CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMEBER 31, 2008 AND 2007

MANAGEMENTS RESPONSIBILITY TO THE LIMITED PARTNERS OF CERVUS LIMITED PARTNERSHIP:

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

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

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

Peter Lacey,
CHIEF EXECUTIVE OFFICER

Randall Muth,
CHIEF FINANCIAL OFFICER

MARCH 20, 2009

Auditors' Report To The Partners

We have audited the consolidated balance sheets of Cervus LP as at December 31, 2008 and 2007 and the consolidated statements of earnings and comprehensive income, accumulated earnings and accumulated other comprehensive income and cash flows for the years then ended. These financial statements are the responsibility of the limited partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Cervus LP as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
CALGARY, CANADA

MARCH 20, 2009

Consolidated Balance Sheets

December 31, 2008 and 2007

	2008	2007
Assets		
Current assets:		
Cash and cash equivalents	$ 35,252,348	$ 1,800,629
Short-term loans (note 4)	662,462	4,942,816
Trade accounts receivable	11,732,104	13,071,126
Advances to related party (note 5)	2,752,480	-
Inventories (note 6)	62,079,040	64,277,726
Prepaid expenses and deposits	1,074,559	1,045,921
	113,552,993	**85,138,218**
Investments and other assets (note 7)	2,769,195	1,713,622
Deposits with manufacturers (note 8)	1,376,978	835,824
Other intangible assets (note 9)	11,971,815	10,047,225
Buildings and equipment (note 10)	11,462,399	12,357,408
Goodwill (note 3)	3,199,680	3,199,680
	$ 144,333,060	**$ 113,291,977**
Liability and Partners' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 7,345,280	$ 7,180,845
Customer deposits	3,305,616	4,923,830
Floor plan payables (note 12)	33,027,916	38,935,728
Distribution payable	841,462	707,617
Current portion of notes payable (note 14)	600,000	600,000
Current portion of term debt (note 13)	4,319,416	3,641,487
	49,439,690	**55,989,507**
Term debt (note 13)	4,200,523	8,027,088
Notes payable (note 14)	525,000	725,000
Future income taxes (note 15)	149,000	149,000
	54,314,213	**64,890,595**
Partners' equity (note 16):		
Partners' capital	64,933,278	36,942,040
Unit purchase financing	(277,075)	(628,254)
Deferred unit plan	664,408	112,219
Preferred partnership units	-	1,600,000
Contributed surplus	2,860,125	1,055,097
Accumulated earnings and accumulated other comprehensive income	21,838,111	9,320,280
	90,018,847	**48,401,382**
Commitments and contingencies (note 19)		
	$ 144,333,060	**113,291,977**

See accompanying notes to consolidated financial statements.

Approved by the Board of the General Partner:

Peter Lacey, Director

Steven Collicutt, Director

Consolidated Statement of Earnings and Comprehensive Income

Years ended December 31, 2008 and 2007

	2008	2007
Revenue:		
Equipment sales	$ 275,079,221	$ 239,478,201
Parts	41,800,137	37,082,749
Service	24,714,506	20,817,028
Rentals	7,080,910	7,605,726
	348,674,774	**304,983,704**
Cost of sales (note 17)	281,263,199	250,999,578
Gross profit	**67,411,575**	**53,984,126**
Expenses:		
Selling, general and administrative (note 21)	45,793,093	40,584,398
Unit-based compensation (note 16)	41,583	112,219
Interest	1,092,251	1,470,401
Depreciation and amortization	2,322,057	1,936,532
Earnings before other income	18,162,591	9,880,576
Interest and other income (note 21)	2,391,705	791,888
Gain on disposal of assets	310,309	153,786
Equity earnings of significantly influenced companies (note 7)	1,342,957	558,383
Net earnings and comprehensive income	**$ 22,207,562**	**$ 11,384,633**
Net earnings per unit (note 16):		
Basic	$ 2.54	$ 1.51
Diluted	$ 2.52	$ 1.47

See accompanying notes to consolidated financial statements.

Consolidated Statement of Accumulated Earnings and Accumulated Other Comprehensive Income

Years ended December 31, 2008 and 2007

	General Partner	Limited Partners	Preferred Partnership Units	Total
Balance, December 31, 2006	$ 52,167	$ 6,341,602	$ -	$ 6,393,769
Net earnings available to partners	113,846	10,941,724	329,063	11,384,633
Distributions declared	(124,714)	(8,004,345)	(329,063)	(8,458,122)
Balance, December 31, 2007	41,299	9,278,981	-	9,320,280
Net earnings available to partners	222,076	21,985,486	-	22,207,562
Distributions declared	(199,097)	(9,490,634)	-	(9,689,731)
Balance, December 31, 2008	$ 64,278	$ 21,773,833	$ -	$ 21,838,111

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Years ended December 31, 2008 and 2007

