 29,182	\$ 84,273
Profit (loss) for the period	(792)	637	(155)
Share of profit of equity accounted investees	73	-	73
Investment in associates	4,433	-	4,433
Depreciation and amortization	838	1,099	1,938
Interest revenue	26	23	49
Interest expense	121	236	357
Capital expenditures	619	838	1,456
Reportable segment assets	159,968	107,556	267,524
Reportable segment liabilities	65,017	31,401	96,418
Other intangible assets	5,484	16,254	21,738
Goodwill	2,907	2,194	5,101

March 31, 2010	Agricultural Equipment	Construction and Industrial Equipment	Total
Revenue	\$ 44,312	\$ 22,889	\$ 67,201
Loss for the period	(518)	(95)	(613)
Share of profit of equity accounted investees	15	-	15
Investment in associates	4,514	-	4,514
Depreciation and amortization	499	1,208	1,707
Interest revenue	15	14	29
Interest expense	112	274	386
Capital expenditures	472	1,402	1,874
Reportable segment assets	145,753	106,821	252,574
Reportable segment liabilities	51,888	34,649	86,537
Other intangible assets	6,290	17,495	23,785
Goodwill	1,672	2,194	3,866

The Company primarily operates in Western Canada but has a subsidiary, Agriturf that operates in the agricultural equipment business segment in New Zealand. The operations were purchased in July 2010 and therefore there are no financial results for the three month period ended March 31, 2010. Gross revenue and non-current assets for the geographic segment was \$5,420 thousand and \$6,355 thousand respectively.

29. COMMITMENTS AND CONTINGENCIES

John Deere Credit Inc. ("Deere Credit") and other financing companies provide financing to certain of the Company's customers. A portion of this financing is with recourse to the Company if the amounts are uncollectible. At December 31, 2011 payments in arrears by such customers aggregated \$174 thousand (December 31, 2010 - \$228 thousand; January 1, 2010 - \$588 thousand). In addition, the Company is responsible for assuming all lease obligations held by its customers with Deere Credit and other financing companies through recourse arrangements for the net residual value of the lease outstanding at the maturity of the contract. At December 31, 2011, the net residual value of such leases aggregated \$57,369 thousand (December 31, 2010 - \$56,455 thousand; January 1, 2010 - \$58,732 thousand).

Management believes that the potential liability in relation to the amounts outstanding is nominal and consequently, no accrual has been made in these financial statements in relation to any potential loss on assumed lease obligations.

30. RELATED PARTY TRANSACTIONS

KEY MANAGEMENT PERSONNEL COMPENSATION

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

The remuneration of key management personnel and directors during the three month period ended March 31 was:

	2011	2010
Short-term benefits	\$ 318	\$ 402
Share-based payments	30	30
	\$ 348	\$ 432

KEY MANAGEMENT PERSONNEL AND DIRECTOR TRANSACTIONS

Key management and directors of the Company control approximately 34% of the common voting shares of the Company.

During the three months ended March 31, 2011, the Company transacted in the normal course of business, \$9 thousand (2010 - \$16 thousand) of parts and service sales with a company controlled by a Director.

OTHER RELATED PARTY TRANSACTIONS

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

	2011	2010
Expenses:		
Real estate leases	\$ 736	\$ 657
Guarantee fees	\$ 21	\$ 21
Revenue:		
Management fees for administration	\$ 8	\$ 8
Interest on advances	\$ 22	\$ 17

The Company receives \$2.5 thousand per month to carry out all administrative and management tasks related to the Fund's operations.

The Company pays a guarantee fee to the Fund equal to 3% per annum for the guaranteed amounts that the Fund has provided to John Deere. This guarantee is a result of guarantees provided to John Deere prior to the establishment of the Fund and for which John Deere has not yet released the Fund from the contractual obligation. At March 31, 2011 and 2010, the Fund has outstanding guarantees with John Deere aggregating \$2,750 thousand.

