

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

For the three and nine month periods ended September 30, 2011 and 2010

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30, 2011, December 31, 2010

( \$ thousands)	Note	September 30, 2011	December 31, 2010
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 22,830	\$ 19,605
Trade and other accounts receivable		42,101	26,067
Inventories	8	101,947	97,824
<b>Total current assets</b>		<b>166,878</b>	<b>143,496</b>
<b>Non-current assets</b>			
Investments in associates, at equity		5,527	4,760
Other long-term assets		113	115
Deposits with manufacturers		1,498	1,715
Intangible assets		20,509	22,352
Goodwill		5,091	5,154
Non-current assets held for sale		1,548	-
Property and equipment		25,185	22,018
Deferred tax asset		55,756	61,150
<b>Total non-current assets</b>		<b>115,227</b>	<b>117,264</b>
<b>Total assets</b>		<b>\$ 282,105</b>	<b>\$ 260,760</b>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at September 30, 2011, December 31, 2010

(In \$ thousands)	Note	September 30, 2011	December 31, 2010
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other accrued liabilities		\$ 26,652	\$ 21,968
Floor plan payables		59,353	44,203
Dividends payable		2,644	2,634
Current portion of term debt		2,081	3,993
Current portion of notes payable		2,437	2,683
<b>Total current liabilities</b>		<b>93,167</b>	<b>75,481</b>
<b>Non-current liabilities</b>			
Term debt		2,241	6,438
Notes payable		5,398	5,254
<b>Total non-current liabilities</b>		<b>7,639</b>	<b>11,692</b>
<b>Total liabilities</b>		<b>100,806</b>	<b>87,173</b>
<b>Equity</b>			
Shareholders' capital	10	72,691	71,641
Deferred share plan		3,454	2,823
Other reserves		3,000	2,927
Accumulated other comprehensive income		278	157
Retained earnings		100,334	94,202
<b>Total equity attributable to equity holders of the Company</b>		<b>179,757</b>	<b>171,750</b>
<b>Non-controlling interest</b>		<b>1,542</b>	<b>1,837</b>
<b>Total equity</b>		<b>181,299</b>	<b>173,587</b>
<b>Total liabilities and equity</b>		<b>\$ 282,105</b>	<b>\$ 260,760</b>

Approved by the Board:



Peter Lacey, Director



Gary Harris, Director

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

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three and nine month periods ended September 30, 2011 and 2010

(In \$ thousands)	Note	Three month period ended September 30		Nine month period ended September 30	
		2011	2010	2011	2010
Revenue			(Note 15)		(Note 15)
Equipment sales		\$ 147,923	\$ 130,509	\$ 319,806	\$ 277,400
Parts		23,336	19,771	56,137	45,686
Service		12,690	11,389	34,231	29,697
Rentals		2,929	2,792	8,068	6,806
Total revenue		186,878	164,461	418,242	359,589
Cost of sales		(154,592)	(135,774)	(340,053)	(293,440)
Gross profit		32,286	28,687	78,188	66,149
Other income		334	356	1,015	923
Selling, general and administrative	6	(21,987)	(18,611)	(60,577)	(52,192)
Results from operating activities		10,633	10,432	18,626	14,880
Finance income		53	58	217	178
Finance costs		(355)	(618)	(1,050)	(1,331)
Net Finance Costs		(302)	(560)	(833)	(1,153)
Share of profit of equity accounted investees, net of income tax		624	975	1,202	1,493
Profit before income taxes		10,955	10,847	18,995	15,220
Income taxes	7	(2,930)	(4,074)	(5,394)	(5,806)
Profit for the period		8,025	6,773	13,601	9,414
Other comprehensive income					
Foreign currency translation differences for foreign operations	8	87	87	245	87
Total comprehensive profit for the period		\$ 8,033	\$ 6,860	\$ 13,846	\$ 9,501

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

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the nine month period ended September 30, 2011 and 2010