	2008	2007
Cash flows from (used in):		
Operating activities:		
Net earnings	$ 22,207,562	$ 11,384,633
Add items not affecting cash:		
Depreciation and amortization expenses	4,360,233	3,947,660
Amortization of employee purchase loans	113,059	327,619
Unit-based compensation expense	41,583	112,219
Gain on disposal of assets	(310,309)	(153,786)
Equity earnings from significantly influenced companies	(1,342,957)	(558,383)
	25,069,171	**15,059,962**
Net change in non-cash working capital related to operations	1,363,803	3,078,292
	26,432,974	**18,138,254**
Financing:		
Issuance of limited partnership units and subscription receipts	25,950,475	8,911,860
Issuance of limited partnership units from exercise of warrants	3,492,028	-
Units purchased for cancellation	(1,091,124)	-
Proceeds from term debt, net of repayments	(3,148,636)	459,611
Distributions to the limited partners	(9,555,886)	(8,368,209)
Decrease (increase) in deposits with John Deere	(285,067)	614,112
Repayments on notes payable	(600,000)	(200,000)
	14,761,790	**1,417,374**
Investments:		
Business acquisitions, net of cash acquired	(7,902,374)	(3,581,079)
Repayment of (advance of) short-term loan	4,280,354	(4,942,816)
Advances to related party	(2,752,480)	(250,007)
Advance of unit purchase loan	80,000	(37,193)
Purchase of equipment, net of disposals	(1,738,973)	(4,098,518)
Proceeds from long-term investments	290,428	109,908
	(7,743,045)	**(12,799,705)**
Increase in cash	33,451,719	6,755,923
Cash and cash equivalents (bank indebtedness), beginning of year	1,800,629	(4,955,294)
Cash and cash equivalents, end of year	$ 35,252,348	$ 1,800,629

Cash and cash equivalents is comprised of cash on hand and in bank of $4,796,052 (2007 - $1,800,629) and money market funds of $30,456,296 (2007 - $nil).

Supplemental cash flow information (note 18)

See accompanying notes to consolidated financial statements.

Notes to the Consolidated Financial Statements

Years ended December 31, 2008 and 2007

1. Description of business:

Cervus LP (the "LP") was incorporated under the laws of Alberta as a limited partnership on March 14, 2003. The general partner is Cervus GP Ltd. The LP is a retailer of agricultural and construction equipment and parts and services in Western Canada.

2. Significant accounting policies:

Basis of consolidation:

These consolidated financial statements include the accounts of the LP at each of its dealership locations (Agro Equipment, Farm and Garden Centre Saskatoon and Greenline Equipment) and its wholly-owned subsidiaries, Contractors Equipment LP, Cervus AG Equipment LP and Northeast AG Partnership.

Use of estimates

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

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

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.

Inventories

Effective January 1, 2008, the LP adopted CICA Handbook Section 3031, Inventories. This standard enhances guidance over the scope, measurement, and allocation of costs to inventories. Inventories are stated at the lower of cost and net realizable value. Cost is determined using the specific identification method for new and used equipment, average cost for parts and a specific job basis for work-in-progress. Net realizable value approximates the estimated selling price less all estimated costs of completion and necessary costs to complete the sale. Cost shall be assigned using the first-in, first-out (FIFO) or weighted average cost formula. Previous write-downs of inventory are reversed when economic changes support an increased value.

Buildings and equipment

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

Asset	**Rate**
Buildings	5%
Automotive and trucks	30%
Furniture and fixtures	20%
Parts and shop equipment	20%
Computers and software	30%

Short term rental equipment is depreciated on a straight-line basis at rates ranging from 12% to 20% per annum. Leasehold improvements are depreciated on a straight-line basis over a period of 5 years.

Impairment of long-lived assets

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

Other assets

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

Goodwill

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

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

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

Long-term investments

The investments in significantly influenced companies are accounted for using the equity method. Under the equity method, the original cost of the shares is adjusted for the LP's share of post-acquisition earnings or losses less dividends.

Income taxes

Income taxes are the responsibility of the individual partners and accordingly are not reflected in these financial statements, except for income taxes of corporate subsidiaries. The subsidiaries follow the asset and liability method of accounting for income taxes. Under the liability method, future tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities, and measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Per unit amounts

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

Unit-based compensation

The LP has a unit-based compensation plan, which is described in note 16. The LP accounts for employee unit options granted using the fair value based method. Consideration paid by employees on the exercise of unit options is recorded as partners' capital. Compensation cost is recognized over the awards' vesting period.

Revenue recognition

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

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

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities, including derivatives, are recognized on the consolidated balance sheet at the time the Partnership 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 Partnership's financial assets and liabilities consist primarily of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and long-term debt. The Partnership has designated its financial instruments as follows:

Financial instrument	Category	Measurement method
Cash and cash equivalents	Held-for-trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Long-term debt	Other financial liabilities	Amortized cost

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

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

Available-for-sale financial assets are non-derivative assets that are designated as available-for-sale or that are not classified as loans and receivables, held-to-maturity investments or held-for-trading. Available-for-sale financial assets are carried at fair value with unrealized gains and losses included in other comprehensive income (OCI) until such gains or losses are realized or an other than temporary impairment is determined to have occurred. Available-for-sale assets are measured at fair value, except for assets that do not have a readily determinable fair value which are recorded at cost. As at December 31, 2008, the Partnership does not have any financial assets classified as available-for-sale.

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

The Partnership does not currently have any derivative financial instruments.