Certain officers and dealer managers of the Company have provided guarantees to John Deere aggregating \$6,400 thousand. During the three month period ended March 31, 2011 and 2010, the Company paid those individuals \$192 thousand for providing these guarantees. These transactions were recorded at the amount agreed to between the Company and the guarantors and are included in selling, general and administrative expense.

31. SUBSIDIARIES

Details of the Company's subsidiaries at March 31, 2011 and December 31, 2010 are as follows:

Na Name of subsidiary	Proportion of ownership interest and voting power held
Cervus GP Ltd	100%
Cervus AG Equipment Ltd	100%
Cervus Contractors Equipment Ltd	100%
Agriturf Ltd.	60.28%
Agriturf Equipment Leasing Ltd, a wholly-owned subsidiary of Agriturf Ltd.	60.28%
Cervus LP	100%
Cervus AG Equipment LP	100%
Cervus Contractors Equipment LP	100%

32. TRANSITION TO IFRS

As stated in note 2, these are the Company's first consolidated financial statements prepared in accordance with IFRSs.

The accounting policies set out in note 3 have been applied in preparing the consolidated financial statements for the period ended March 31, 2011, the comparative information presented in these consolidated financial statements for the period ended March 31, 2010 and in the preparation of the consolidated statement of financial position for the periods ended December 31, 2010 and the opening IFRS consolidated statement of financial position at January 1, 2011, the Company's date of transition to IFRSs.

The Company's accounting policies under IFRS differ from those previously followed under Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). The resulting adjustments arising from events and transactions on January 1, 2010 (the "transition date"), to IFRS are recognized directly into opening retained earnings at that date. As a result of applying IFRS 1, the following tables outline the effect of adjusted amounts previously reported.

RECONCILIATION OF EQUITY REPORTED UNDER CANADIAN GAAP TO EQUITY REPORTED UNDER IFRS ON TRANSITION DATE

(as at January 1, 2010)

Assets	Notes	Canadian GAAP January 1, 2010	Transitional Adjustments	IFRS January 1, 2010
Current assets				
Cash and cash equivalents		\$ 13,453	\$ -	\$ 13,453
Deposit for business acquisition		6,810	-	6,810
Trade and other accounts receivable	1	13,399	1,340	14,739
Advances to related party		2,111	-	2,111
Future income tax asset	2	7,986	(7,986)	-
Inventories		89,150	-	89,150
Prepaid expenses and deposits	1	1,340	(1,340)	-
Total current assets		134,249	(7,986)	126,263
Non-current assets				
Investments in associates, at equity		\$ 1,887	\$ -	\$ 1,887
Other long-term assets		1,420	-	1,420
Deposits with manufacturers		1,649	-	1,649
Other intangible assets		11,021	-	11,021
Equipment		10,338	-	10,338
Goodwill		3,200	-	3,200
Deferred tax asset	2	62,082	7,986	70,068
Total non-current assets		91,597	7,986	99,583
Total assets		\$ 225,846	\$ -	\$ 225,846

RECONCILIATION OF EQUITY REPORTED UNDER CANADIAN GAAP TO EQUITY REPORTED UNDER IFRS ON TRANSITION DATE

(as at January 1, 2010)

Liabilities and Equity	Notes	Canadian GAAP January 1, 2010	Transitional Adjustments	IFRS January 1, 2010
Current liabilities				
Accounts payable and accrued liabilities		\$ 9,981	\$ -	\$ 9,981
Customer deposits		2,689	-	2,689
Floor plan payables		40,426	-	40,426
Dividends payable		2,545	-	2,545
Current portion of deferred credit	3	7,148	(7,148)	-
Current portion of term debt		4,004	-	4,004
Current portion of notes payable		367	-	367
Total current liabilities		67,160	(7,148)	60,012
Non-current liabilities				
Term debt		1,839	-	1,839
Notes payable		492	-	492
Deferred credit	3	57,261	(57,261)	-
Total non-current liabilities		59,592	(57,261)	2,331
Total liabilities		126,752	(64,409)	62,343
Equity				
Share capital	4	65,766	(166)	65,600
Share purchase loans	4	(166)	166	-
Deferred share plan	6	1,814	68	1,882
Contributed surplus	5	2,882	(2,882)	-
Other reserves	5	-	2,882	2,882
Retained earnings	3, 6	28,798	64,341	93,139
Total equity		99,094	64,409	163,503
Total liabilities and shareholders' equity		\$ 225,846	\$ -	\$ 225,846