(in \$ thousands)	Three month period ended September 30,		Nine month period ended September 30,	
	2011	2010	2011	2010
Net profit attributable to:				
Shareholders of the Company	\$ 8,193	\$ 6,753	\$ 14,048	\$ 9,394
Non-controlling interest	(168)	20	(447)	20
Profit for the period	\$ 8,025	\$ 6,773	\$ 13,601	\$ 9,414
Total comprehensive income attributable to:				

Total comprehensive income attributable to:				
Shareholders of the Company	\$ 8,201	\$ 6,840	\$ 14,293	\$ 9,481
Non-controlling interest	(168)	20	(447)	20
Total comprehensive profit for the period	\$ 8,033	\$ 6,860	\$ 13,846	\$ 9,501

Earnings per share (note 12):				
Basic	\$ 0.56	\$ 0.48	\$ 0.97	\$ 0.66
Diluted	0.54	0.47	0.94	0.65

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

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine month period ended September 30, 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 reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance, January 1, 2010		\$ 65,766	\$ -	\$ (166)	\$ 1,882	\$ 2,882	\$ -	\$ 93,139	\$ 163,503	\$ -	\$ 163,503
<b>Comprehensive income for the period</b>											
Profit or loss		-	-	-	-	-	-	9,394	9,394	20	9,414
<b>Other comprehensive income</b>											
Foreign currency translation adjustments		-	-	-	-	-	87	(22)	65	56	121
Total comprehensive income for the period		-	-	-	-	-	87	9,372	9,459	76	9,535
<b>Transactions with owners, recorded directly in equity</b>											
Dividends to equity holders	10	-	-	-	-	-	-	(7,915)	(7,915)	-	(7,915)
Shares issued through DRIP	10	443	-	-	-	-	-	-	443	-	443
Share-based payment transactions	10	5	-	-	573	-	-	-	578	-	578
Stock options issued	10	-	-	-	-	30	-	-	30	-	30
Amortized to profit during the year	10	-	-	83	-	-	-	-	83	-	83
Issue of preferred shares related to business combination	10	-	5,361	-	-	-	-	-	5,361	-	5,361
Total transactions before undernoted		448	5,361	83	573	30	-	(7,915)	(1,420)	-	(1,420)
Acquisition of non-controlling interest		-	-	-	-	-	-	-	-	1,805	1,805
Total transactions with owners		448	5,361	83	573	30	-	(7,915)	(1,420)	1,805	385
Balance September 30, 2010		66,214	5,361	(83)	2,455	2,912	87	94,596	171,542	1,881	173,423

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

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the nine month period ended September 30, 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 reserve	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
<b>Comprehensive income for the Period</b>											
Profit or loss		-	-	-	-	-	-	14,048	14,048	(447)	13,601
<b>Other comprehensive income</b>											
Foreign currency translation adjustments		-	-	-	-	-	121	-	121	152	273
Total comprehensive income for the period		-	-	-	-	-	121	14,048	14,169	(295)	13,874
<b>Transactions with owners, recorded directly in equity</b>											
Dividends to equity holders	11	-	-	-	-	-	-	(7,916)	(7,916)	-	(7,916)
Conversion of shares and cumulative dividends to share capital	11	5,440	(5,361)	-	-	-	-	-	79	-	79
Shares issued through DRIP	11	492	-	-	-	-	-	-	492	-	492
		381							381		381
Shares issued through deferred share plan	11	42	-	-	(42)	-	-	-	-	-	-
Share-based payment transactions	11	-	-	-	673	-	-	-	673	-	673
Stock options issued	11	-	-	-	-	73	-	-	73	-	73
Amortized to profit during the year	11	-	-	56	-	-	-	-	56	-	56
Total transactions with owners		6,355	(5,361)	56	631	73	121	6,132	8,007	(295)	7,712
Balance September 30, 2011		72,705	-	(14)	3,454	3,000	278	100,334	179,757	1,542	181,299