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

Effective January 1, 2008, the Partnership adopted CICA Section 3862, Financial Instruments – Disclosure and Section 3863, Financial Instruments – Presentation. Section 3862 requires enhanced disclosure on the nature and extent of financial instrument risks and how an entity manages those risks. Section 3863 carries forward the existing presentation requirements and provides additional guidance for the classification of financial instruments. These new requirements are for disclosure purposes only and, on adoption, did not impact the financial results of the Partnership. See note 24, Financial Instruments, for further disclosure.

Future Accounting Changes

Conversion to International Financial Reporting Standards in Fiscal 2012

The CICA Accounting Standards Board requires all Canadian publicly accountable enterprises to adopt International Financial Reporting Standards (IFRS) for years beginning on or after January 1, 2011. The fiscal 2011 Consolidated Financial Statements will include comparative 2010 financial results under IFRS.

The LP is currently in the planning phase of the conversion. This includes identifying the differences between existing Canadian GAAP and IFRS, identifying potential business impacts, developing the project plan, assessing resource requirements and training staff. Until the LP has completed its planning and assessment of the GAAP differences as they pertain to our business, it is not possible to fully determine the impact to the financial statements and any potential business impact.

Comparative information

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

3. Business acquisitions

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

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

(b) On July 1, 2007 the LP acquired all the business assets of Westby Tractor & Equipment Ltd. ("Westby"), a private agriculture equipment dealership, for $3,124,293. The acquisition has been accounted for using the purchase method whereby the purchase price is allocated to the net assets acquired based on their fair values as follows:

Net assets acquired:	
Working capital	$ 1,439,704
Property and equipment	656,599
Term debt	(146,420)
Other assets	760,000
Deposits with John Deere finance	149,979
Long-term investments	97,336
Goodwill	167,095
	$ 3,124,293
Financed by:	
Cash, net of cash acquired of $336,963	$ 824,293
Limited partnership units (112,655 units)	1,175,000
Note payable due January 31, 2011	1,125,000
	$ 3,124,293

4. Short term loans

In December 2007 and January 2008, the LP loaned $8,300,000 to an unrelated private company. The loan was due one year from the date of advancement and bears interest at the rate of 20% per annum. The loan is secured by a pledge of the shares of the company that holds a 50% beneficial interest in a joint venture that is selling commercial real estate. During the year ended December 31, 2008, $8,860,441 of the loan plus accrued interest has been repaid and $174,886 (December 31, 2007 - $4,942,816) remained outstanding. The LP has recorded a reserve for the unpaid accrued interest on the loan as a charge to interest and other income as the LP is unsure that the amount will be received. The LP has recorded $551,912 (2007 - $8,112) of interest income, net of the reserve, related to the loan in interest and other income.

In addition, during the year ended December 31, 2008, the LP advanced a loan of $650,000 to the CEO for the purpose of exercising unit purchase warrants that were coming due. The loan bears interest at the rate of prime plus 0.25% and is due by September 30, 2009. The LP has recorded interest of $12,462 (2007 - $nil) related to the loan in interest and other income. The loan plus accrued interest has been repaid subsequent to year end.

5. Advances to related party

During 2008, the LP provided a $2,750,000 revolving credit facility to Proventure Income Fund (the "Fund") (see note 21) expiring on November 30, 2013. The facility is due on demand and bears interest at the rate of prime plus 0.25%. The facility can be used for operations, capital acquisitions, and investments and is secured by a general security agreement on the assets of the Fund. Interest recorded during the year ended December 31, 2008 was $78,982 (2007 - $nil). Subsequent to year end, the Fund repaid $515,381 of the amount outstanding at December 31, 2008.

6. Inventories

	2008	2007
New equipment	$ 32,161,086	$ 34,830,089
Used equipment	20,188,480	21,553,041
Parts and accessories	9,157,040	7,400,356
Work-in-progress	572,434	494,240
	$ 62,079,040	**$ 64,277,726**

As at December 31, 2008 and 2007, there are no material write-downs included in the carrying value of our inventories.

7. Investments and other assets

	2008	2007
Investment in significantly influenced companies, at equity:		
101034350 Saskatchewan Ltd. (33% interest)	$ 540,066	$ 510,090
Greenway Sprayers (38% interest)	666,145	276,854
Deer Star Systems Inc. (27% interest)	713,987	463,278
Investment in companies at cost:		
Mid-Sask Terminal Ltd.	-	1,101
Thunder Rail Ltd., 1,000 common shares	1,000	-
Agritronics Inc. (a 25.78% interest)	400,000	-
Employee housing loan, non-interest bearing	365,210	359,687
Cash surrender value of life insurance	82,787	102,612
	$ 2,769,195	**$ 1,713,622**

During the year ended December 31, 2008, the LP recorded $1,342,957 (2007 - $558,383) of earnings from significantly influenced companies and received $676,124 (2007 - $153,904) as a return of capital on these investments. The LP has one representative on each of the respective board of directors.

The LP recorded a net decrease in the cash surrender value of life insurance of $19,825 and advanced $5,523 of additional funds to an employee for a housing loan which is secured by a mortgage. As part of the business acquisition of Northeast (see Note 3), the LP purchased an investment in Thunder Rail Ltd. at a cost of $1,000. In November 2008, the LP purchased 16,000 common shares and 50,000 preferred shares with no fixed rate of return, representing a 25.78% interest in a private company, Agritronics Inc. The preferred shares are convertible into common shares on a one-for-one basis.