Notes to reconciliation of equity reported under Canadian GAAP to equity reported under IFRS on transition date (as at January 1, 2010).

1. Prepaid expenses and deposits were reclassified in order to be disclosed as part of trade and other accounts receivables.
2. Future income tax asset was reclassified to be disclosed as part of the deferred tax asset which is disclosed as a non-current asset.
3. Balances relating to deferred credits, which relates to the acquisition of tax losses, were written off in opening retained earnings, as the recognition of deferred credits in relation to acquired carry-forward losses is not permitted under the IFRS.
4. The share purchase loans account was reclassified to shareholders' capital in order to adhere to the requirements of IFRS which requires the account to be presented on a net basis on the face of the balance sheet. The breakdown of the account will be disclosed in the shareholders' equity note.
5. Contributed surplus is not a 'term' used under the IFRS. This account balance was renamed to 'other reserves' in order to conform to the requirements of IFRS.
6. The matching component of the deferred share plan was being amortized into income on a straight-line basis over the vesting period whereas under IFRS, the matching component is being amortized into income over the term of each grant's vesting period.

RECONCILIATION OF EQUITY REPORTED UNDER CANADIAN GAAP TO EQUITY REPORTED UNDER IFRS

for the Year Ended December 31, 2010

Assets	Notes	Canadian GAAP December 31, 2010	Transitional Adjustments	IFRS December 31, 2010
Current assets				
Cash and cash equivalents		\$ 19,605	\$ -	\$ 19,605
Trade and other accounts receivable	1	21,292	2,047	23,339
Advances to related party		2,728	-	2,728
Future income tax asset	2	6,418	(6,418)	-
Inventories		97,824	-	97,824
Prepaid expenses and deposits	1	2,047	(2,047)	-
Total current assets		149,914	(6,418)	143,496
Non-current assets				
Investments in associates, at equity		4,707	-	4,707
Other long-term assets		168	-	168
Deposits with manufacturers		1,715	-	1,715
Other intangible assets		22,352	-	22,352
Equipment		22,018	-	22,018
Goodwill		5,154	-	5,154
Deferred tax asset	2	54,732	6,418	61,150
Total non-current assets		110,846	6,418	117,264
Total assets		\$ 260,760	\$ -	\$ 260,760

RECONCILIATION OF EQUITY REPORTED UNDER CANADIAN GAAP TO EQUITY REPORTED UNDER IFRS

for the Year Ended December 31, 2010

Liabilities and Equity	Notes	Canadian GAAP December 31, 2010	Transitional Adjustments	IFRS December 31, 2010
Current liabilities				
Accounts payable and accrued liabilities		\$ 19,820	\$ -	\$ 19,820
Customer deposits		2,148	-	2,148
Floor plan payables		44,203	-	44,203
Dividends payable		2,634	-	2,634
Current portion of deferred credit	3	5,898	(5,898)	-
Current portion of term debt		3,993	-	3,993
Current portion of notes payable		2,683	-	2,683
Total current liabilities		81,379	(5,898)	75,481
Non-current liabilities				
Term debt		6,438	-	6,438
Notes payable		5,254	-	5,254
Deferred credit	3	51,991	(51,991)	-
Total non-current liabilities		63,683	(51,991)	11,692
Total liabilities		145,062	(57,889)	87,173
Equity				
Share capital	4	71,711	(70)	71,641
Share purchase loans	4	(70)	70	-
Deferred share plan	6	2,658	165	2,823
Contributed surplus	5	2,927	(2,927)	-
Other reserves	5	-	2,927	2,927
Accumulated other comprehensive income		157	-	157
Retained earnings	3, 6	36,478	57,724	94,202
Total equity attributable to equity holders of the Company		113,861	57,889	171,750
Non-controlling interest	7	1,837	-	1,837
Total equity		115,698	57,889	173,587
Total liabilities and shareholders' equity		\$ 260,760	\$ -	\$ 260,760