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

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine month periods ended September 30, 2011 and 2010

(in \$ thousands)	Note	2011	2010
<b>Cash flows from operating activities</b>			
Profit for the period		\$ 13,601	\$ 9,414
Depreciation		4,058	3,295
Amortization of intangibles		1,843	2,151
Forgiveness of employee purchase loans		56	83
Equity-settled share-based payment transactions		747	465
Net finance costs		1,075	1,153
Gain on sale of property and equipment		(276)	(286)
Share of profit of equity accounted investees, net of tax		(1,202)	(1,493)
Income taxes	7	5,394	5,806
Change in non-cash working capital		(2,014)	(10,175)
		23,282	10,413
Interest paid		(913)	(1,004)
<b>Net cash from operating activities</b>		<b>22,369</b>	<b>9,409</b>
<b>Cash flows from investing activities</b>			
Interest received		217	179
Proceeds from business acquisitions		-	1,680
Reduction (increase) in goodwill		27	(4)
Advances to related party		(2)	(604)
Purchase of property and equipment, net	9	(6,413)	(5,271)
Proceeds from investments at equity		435	1,223
Decrease (increase) in other investments, at cost		1	(1,848)
<b>Net cash used in investing activities</b>		<b>(5,735)</b>	<b>(4,645)</b>
<b>Cash flows from financing activities</b>			
Advances from (repayments of) term debt		(6,027)	122
Repayment from non-controlling interest		233	-
Dividends	10	(7,336)	(7,351)
Decrease in deposits with John Deere		213	107
Repayment of notes payable		(492)	(267)
<b>Net cash used in financing activities</b>		<b>(13,409)</b>	<b>(7,389)</b>
Net increase (decrease) in cash and cash equivalents		3,225	(2,625)
Cash and cash equivalents, beginning of period		19,605	13,453
Cash and cash equivalents, end of period		\$ 22,830	\$ 10,828

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



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the period ended September 30, 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 September 30, 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”.

The accompanying condensed financial information has not been reviewed or audited.

## 2. BASIS OF PREPARATION

This condensed consolidated interim financial information for the nine month period ended September 30, 2011 has been prepared in accordance with IAS 34, “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the three month period ended March 31, 2011 interim financial statements which have been prepared in accordance with IFRSs.

The financial statements for the three and nine month period ended September 30, 2010 were previously reported under Canadian GAAP. As the Company has adopted IFRS as of January 1, 2010, these amounts have been restated to conform to IFRSs as of that date. A reconciliation of previously reported Canadian GAAP to IFRS is included in note 15.

## STATEMENT OF COMPLIANCE

The Board of Directors authorized the issue of these consolidated financial statements on November 8, 2011.

## 3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the interim financial statements prepared for the three month period ended March 31, 2011 and as described in note 4 in those interim financial statements.

## 4. 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 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
IFRS 10	Consolidated Financial Statements, which provides guidance in replacing Standing Interpretations Committee 12, “Consolidation – Special Purpose Entities” and the consolidation requirements of IAS27, Consolidated and Separate Financial Statements. The new standard eliminates the current risk and rewards approach and establishes control as the single basis for determining whether to consolidate an entity.	May 2011	Annual periods beginning on or after January 1,2013
IFRS 11	Joint Arrangements which redefines joint operations and joint ventures and requires joint operations to proportionately consolidate and joint ventures to be accounted for under the equity method. Under IAS 31, joint ventures could be proportionately consolidated.	May 2011	Annual periods beginning on or after January 1,2013
IFRS 12	Disclosure of Interests in Other Entities outlines the required disclosures for interest in subsidiaries and joint arrangements. The new disclosures will require information that will enable financial statement users to evaluate the nature, risks and financial effects associated with an entity’s interest in subsidiaries and joint arrangements.	May 2011	Annual periods beginning on or after January 1,2013
IFRS 13	Fair Value Measurement, provides a common definition of fair value and establishes a framework for measuring fair value under IFRS and also enhances the disclosures required for fair value measurements. This standard applies where fair value measurements are required and does not require new fair value measurements.	May 2011	Annual periods beginning on or after January 1,2013
IAS 19	Post Employment Benefits, amends the recognition and measurement of defined benefit pension expense and expands the disclosures required for all employee benefit plans.	May 2011	Annual periods beginning on or after January 1,2013