8. Deposits with manufacturers

John Deere Credit Inc. ("Deere Credit") provides and administers financing for retail purchases and leases of new and used equipment. Under the financing and lease plans, Deere Credit retains the security interest in the financed equipment. The LP 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 LP 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 $1,376,978 (2007 - $835,823). Deere Credit reviews the deposit account balances quarterly and if the balances exceed the minimum requirements, Deere Credit refunds the difference to the LP.

9. Other intangible assets

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

2007	Cost	Accumulated amortization	Net book value
Dealership distribution agreements	$ 8,545,000	$ 670,292	$ 7,874,708
Customer lists	1,790,000	549,983	1,240,017
Non-competition agreements	1,380,000	447,500	932,500
	$ 11,715,000	**$ 1,667,775**	**$ 10,047,225**

10. Buildings and equipment

2008	Cost	Accumulated depreciation	Net book Value
Buildings	$ 66,272	$ 13,643	$ 52,629
Short term rental equipment	11,431,073	3,833,753	7,597,320
Automotive and trucks	3,533,653	2,121,587	1,412,066
Furniture and fixtures	1,762,087	1,187,943	574,144
Parts and shop equipment	1,780,672	1,176,881	603,791
Computers and software	1,567,205	1,071,202	496,003
Leasehold improvements	1,664,957	938,511	726,446
	$ 21,805,919	**$ 10,343,520**	**$ 11,462,399**

2007	Cost	Accumulated depreciation	Net book Value
Buildings	$ 66,272	$ 10,872	$ 55,400
Short term rental equipment	12,330,996	3,565,999	8,764,997
Automotive and trucks	2,628,238	1,604,828	1,023,410
Furniture and fixtures	1,613,587	994,295	619,292
Parts and shop equipment	1,421,094	845,134	575,960
Computers and software	1,123,548	699,252	424,296
Leasehold improvements	1,587,576	693,523	894,053
	$ 20,771,311	**$ 8,413,903**	**$ 12,357,408**

11. Bank indebtedness

At December 31, 2008, the LP has an operating bank line of credit to a maximum amount of $15 million (2007 - $15 million). The operating line of credit bears interest at rates ranging from prime plus 0.25% to prime plus 0.75% based on certain financial covenants and is secured by a general security agreement on the assets of the Partnership, a priority agreement; trade accounts receivable, unencumbered inventories, assignment of fire insurance and guarantees from the LP's subsidiaries and the general partner. At December 31, 2008 and 2007, the LP had not drawn on this operating line.

12. Floor plan payables

The LP utilizes floor plan financing arrangements with various suppliers for inventory purchases. The terms of these arrangements may include a one to ten-month interest-free period followed by a term during which interest is charged ranging from prime plus 0.5% to prime plus 1%. Settlement of the floor plan liability occurs at the earlier of sale of the inventory or in accordance with terms of the financing arrangement. Floor plan payables are secured by specific new and used equipment inventories.

13. Term debt

	2008	2007
Bank term loan, due July 1, 2011, interest at rates ranging from prime plus 0.25% to prime plus 0.75% and principal installments of $104,167 per month. For security, see note 11.	$ 3,125,000	$ 4,375,000
Finance company, payable in monthly installments of approximately $248,590 including interest at 6.25%, secured by short term rental equipment	5,126,473	6,508,356
Finance contracts and fixed rate bank term loans repayable in monthly installments ranging from $440 to $4,194 including interest up to 7.25%, secured by related equipment, due at various dates through 2011	268,466	785,219
	8,519,939	**11,668,575**
Less: current portion	4,319,416	3,641,487
	$ 4,200,523	**$ 8,027,088**

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

2009	$ 4,319,416
2010	3,435,713
2011	644,810
2012	-
2013	120,000
	$ 8,519,939

14. Notes payable

As part of the business acquisitions identified in note 3, the LP has certain notes payable due to the vendors of the business acquisitions. These notes payable are unsecured and are as follows:

	2008	2007
Notes payable, due in annual installments of $200,000 including interest at the rate of 6% per annum	$ 725,000	$ 925,000
Notes payable, due September 2, 2009 including interest at the rate of 6% per annum	400,000	-
Notes payable, due April 2008 including interest at prime plus 1%	-	400,000
	1,125,000	**1,325,000**
Less: current portion	600,000	600,000
	$ 525,000	**$ 725,000**

15. Income taxes:

The tax effects of temporary differences that give rise to significant portions of the future income tax assets and liabilities are presented below:

	2008	2007
Buildings and equipment and intangibles	$ (366,000)	$ (378,000)
Non-capital losses carried forward	217,000	229,000
Capital losses carried forward	588,114	-
Valuation allowance for capital losses	(588,144)	-
	$ (149,000)	**$ (149,000)**

The provision for income taxes (recovery) differs from that calculated from using the federal and provincial statutory rates due to the following:

	2008	2007
Combined statutory tax rates	29.5%	29.5%
Income taxes calculated at above rate	$ 6,551,231	$ 3,358,467
Impact of flow thru partnership income and equity earnings	(6,551,231)	(3,358,467)
	$ -	**$ -**

The excess of the carrying values of the LP's net assets and liabilities over their tax bases was approximately $9.2 million at December 31, 2008 (2007 - $10.6 million).