Notes to reconciliation of equity reported under Canadian GAAP to equity reported under IFRS for the year ended December 31, 2010.

1. Prepaid expenses and deposits were reclassified in order to be disclosed as part of trade and other accounts receivables.
2. Future income tax asset was reclassified to be disclosed as part of the deferred tax asset which is disclosed as a non-current asset.
3. Balances relating to deferred credits, which relates to the acquisition of tax losses, were written off in opening retained earnings, as the recognition of deferred credits in relation to acquired carry-forward losses is not permitted under the IFRS.
4. The share purchase loans account was reclassified to shareholders' capital in order to adhere to the requirements of IFRS which requires the account to be presented on a net basis on the face of the balance sheet. The breakdown of the account will be disclosed in the shareholders' equity note.
5. Contributed surplus is not a 'term' used under the IFRS. This account balance was renamed to 'other reserves' in order to conform to the requirements of IFRS.
6. The matching component of the deferred share plan was being amortized into income on a straight-line basis over the vesting period whereas under IFRS, the matching component is being amortized into income over the term of each grant's vesting period.
7. Non-controlling interest has been reclassified in order to be disclosed as part of total equity.

RECONCILIATION OF COMPREHENSIVE INCOME REPORTED UNDER CANADIAN GAAP TO COMPREHENSIVE INCOME REPORTED UNDER IFRS

for the year ended December 31, 2010

	Notes	Canadian GAAP December 31, 2010	Transitional Adjustments	FRS December 31, 2010
Revenue				
Equipment sales		\$ 355,557	\$ -	\$ 355,557
Parts		63,017	-	63,017
Service		40,572	-	40,572
Rentals		9,985	-	9,985
		469,131	-	469,131
Cost of sales		380,402	-	380,402
Gross profit				
		88,729	-	88,729
Other income	1	-	385	385
Selling, general and administrative	2, 3	(66,829)	(5,045)	(71,874)
Interest	4	(1,708)	1,708	-
Depreciation and amortization	2	(4,948)	4,948	-
Results from operating activities				
		15,244	1,996	17,240
Foreign exchange loss	1	(8)	8	-
Gain on disposal of assets	1	393	(393)	-
Finance income		1,371	-	1,371
Finance costs	4	-	(1,708)	(1,708)
Net finance costs				
		1,756	(2,093)	(337)
Share of profit of equity accounted investees (net of income tax)		1,704	-	1,704
Profit before income taxes				
		18,704	(97)	18,607
Income tax expense	3, 5	(574)	(6,520)	(7,094)
Profit before non-controlling interest				
		18,130	(6,617)	11,513
Loss attributed to non-controlling interest	6	71	(71)	-
Profit for the year				
		18,201	(6,688)	11,513
Other comprehensive income				
		156	-	156
Total comprehensive income for the year				
		\$ 18,357	\$ (6,688)	\$ 11,669

Notes to reconciliation of comprehensive income reported under Canadian GAAP to comprehensive income reported under IFRS for the year ended December 31, 2010.