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

## 5. SEASONALITY

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

## 6. WAGES AND BENEFITS

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

(in \$ thousands)	Three month period ended September 30		Nine month period ended September 30	
	2011	2010	2011	2010
Short-term benefits	\$ 13,266	\$ 11,096	\$ 35,668	\$ 30,532
Share-based payments	401	302	704	671
	\$ 13,667	\$ 11,398	\$ 36,372	\$ 31,203

## 7. INCOME TAXES

Income tax recognized in profit for the periods ended September 30, 2011 and 2010 are:

The expense for the year can be reconciled to the accounting profit based on using federal and provincial statutory rates of 27.1% (2010 - 28.6%). The primary reason for the reduction in the overall tax rate was due to a reduction in the federal income tax rate of 1.5% and the allocation of taxable income to provincial jurisdictions with different income tax rates.

(in \$ thousands)	Three month period ended September 30		Nine month period ended September 30	
	2011	2010	2011	2010
Income for the period before tax	\$ 10,955	\$ 10,847	\$ 18,995	\$ 15,220
Expected income tax	2,968	3,102	5,147	4,352
Non-deductible costs and other	(38)	972	247	1,454
<b>Income tax expense recognized in profit</b>	<b>\$ 2,930</b>	<b>\$ 4,074</b>	<b>\$ 5,394</b>	<b>\$ 5,806</b>

## 8. INVENTORIES

(in \$ thousands)	September 30, 2011	December 31, 2010
New equipment	\$ 39,693	\$ 36,755
Used equipment	44,777	45,837
Parts and accessories	16,150	14,597
Work-in-progress	1,327	635
	<b>\$ 101,947</b>	<b>\$ 97,824</b>

During the three and nine month period ended September 30, 2011, inventories recognized as cost of sales amounted to \$163,185 thousand and \$323,228 thousand (2010 - \$136,369 thousand and \$271,883 thousand). Write-downs of \$311 thousand were recorded for the three and nine month periods ended September 30, 2011 (\$nil during 2010).

## 9. PROPERTY AND EQUIPMENT, NET

Included in property and equipment are \$2,807 thousand of land and building under construction.

### 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 \$5,327 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 \$2,304 thousand are pledged as security for certain term debt amounts.

## 10. 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
<b>Balance January 1, 2010</b>	-	\$ -	14,140	\$ 65,766	\$ (166)	\$ 65,600
Issued in business combination	425	5,361	-	-	-	5,361
Issued under the DRIP plan	-	-	37	443	-	443
Issued under the deferred share plan	-	-	1	5	-	5
Amortized to profit	-	-	-	-	83	83
<b>Balance September 30, 2010</b>	<b>425</b>	<b>5,361</b>	<b>14,178</b>	<b>66,214</b>	<b>(83)</b>	<b>71,492</b>
Issued under the DRIP plan	-	-	13	136	-	136
Amortized to profit	-	-	-	-	13	13
<b>Balance December 31, 2010</b>	<b>425</b>	<b>5,361</b>	<b>14,191</b>	<b>66,350</b>	<b>(70)</b>	<b>71,641</b>
Addition from conversion of cumulative dividends	8	79	-	-	-	79
Conversion of preferred shares	(433)	(5,440)	433	5,440	-	-
Issued under the DRIP plan	-	-	32	490	-	490
Issued under the deferred share plan	-	-	4	43	-	43
Issued from treasury on acquisition of land	-	-	26	382	-	382
Amortized to profit	-	-	-	-	46	46
<b>Balance September 30, 2011</b>	<b>-</b>	<b>\$ -</b>	<b>14,686</b>	<b>\$ 72,705</b>	<b>\$ (14)</b>	<b>72,691</b>

### COMMON SHARES

During the period ended September 30, 2011, the Company issued 32 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 4 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. As part of the purchase of certain lands, the Company issued 26 thousand common shares from treasury at a fair value of \$382 thousand during the period ended September 30, 2011.