On June 22, 2007, the legislation implementing the new tax on publicly traded income trusts and limited partnerships (the "Specified Investment Flow-Through Entities" or SIFT" tax) received Royal Assent. This has resulted in the recognition of future income tax assets and liabilities with a corresponding impact on the LP's partners' equity or statement of earnings. The amount of the impact is calculated by reference to the temporary differences expected to reverse after the date that the changes take effect. The LP is monitoring the tax effect of the reversal of the above mentioned taxable differences and is reducing its tax deductible claims over the next two years to manage its exposure to future income tax liabilities that will be required when the entities status changes.

16. Partners' Capital:

Authorized

Unlimited number of partnership units

Unlimited number of Series A preferred partnership units

803,969 fixed value units, non-voting, entitling the holder to an annual distribution of 5% of the face value; redeemable at the option of the LP at face value

Issued

	Number of units	General partner	Limited partner	Total
Balance December 31, 2006	**6,863,379**	**$ 100**	**$ 26,672,525**	**$ 26,672,625**
Issued on exercise of options through unit purchase loans	50,000	-	410,000	410,000
Contributed surplus adjustment for unit options	-	-	148,729	148,729
Issued under DRIP plan	278,321	-	3,113,847	3,113,847
Units issued in private placement	384,616	-	5,000,008	5,000,008
Unit issue costs	-	-	(176,998)	(176,998)
Contributed surplus adjustment for warrants issued in private placement	-	-	(774,878)	(774,878)
Warrants exercised	111,093	-	975,002	975,002
Contributed surplus adjustment for warrants exercised	-	-	173,705	173,705
Preferred partnership units converted	175,000	-	1,400,000	1,400,000
Balance December 31, 2007	**7,862,409**	**100**	**36,941,940**	**36,942,040**
Issued on exercise of options through unit purchase loans	10,000	-	90,000	90,000
Contributed surplus adjustment unit options	-	-	14,668	14,668
Issued under DRIP plan	134,497	-	2,392,389	2,392,389
Warrants exercised	262,477	-	3,492,028	3,492,028
Contributed surplus adjustment for warrants exercised	-	-	581,249	581,249
Units issued in private placement	1,000,000	-	25,000,000	25,000,000
Private placement costs	-	-	(1,441,913)	(1,441,913)
Contributed surplus adjustment for warrants issued in private placement	-	-	(2,850,300)	(2,850,300)
Units purchased for cancellation	(117,000)	-	(813,119)	(813,119)
Units cancelled	(10,800)	-	(73,764)	(73,764)
Preferred partnership units Converted	200,000	-	1,600,000	1,600,000
Balance December 31, 2008	**9,341,583**	**$ 100**	**$ 64,933,178**	**$ 64,933,278**

The LP filed a Notice of Intention to Make a Normal Course Issuer Bid (the "Bid") to purchase for cancellation, from time to time, as the LP considers advisable, it's issued and outstanding units ("Units"). Pursuant to the Bid, the LP can purchase for cancellation up to a maximum of 471,399 Units, being approximately 5% of the LP's currently issued and outstanding Units at the time of the Bid. Notwithstanding the foregoing, pursuant to the rules of the TSX-V, the LP may not purchase more than 188,560 Units (i.e. 2% of its currently outstanding Units) in a given 30-day period. The price that the LP will pay for any Units purchased by it under the Bid will be the prevailing market price of the Units on the TSX-V at the time of such purchase. As at December 31, 2008, 117,000 units were purchased for cancellation at an aggregate cost of $1,091,124. As a result of the purchase and cancellation of these units, $278,005 has been adjusted from contributed surplus for the difference between the purchase amount and average issued capital.

Unit option plan:

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

Changes in the outstanding options are as follows:

	Number outstanding	Weighted average exercise price
Outstanding and exercisable, December 31, 2006	60,000	$ 8.33
Exercised through unit purchase financing	(50,000)	8.20
Outstanding and exercisable, December 31, 2007	10,000	9.00
Exercised through unit purchase financing	(10,000)	9.00
Granted under unit option plan	10,000	19.00
Outstanding and exercisable, December 31, 2008	10,000	19.00

The weighted average remaining life of the options is 4.6 years (2007 – 3.6 years). During the year ended December 31, 2008, 10,000 options were exercised in the amount of $90,000 through the issuance of a unit purchase financing loan (of which $45,000 was repaid) and $14,668 was adjusted to partners' capital related to those options from contributed surplus.

In September 2008, 10,000 unit options with an exercise price of $19.00 per unit were issued to an employee and are outstanding at December 31, 2008. The options vest equally over the next five years and compensation expense will be recorded on a straight-line basis over this period. The fair value of these options, calculated using the Black-Scholes option pricing model was $6.01 per unit using a risk fee interest rate of 2.37%, expected life of 5 years, expected annual distribution of 6.3% and an expected unit price volatility of 72%. For the year ended December 31, 2008, $3,007 (2007 - $nil) has been recorded as compensation cost related to these options.

Subsequent to year end, 24,479 options were issued to management.