1. Gain on disposal of assets and foreign exchange losses were previously classified as other income (expense) after the results from operating activities whereas under IFRSs, these amounts have been reclassified to other income as a component of the results from operating activities.
2. The Company previously classified its depreciation and amortization expense related to its selling, general and administrative expense function separately under previous Canadian GAAP whereas in accordance with IFRSs, depreciation and amortization expenses have been reclassified to selling, general and administrative expense.
3. The matching component of the deferred share plan was being amortized into income on a straight-line basis over the vesting period under previous Canadian GAAP whereas under IFRSs, the matching component is being amortized into income over the term of each vesting period resulting in an additional expense to be recorded of \$97 thousand.
4. The Company previously classified interest expense as a component of results from operating activities whereas under IFRSs, interest expense has been reclassified as finance costs after the results from operating activities.
5. Balances relating to deferred credits, which relates to the acquisition of tax losses, were written off in opening retained earnings as at January 1, 2010, as the recognition of deferred credits is not permitted under the IFRS. As a result, the previously recorded reduction in income tax expense of \$6.52 million has been reversed and recorded as an adjustment to retained earnings.
6. Under IFRSs, the loss attributed to non-controlling interest is presented as an allocation of net profit for the period whereas under previous Canadian GAAP, non-controlling interest in the consolidated profit was presented as an income in arriving at profit for the period.

Material adjustments to the statement of cash flows for the year ended December 31, 2010 and the three month period ended March 31, 2010

Consistent with the Companies accounting policy choice under IAS7, *Statement of Cash Flows*, interest paid has been moved into the body of the *Statement of Cash Flows* and included in net cash from (used in) operating activities, whereas they were previously disclosed as supplementary information. There are no other material differences between the statement of cash flows presented under IFRSs and the statement of cash flows presented under previous Canadian GAAP.

RECONCILIATION OF EQUITY REPORTED UNDER CANADIAN GAAP TO EQUITY REPORTED UNDER IFRS

for the Period Ended March 31, 2010

Assets	Notes	Canadian GAAP March 31, 2010	Transitional Adjustments	IFRS March 31, 2010
Current assets				
Cash and cash equivalents		\$ 7,456	\$ -	\$ 7,456
Trade and other accounts receivable	1	19,169	1,948	21,117
Advances to related party		2,410	-	2,410
Income taxes receivable		174	(174)	-
Future income tax asset	2	7,986	(7,986)	-
Inventories		100,998	-	100,998
Prepaid expenses and deposits	1	1,774	(1,774)	-
Total current assets		139,967	(7,986)	131,981
Non-current assets				
Investments in associates, at equity		4,514	-	4,514
Other long-term assets		2,084	-	2,084
Deposits with manufacturers		1,227	-	1,227
Other intangible assets		24,541	-	24,541
Equipment		15,881	-	15,881
Goodwill		3,866	-	3,866
Deferred tax asset	2	60,258	8,222	68,480
Total non-current assets		112,371	8,222	120,593
Total assets		\$ 252,338	\$ 236	\$ 252,574

RECONCILIATION OF EQUITY REPORTED UNDER CANADIAN GAAP TO EQUITY REPORTED UNDER IFRS

for the Period Ended March 31, 2010

Liabilities and Equity	Notes	Canadian GAAP March 31, 2010	Transitional Adjustments	IFRS March 31, 2010
Current liabilities				
Accounts payable and accrued liabilities		\$ 10,934	\$ -	\$ 10,934
Customer deposits		4,143	-	4,143
Floor plan payables		50,199	-	50,199
Dividends payable		2,626	-	2,626
Current portion of deferred credit	3	7,148	(7,148)	-
Current portion of term debt		4,626	-	4,626
Current portion of notes payable		2,531	-	2,531
Total current liabilities		82,207	(7,148)	75,059
Non-current liabilities				
Term debt		3,641	-	3,641
Notes payable		7,837	-	7,837
Deferred credit	3	57,260	(57,260)	-
Total non-current liabilities		68,738	(57,260)	11,478
Total liabilities		150,945	(64,408)	86,537
Equity				
Share capital	4	71,266	(138)	71,128
Share purchase loans	4	(138)	138	-
Deferred share plan	6	2,015	89	2,104
Contributed surplus	5	2,886	(2,886)	-
Other reserves	5	-	2,886	2,886
Retained earnings	3, 6	25,364	64,555	89,919
Total equity		101,393	64,408	166,037
Total liabilities and shareholder' equity		\$ 252,338	\$ -	\$ 252,574

Notes to reconciliation of equity reported under Canadian GAAP to equity reported under IFRS for the period ended March 31, 2010.