## PREFERENCE SHARES

During the period ended September 30, 2011, the Company exercised its right to redeem and convert the 425 thousand preference shares plus cumulative and unpaid dividends of \$79 thousand that were converted to 8 thousand common shares. As a result, 433 thousand common shares were issued during the nine month period ended September 30, 2011.

## DIVIDENDS

The Company has declared and paid the following dividends:

(In \$ thousands)	Nine month period ended September 30, 2011		Year ended December 31, 2010	
\$0.54 per qualifying common share (\$0.72 for the year ended December 31, 2010)	\$	7,836	\$	10,203
7% of face value of \$4,540 thousand till redeemed		79		318
	\$	7,915	\$	10,521

## 11. 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 September 30, 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)	September 30, 2011		September 30, 2010	
	Three Months Ended	Nine Months Ended	Three Months Ended	Nine Months Ended
Issued common shares	14,659	14,495	14,176	14,163
Effect of shares issued under the share option plan	30	30	11	17
Effect of shares issued under the deferred share plan	463	463	330	330
Weighted average number of common shares	15,152	14,988	14,517	14,510

## 12. FINANCIAL RISK MANAGEMENT

### 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 Unitholders and benefits for other stakeholders and to provide an adequate return to Shareholders by pricing products and services commensurately with the level of risk. In the management of capital, the Company monitors its adjusted capital which comprises all components of equity (i.e. shares issued, accumulated earnings, shareholder 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 distributions paid to the Unitholders.

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

During 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:

	September 30, 2011	December 31, 2010
Total debt	\$ 100,806	\$ 87,173
Adjusted equity:		
Total equity	\$ 181,299	\$ 173,587
Less other intangible assets and goodwill	(25,600)	(27,506)
Adjusted equity	\$ 155,699	\$ 146,081
Total debt to adjusted equity ratio	0.65 to 1	0.59 to 1
<b>Adjusted assets:</b>		
Total assets	\$ 282,105	\$ 260,760
Less other intangible assets and goodwill	(25,600)	(27,506)
Adjusted assets	\$ 256,505	\$ 233,254
Adjusted equity (above)	\$ 155,699	\$ 146,081
Adjusted assets to adjusted equity ratio	1.65 to 1	1.60 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.

## 13. SEGMENT INFORMATION

The Company has two reportable segments which include the agricultural equipment segment which primarily distributes agricultural related equipment and services and the construction 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 3 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, including income taxes that have been allocated for the three and nine month period ended September 30, 2011 are \$2,687 thousand \$6,122 thousand (2010 - \$2,519 thousand and \$5,977 thousand) respectively.

Three months ended September 30, 2011	Agricultural Equipment	Construction and Industrial Equipment	Total
Revenue	\$ 149,433	\$ 37,445	\$ 186,878
Profit for the period	6,534	1,491	8,025
Share of profit of equity accounted investees	624	-	624
Investment in associates	5,527	-	5,527
Depreciation and amortization	905	1,108	2,013
Finance income	30	23	53
Finance costs, including interest in cost of sales	(156)	(174)	(330)
Capital expenditures	5,410	252	5,662
Reportable segment assets	176,341	105,765	282,106
Reportable segment liabilities	70,407	30,399	100,806
Other intangible assets	5,085	15,424	20,509
Goodwill	2,898	2,193	5,091