Warrants

At December 31, 2008, the LP has 612,480 (December 31, 2007 – 375,057) of warrants outstanding. The warrants are exercisable into LP units on a one-for-one basis at between $14 (112,480 as at December 31, 2008) and $27.50 (500,000 as at December 31, 2008) each. During the year ended December 31, 2008, 262,477 warrants were exercised and 100 warrants expired for total proceeds of $3,492,028 and $581,250 was allocated to partners' capital from contributed surplus relating to these units.

The LP issued 500,000 warrants to participants of the July 10, 2008 private placement. These warrants were immediately exercisable and expire on July 10, 2009. The fair value of the warrants, as calculated using the Black-Scholes option pricing model was $5.70 per warrant for an aggregate amount of $2,850,300. The value has been reflected in a contributed surplus.

The LP issued 192,307 warrants to participants of the July 3, 2007 private placement. These warrants were immediately exercisable and expire on June 30, 2009. The fair value of the warrants, as calculated using the Black-Scholes option pricing model was $4.03 per warrant for an aggregate amount of $774,778. The value was reflected as unit issue costs and contributed surplus.

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

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

Warrants	Number
Balance, December 31, 2006	200,000
Exercised during 2007	(17,250)
Issued during 2007	192,307
Balance, December 31, 2007	375,057
Exercised during 2008	(262,477)
Expired in 2008	(100)
Issued during 2008	500,000
Balance, December 31, 2008	612,480

Contributed surplus	
Balance, December 31, 2006	$ 602,653
Exercise of unit options	(148,729)
Exercise of private placement warrants	(173,705)
Fair value of private placement warrants	774,878
Balance, December 31, 2007	1,055,097
Exercise of private placement warrants	(581,250)
Exercise of unit options	(14,668)
Issue of unit options	3,007
Contributed surplus adjustment for shares cancelled	(452,361)
Fair value of private placement warrants	2,850,300
Balance, December 31, 2008	$ 2,860,125

During the year ended December 31, 2008, 10,800 units were returned to the LP for repayment of amounts outstanding from an employee. These shares were cancelled and as a result of the shares having a value in excess of the amount to be recovered, $73,764 was recorded as a reduction in Partners' capital and the excess amount of $174,357 has been recorded as a reduction in Contributed surplus.

Per unit amounts

The earnings per unit have been calculated based on the basic weighted average number of units outstanding for the year ended December 31, 2008 and 2007 of 8,734,466 and 7,351,573, respectively. For the purposes of calculating the diluted number of units outstanding for the year ended December 31, 2008, 65,959 (2007 – 216,642) units are added to the basic weighted number of units outstanding. Diluted earnings per unit consists of units that were added to the weighted average number of units outstanding for the dilutive effect of private placement warrants, unit options and units issued under the deferred unit plan.

Distribution reinvestment plan

In 2004, the LP instituted a Distribution Reinvestment Plan ("DRIP") entitling limited partners to reinvest cash distributions in additional units. The DRIP allows limited partners to reinvest distributions into new units at 95 percent of the average unit price of the previous 10 trading days prior to distribution. During 2008, the LP issued 134,497 (2007 – 278,321) limited partner units under this plan at an average issue price of $17.79 (2007 - $11.19) per unit.

Employee unit purchase plan

The LP has an employee unit purchase plan available to all employees on a voluntary basis. Under the plan, employees are able to contribute 2% to 4% of their annual salaries, based on years of service. The LP contributes at a minimum of 15% to 100% on a matching basis to a maximum of $5,000 per year, per employee. The partnership units are purchased on the open market through a trustee; therefore, there is no dilutive effect to existing Unitholders. Included in general, sales and administrative expenses are $266,525 (2007 - $327,619) of contributions made on behalf of the LP's employees.

Deferred unit plan

As at December 31, 2008, 40,695 (December 31, 2007 – 3,841) deferred units have been issued under the deferred unit plan and remain outstanding. As at December 31, 2008, the matching component of the plan aggregated $536,913 of which $43,568 has been amortized into compensation expense on a straight-line basis over a period of 5 years.

Unit purchase financing

The LP provides loans to certain employees for limited partnership units issued under the LP's private placement offerings and to pay for the exercise of unit options pursuant to the unit option plan. The loans bear interest at the rate of 4% per annum. The employees have provided the units as security for the loans. During the year ended December 31, 2008, $90,000 (2007 - $447,193) of loans were provided to employees and $441,480 (2007 - $327,619) was repaid. Of the amounts repaid, $111,180 (2007 - $81,320) has been forgiven and recorded as compensation expense, $205,000 was repaid through the return of 10,800 LP units by an employee, $45,000 was received in cash and $80,000 was forgiven and paid to Proventure Income Fund for commission on a property sale.

Preferred partnership units:

In 2005, the LP issued 375,000 Series A preferred partnership units at a value of $3,000,000. Each unit was convertible at the option of the holder into one limited partnership unit. These Series A units are non-voting and entitle the holder to a minimum annual distribution of 4% of $3,000,000 and a further distribution up to the distribution per unit amount available to the limited partners in any particular year. During 2007, the remaining 200,000 preferred partnership units were converted to LP units for a value of $1,600,000.