1. Prepaid expenses and deposits were reclassified in order to be disclosed as part of trade and other accounts receivables.
2. Future income tax asset was reclassified to be disclosed as part of the deferred tax asset which is disclosed as a non-current asset.
3. Balances relating to deferred credits, which relates to the acquisition of tax losses, were written off in opening retained earnings, as the recognition of deferred credits is not permitted under the IFRS. In addition, an income tax recovery of \$236 thousand was recorded to properly reflect income taxes in accordance with IFRS.
4. The share purchase loans account was reclassified to shareholders' capital in order to adhere to the requirements of IFRS which requires the account to be presented on a net basis on the face of the balance sheet. The breakdown of the account will be disclosed in the shareholders' equity note.
5. Contributed surplus is not a 'term' used under the IFRS. This account balance was renamed to 'other reserves' in order to conform to the requirements of IFRS.
6. The matching component of the deferred share plan was being amortized into income on a straight-line basis over the vesting period whereas under IFRS, the matching component is being amortized into income over the term of each vesting period.

RECONCILIATION OF COMPREHENSIVE INCOME REPORTED UNDER CANADIAN GAAP TO COMPREHENSIVE INCOME REPORTED

under IFRS for the three month period ended March 31, 2010

	Notes	Canadian GAAP March 31, 2010	Transitional Adjustments	IFRS March 31, 2010
Revenue				
Equipment sales		\$ 46,094	\$ -	\$ 46,094
Parts		11,513	-	11,513
Service		7,887	-	7,887
Rentals		1,707	-	1,707
		67,201	-	67,201
Cost of sales		51,929	-	51,929
Gross profit				
Other income	1	-	257	257
Selling, general and administrative	2, 3	(14,920)	(1,118)	(16,038)
Interest	4	(339)	339	-
Depreciation and amortization	2	(1,096)	1,096	-
Results from operating activities				
		(1,083)	319	(509)
Foreign exchange loss	1	(45)	45	-
Gain on disposal of assets	1	47	(47)	-
Finance income	1	239	29	29
Finance costs	4	-	(384)	(384)
Net finance costs				
		241	(341)	(355)
Share of profit of equity accounted investees (net of income tax)		15	-	15
Profit before income taxes				
		(827)	(22)	(849)
Income tax recovery	3, 5	-	236	236
Loss and comprehensive loss for the period				
		(827)	214	(613)

Notes to reconciliation of comprehensive income reported under Canadian GAAP to comprehensive income reported under IFRS for the three month period ended March 31, 2010

- Gain on disposal of assets, foreign exchange losses and interest income were previously classified as other income (expense) after the results from operating activities whereas under IFRSs, these amounts have been reclassified to other income as a component of the results from operating activities.
- The Company previously classified its depreciation and amortization expense related to its selling, general and administrative expense function separately under previous Canadian GAAP whereas in accordance with IFRSs, depreciation and amortization expenses have been reclassified to selling, general and administrative expense.
- The matching component of the deferred share plan was being amortized into income on a straight-line basis over the vesting period under previous Canadian GAAP whereas under IFRSs, the matching component is being amortized into income over the term of each vesting period resulting in an additional expense to be recorded of \$22 thousand.
- The Company previously classified interest expense as a component of results from operating activities whereas under IFRSs, interest expense has been reclassified as finance costs after the results from operating activities.