Three months ended September 30, 2010	Agricultural Equipment	Construction and Industrial Equipment	Total
Revenue	\$ 137,175	\$ 27,286	\$ 164,461
Profit for the period	4,977	1,796	6,773
Share of profit of equity accounted investees	975	-	975
Investment in associates	4,796	-	4,796
Depreciation and amortization	560	1,301	1,861
Finance income	10	50	60
Finance costs, including interest in cost of sales	(172)	(502)	(674)
Capital expenditures	4,251	1,036	5,287
Reportable segment assets	174,716	102,956	277,672
Reportable segment liabilities	75,014	29,235	104,249
Other intangible assets	5,885	17,184	23,069
Goodwill	1,673	2,193	3,866

<b>Nine months ended September 30, 2011</b>	<b>Agricultural Equipment</b>	<b>Construction and Industrial Equipment</b>	<b>Total</b>
Revenue	\$ 315,133	\$ 103,109	\$ 418,242
Profit for the period	10,351	3,250	13,601
Share of profit of equity accounted investees	1,202	-	1,202
Investment in associates	5,527	-	5,527
Depreciation and amortization	2,587	3,314	5,901
Finance income	147	70	217
Finance costs, including interest in cost of sales	(648)	(644)	(1,292)
Capital expenditures	6,452	1,449	7,901
Reportable segment assets	176,341	105,765	282,106
Reportable segment liabilities	70,407	30,399	100,806
Other intangible assets	5,085	15,424	20,509
Goodwill	2,898	2,193	5,091

<b>Nine months ended September 30, 2010</b>	<b>Agricultural Equipment</b>	<b>Construction and Industrial Equipment</b>	<b>Total</b>
Revenue	\$ 280,464	\$ 79,125	\$ 359,589
Profit for the period	7,881	1,533	9,414
Share of profit of equity accounted investees	1,493	-	1,493
Investment in associates	4,796	-	4,796
Depreciation and amortization	1,749	3,698	5,447
Finance income	107	72	179
Finance costs, including interest in cost of sales	(500)	(993)	(1,493)
Capital expenditures	5,288	2,975	8,263
Reportable segment assets	174,716	102,956	277,672
Reportable segment liabilities	75,014	29,235	104,249
Other intangible assets	5,885	17,184	23,069
Goodwill	1,673	2,193	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 of Agriturf were purchased in July 2010

Gross revenue and non-current assets and liabilities for the New Zealand geographic segment for the nine month period ended September 30, 2011 was \$18,772 thousand (2010 - \$7,857 thousand), \$6,661 thousand (2010 - \$6,747 thousand) and \$2,942 thousand (2010 - \$2,629 thousand), respectively. Gross revenue for the three month period ended September 30, 2011 was \$7,679 thousand (2010 - \$7,857).



## 14. 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 and nine month period ended September 30 was:

	Three month period ended September 30		Nine month period ended September 30	
	2011	2010	2011	2010
(in \$ thousands)				
Short-term benefits	\$ 293	\$ 276	\$ 939	\$ 873
Share-based payments	134	21	195	64
	\$ 427	\$ 297	\$ 1,134	\$ 937

### 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 and nine months ended September 30, 2011, the Company transacted in the normal course of business, \$130 thousand and \$193 thousand (2010 - \$386 thousand and \$445 thousand), respectively, 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 ("Proventure" or 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:

	Three month period ended September 30		Nine month period ended September 30	
	2011	2010	2011	2010
Expenses				
Real estate rentals	\$ 777	\$ 743	\$ 2,302	\$ 2,225
Guarantee fees	21	21	62	62
Revenue				
Management fees	15	8	23	23
Interest on advances	22	16	66	53