17. Cost of sales

The following amounts have been included in cost of sales:

	2008	2007
Depreciation of rental equipment	2,038,173	2,012,792
Interest paid on rental equipment financing	219,160	302,711
	$ 2,257,333	**$ 2,315,503**

18. Supplemental cash flow information

	2008	2007
The following cash payments have been included in the determination of net earnings		
Cash interest paid	$ 1,303,920	$ 1,773,112
Supplemental disclosure of non-cash financing and investing activities not included in the statement of cash flows:		
Issuance of (repayment of) partnership units for notes receivable from employees	(205,000)	410,000
Issuance of note payable for business acquisition	400,000	400,000

19. Commitments and contingencies:

(a) John Deere Credit Inc. ("Deere Credit") and other financing companies provide financing to certain of the LP's customers. A portion of this financing is with recourse to the LP if the amounts are uncollectible. At December 31, 2008 payments in arrears by such customers aggregated $188,424 (2007 - $551,639). In addition, the LP 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, 2008, the net residual value of such leases aggregated $50,653,966 (2007 - $40,068,365).

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

In addition, the LP is contingently liable for certain finance obligations of its customers through a revolving line of credit known as AgLine. AgLine is primarily used by agriculture related customers and the LP has certain merchant authorized accounts for which the LP is contingently liable in the event of default. As at December 31, 2008, our merchant authorized accounts totaled $111,085 (2007 - $168,115).

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

2009	$ 3,392,343
2010	2,809,476
2011	1,947,875
2012	1,725,549
2013	1,482,639
Thereafter	2,844,331
	$ 14,202,213

20. Economic dependence:

A significant source of the LP's revenue is from the sale of farm equipment products and services pursuant to agreements to act as an authorized dealer for John Deere Limited. The agreement with John Deere Limited provides a framework under which John Deere Limited can terminate a John Deere dealership if such dealership fails to maintain certain performance or equity covenants. Each contract also provides a one-year remedy period whereby the LP has one year to restore any deficiencies. The LP also has dealership agreements with Bobcat, JCB and JLG.

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

21. Related party transactions:

(a) The CEO of the LP is the CEO of Proventure Income Fund (the "Fund"). In addition, the CEO is the single largest equity holder of the LP and the Fund and the LP and the Fund share a common board of directors. Other than previously disclosed above, the Fund had the following transactions with the Fund:

	2008	2007
Expenses:		
Real estate leases	$ 1,895,623	$ 1,341,135
Guarantee fees	$ 82,500	$ 114,000
Revenue:		
Management fees for administration	$ 30,000	$ 30,000
Interest on advances	$ 78,982	$ -

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

The LP pays a guarantee fee to the Fund equal to 3% of the guaranteed amounts that the fund has provided to John Deere. This guarantee is a result of guarantees provided to John Deere prior to the establishment of the Fund and for which John Deere has not yet released the Fund from the contractual obligation. At December 31, 2008 and 2007, the Fund has outstanding guarantees with John Deere aggregating $2,750,000.

(b) Certain officers and dealer managers of the LP have provided guarantees to John Deere aggregating $6,400,000 (2007 - $7,150,000). During the year ended December 31, 2008 the LP paid these individuals $96,750 (2007 - $77,250) for providing these guarantees. These transactions were recorded at the amount agreed to between the LP and the guarantors and are included in selling, general and administrative expense.

(c) The general partner of the LP is Cervus GP Ltd., a private company. Under the amended and restated limited partnership agreement, Cervus GP Ltd. is entitled to reimbursement of all reasonable direct and indirect costs incurred on behalf of the LP and to 1% of the net earnings. For the year ended December 31, 2008, $222,395 (2007 - $113,846) and has been recorded as a distribution of earnings on the statement of accumulated earnings. In addition, the LP has made distributions of $199,097 (2007 - $124,714) to the general partner.

(d) During 2008, the LP transacted in the normal course of business, $321,607 (2007 - $3,685,176) of equipment, parts and service sales with companies in which the Board of Directors are Directors of/or Control those companies.

22. Segment information:

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

2008	Agricultural Equipment	Construction Equipment	Total
Revenue	$ 244,680,856	$ 103,993,918	$ 348,674,774
Net earnings available to partners	15,844,976	6,362,586	22,207,562
Earnings of significantly influenced companies	1,342,957	-	1,342,957
Investment in significantly influenced companies	1,920,198	-	1,920,198
Depreciation and amortization	1,305,507	3,054,723	4,360,230
Interest expense	601,091	710,320	1,311,411
Capital expenditures	1,013,595	3,423,471	4,437,066
Total assets	81,735,650	62,597,410	144,333,060
Other intangible assets	6,783,065	5,188,750	11,971,815
Goodwill	1,672,681	1,527,000	3,199,681

2007	Agricultural Equipment	Construction Equipment	Total
Revenue	$ 192,352,723	$ 112,630,981	$ 304,983,704
Net earnings available to partners	3,070,566	8,314,067	11,384,633
Earnings of significantly influenced companies	558,383	-	558,383
Investment in significantly influenced companies	1,250,222	-	1,250,222
Depreciation and amortization	975,627	2,972,033	3,947,660
Interest expense	711,259	759,142	1,470,401
Capital expenditures	459,845	3,869,534	4,329,379
Total assets	53,882,428	59,409,549	113,291,977
Other intangible assets	4,198,475	5,848,750	10,047,225
Goodwill	1,672,681	1,527,000	3,199,681

23. Capital management:

The LP's objective when managing its capital is to safeguard the entity's 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 Unitholders by pricing products and services commensurately with the level of risk. In the management of capital, the LP monitors its adjusted capital which comprises all components of equity (i.e. units issued, accumulated earnings, unit holder distributions and dilutive instruments).

The LP sets the amount of capital in proportion to risk. The LP 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 LP may issue partnership units to facilitate business combinations and/or retire term debt or may adjust the amount of distributions paid to the Unitholders.

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

During 2008, the LP'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 LP's lender. The total debt to adjusted equity ratios and total adjusted net assets to adjusted equity ratios were as follows:

	2008	2007
Total debt	$ 54,314,213	$ 64,890,595
Adjusted equity:		
Total equity	$ 90,018,847	$ 48,401,382
Less other intangible assets and goodwill	(15,171,495)	(13,246,906)
Adjusted equity	$ 74,847,352	$ 35,154,476
Total debt to adjusted equity ratio	0.73 to 1	1.84 to 1
Adjusted assets:		
Total assets	$ 144,333,060	$ 113,291,977
Less other intangible assets and goodwill	(15,171,495)	(13,246,906)
Adjusted assets	$ 129,161,565	$ 100,045,071
Adjusted equity (above)	$ 74,847,352	$ 35,154,476
Adjusted assets to adjusted equity ratio	1.73 to 1	2.84 to 1

The decrease in total debt to adjusted equity ratio during 2008 resulted primarily from an increase in net earnings and positive cash flows generated by operations and the funds received from the private placement completed in July 2008.

Adjusted assets to adjusted equity ratio have decreased due to an increase in net earnings and equity and improved profitability in proportion to the increase in our adjusted assets as well as increases provided from the private placement completed in July 2008.

24. Financial instruments

Fair value of financial instruments

The carrying amounts of cash, short-term loans, accounts receivable, accounts payable and accrued liabilities, and Unitholder distributions payable approximate their fair values given the short-term maturity of these instruments. The carrying values of the current and long-term portions of debt approximate fair value because the applicable interest rates on these liabilities are fixed at rates similar to prevailing market rates.

Market risk

Market risk is the risk that the fair value of financial instruments will fluctuate due to changes in market factors and adverse economic conditions which may impact the timing of collection and ultimate realization of equipment sales, parts, service and rental revenue. The LP derives substantially all of its operating revenue from agricultural and construction based clients. The agriculture segment is primarily based on commodity prices and the construction segment is primarily based on both housing and infrastructure starts. A 5% to 10% change in the market conditions affecting these segments would result in an increase or decrease to revenue of between $17.4 and $34.9 million. Based on the return on sales experienced for the year ended December 31, 2008, this would result in an increase or decrease in net earnings of between $1.1 and $2.2 million.

Credit risk

By granting credit sales to customers, it is possible these entities, to which the LP provides services, may experience financial difficulty and be unable to fulfill their obligations. A substantial amount of the LP's revenue is generated from customers in the farming and construction industries. This results in a concentration of credit risk from customers in these industries. A significant decline in economic conditions within these industries would increase the risk customers will experience financial difficulty and be unable to fulfill their obligations to the LP. The LP'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 LP's revenues are normally invoiced with payment terms of net, 30 days. At December 31, 2008, $3,716,675 (December 31, 2007 - $4,077,076) of LP's gross receivables were over 30 days. In our industries, customers typically pay invoices within 30 to 60 days. The average time to collect LP's outstanding accounts receivable was approximately 13 days for the year ended December 31, 2008 (2007 - 14 days) and no single outstanding customer balance represented more than 10% of total accounts receivable. The LP mitigates its credit risk by assessing the credit worthiness of its customers on an ongoing basis. The LP 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, 2008 and December 31, 2007, 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. Of the $11,732,104 of trade accounts outstanding, $8,015,429 is outstanding greater than 30 days for which the LP has recorded $878,297 if allowance for uncollectible amounts.

The LP recorded the following activity in its allowance for doubtful accounts during the year ended December 31, 2008:

Balance, December 31, 2007	$ 799,861
Additional allowance recorded	567,964
Amounts written-off as uncollectible	(489,528)
Balance, December 31, 2008	$ 878,297

Liquidity risk

The LP'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 LP controls its liquidity risk by managing its working capital, cash flows, and the availability of borrowing facilities. At December 31, 2008, the LP's contractual obligations are described in note 19 above. As described in note 11, the LP has available for its current use, $15 million of operating credit facilities for which no advances have been made. In addition, the LP has a committed reducing term facility in the amount of $1.5 million to finance capital asset additions of which no amounts have been advanced.

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

Interest rate risk

The LP'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 LP's outstanding long-term debt and obligations under capital lease at December 31, 2008, a one percent increase or decrease in market interest rates would impact LP's annual interest expense by approximately $200,000. LP's other financial instruments are not exposed to interest rate risk.

Foreign currency exposure

The LP is not exposed to fluctuations in foreign currency to the extent that all sales and expenditures are incurred in Canadian dollars. However, many of our products, including equipment and parts are based on a US dollar price as they are supplied primarily by US manufacturers. This may cause fluctuations in the sales values assigned to equipment and parts inventories as the LP'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 LP's manufacturers also have programs in place to facilitate and/or reduce the effect of foreign currency fluctuations, primarily on new equipment inventory purchases.