## 15. SUBSEQUENT EVENTS

- a) Subsequent to September 30, 2011, the Company provided its CEO with a short-term loan in the amount of \$10,212 thousand. The loan bears interest at the rate of prime plus 0.25% per annum until December 31, 2011 and if the amount remains unpaid at that time, the interest increases to prime plus 1.5% per annum. The loan was provided to assist the CEO and immediate family members in a transaction involving securities in Proventure held in their RRSPs.
- b) The Company has entered into a binding letter of intent to loan approximately \$11.2 million to ProDev Trust ("ProDev"), the proceeds of which are to be used to repay a loan between ProDev and Proventure. The loan will bear interest at the rate of prime plus 0.25% and is expected to be advanced in December 2011 and be repaid in January 2012.
- c) The Company has entered into an agreement with Proventure to purchase certain real property assets that the Company utilizes in its day-to-day operations. Upon certain regulatory approval and disinterested unitholder approval from Proventure's unitholders, the Company will purchase approximately \$25.9 million of real property through a cash payment of approximately \$14.3 million and an assumption of mortgages of \$11.6 million.

## 16. TRANSITION TO IFRS

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 for the Period Ended September 30, 2010

Assets	Notes	Canadian GAAP September 30, 2010	Transitional Adjustments	IFRS September 30, 2010
Current assets				
Cash and cash equivalents		\$ 10,828	\$ -	\$ 10,828
Trade and other accounts receivable	1	40,253	6,813	47,066
Advances to related party		2,715	(2,715)	-
Future income tax asset	2	5,988	(5,988)	-
Inventories		100,281	-	100,281
Prepaid expenses and deposits	1	4,098	(4,098)	-
<b>Total current assets</b>		<b>164,163</b>	<b>(5,988)</b>	<b>158,175</b>
Non-current assets				
Investments in associates, at equity		4,796	-	4,796
Other long-term assets		177	-	177
Deposits with manufacturers		1,556	-	1,556
Other intangible assets		23,069	-	23,069
Property and equipment		22,638	-	22,638
Goodwill		4,894	-	4,894
Deferred tax asset	2	57,836	4,531	62,367
<b>Total non-current assets</b>		<b>114,966</b>	<b>4,531</b>	<b>119,497</b>
<b>Total assets</b>		<b>\$ 279,129</b>	<b>\$ (1,457)</b>	<b>\$ 277,672</b>

**Reconciliation of Equity reported under Canadian GAAP to equity reported under IFRS for the Period Ended September 30, 2010**

<b>Liabilities and Equity</b>	<b>Notes</b>	<b>Canadian GAAP September 30, 2010</b>	<b>Transitional Adjustments</b>	<b>IFRS September 30, 2010</b>
<b>Current liabilities</b>				
Accounts payable and accrued liabilities		\$ 15,497	\$ 1,011	\$ 16,508
Customer deposits		1,011	(1,011)	-
Floor plan payables		64,475	-	64,475
Dividends payable		2,632	-	2,632
Current portion of deferred credit	3	5,504	(5,504)	-
Current portion of term debt		4,790	-	4,790
Current portion of notes payable		2,645	-	2,645
<b>Total current liabilities</b>		<b>96,554</b>	<b>(5,504)</b>	<b>91,050</b>
<b>Non-current liabilities</b>				
Term debt		5,239	-	5,239
Notes payable		7,960	-	7,960
Deferred credit	3	54,842	(54,842)	-
<b>Total non-current liabilities</b>		<b>68,041</b>	<b>(54,842)</b>	<b>13,199</b>
<b>Total liabilities</b>		<b>164,595</b>	<b>(60,346)</b>	<b>104,249</b>
<b>Equity</b>				
Share capital	4	71,575	(83)	71,492
Share purchase loans	4	(83)	83	-
Deferred share plan	6	2,317	138	2,455
Contributed surplus	5	2,912	(2,912)	-
Accumulated other comprehensive income		87	-	87
Other reserves	5	-	2,912	2,912
Retained earnings	3, 6	35,845	58,751	94,596
<b>Total equity attributable to equity holders of the Company</b>		<b>112,653</b>	<b>58,889</b>	<b>171,542</b>
<b>Non-controlling interest</b>		<b>1,881</b>		<b>1,881</b>
<b>Total equity</b>		<b>114,534</b>		<b>173,423</b>
<b>Total liabilities and unitholders' equity</b>		<b>\$ 279,129</b>	<b>\$ (1,457)</b>	<b>\$ 277,672</b>

**Notes to reconciliation of equity reported under Canadian GAAP to equity reported under IFRS for the period ended September 30, 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 expense of \$5,449 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 nine month period ended September 30, 2010

	Notes	Canadian GAAP September 30, 2010	Transitional Adjustments	IFRS September 30, 2010
<b>Revenue</b>				
Equipment sales		\$ 277,400	\$ -	\$ 277,400
Parts		45,686	-	45,686
Service		29,697	-	29,697
Rentals		6,806	-	6,806
		359,589	-	359,589
Cost of sales		(293,440)	-	(293,440)
<b>Gross profit</b>		66,149	-	66,149
Other income	1	-	923	923
Selling, general and administrative	2, 3	(48,476)	(3,716)	(52,192)
Interest	4	(1,323)	1,323	-
Depreciation and amortization	2	(3,645)	3,645	-
<b>Results from operating activities</b>		12,705	2,175	14,880
Foreign exchange loss	1	(8)	8	-
Gain on disposal of assets	1	286	(286)	-
Finance income	1	815	(637)	178
Finance costs	4	-	(1,331)	(1,331)
<b>Net finance costs</b>		1,093	(2,246)	(1,153)
Share of profit of equity accounted investees (net of income tax)		1,493	-	1,493
<b>Profit before income taxes</b>		15,291	(71)	15,220
Income tax recovery	5	(357)	(5,449)	(5,806)
Profit for the period		14,934	(5,520)	9,414
Other comprehensive income				
Foreign currency translation differences for foreign operations		87	-	87
Loss and comprehensive loss for the period		15,021	(5,520)	9,501

**Notes to reconciliation of comprehensive income reported under Canadian GAAP to comprehensive income reported under IFRS for the nine month period ended September 30, 2010**

1. 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.
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 \$71 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 at January 1, 2010, as the recognition of deferred credits is not permitted under the IFRS. In addition, an income tax expense of \$5,449 thousand was recorded to properly reflect income taxes in accordance with IFRS.

**Reconciliation of Comprehensive Income reported under Canadian GAAP to comprehensive income reported under IFRS for the three month period ended September 30, 2010**

	Notes	Canadian GAAP September 30, 2010	Transitional Adjustments	IFRS September 30, 2010
<b>Revenue</b>				
Equipment sales		\$ 130,509	\$ -	\$ 130,509
Parts		19,771	-	19,771
Service		11,389	-	11,389
Rentals		2,792	-	2,792
		164,461	-	164,461
Cost of sales		(135,774)	-	(135,774)
<b>Gross profit</b>				
Other income	1	-	356	356
Selling, general and administrative	2, 3	(17,282)	(1,329)	(18,611)
Interest	4	(618)	618	-
Depreciation and amortization	2	(1,302)	1,302	-
<b>Results from operating activities</b>				
		9,485	947	10,432
Foreign exchange gain (loss)	1	-	-	-
Gain on disposal of assets	1	112	(112)	-
Finance income	1	301	(243)	58
Finance costs	4	-	(618)	(618)
<b>Net finance costs</b>				
		413	(973)	(560)
Share of profit of equity accounted investees (net of income tax)		975	-	975
<b>Profit before income taxes</b>				
		10,873	(26)	10,847
Income tax expense	5	(175)	(3,899)	(4,074)
Profit for the period		10,698	(3,925)	6,773
Other comprehensive income				
Foreign currency translation differences for foreign operations		87	-	87
		10,785	(3,925)	6,860

**Notes to reconciliation of comprehensive income reported under Canadian GAAP to comprehensive income reported under IFRS for the three month period ended September 30, 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 \$26 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.
- 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. In addition, an income tax expense of \$3,889 thousand was recorded to properly reflect income taxes in accordance with IFRS.