ROCKY MOUNTAIN DEALERSHIPS

Condensed Consolidated Interim Financial Statements and Notes

Three and Six Month Periods Ended June 30, 2016 and 2015 (Unaudited)

Condensed Consolidated Interim Balance Sheets

Expressed in thousands of Canadian dollars (unaudited)

	Note	**June 30, 2016 $**	December 31, 2015 $	June 30, 2015 $
Assets				
Current				
Cash		**12,898**	21,691	8,956
Restricted cash	**6**	**-**	879	879
Trade receivables and other		**26,418**	25,152	24,862
Inventory	**7**	**494,845**	499,760	540,950
Income taxes receivable		**29**	47	1,570
Prepaid expenses		**3,179**	5,513	3,638
Current portion of derivative financial assets		**-**	-	151
Assets held for sale	**8**	**395**	10,542	10,524
Total current assets		**537,764**	563,584	591,530
Non-current				
Property and equipment	**8**	**50,909**	39,888	34,242
Deferred tax asset	**12.2**	**2,557**	2,367	1,652
Derivative financial assets		**-**	-	62
Intangible assets		**589**	671	821
Goodwill		**18,776**	18,802	17,764
Total non-current assets		**72,831**	61,728	54,541
Total assets		**610,595**	625,312	646,071
Liabilities				
Current				
Bank indebtedness	**9**	**15,000**	5,001	7,615
Trade payables, accruals and other		**31,429**	33,963	35,381
Floor plan payable		**340,986**	356,568	379,302
Deferred revenue and advances		**1,923**	4,404	1,334
Current portion of long-term debt		**6,347**	4,852	11,064
Current portion of obligations under finance leases		**435**	71	194
Current portion of derivative financial liabilities	**14**	**3,145**	4,040	1,732
Liabilities associated with assets held for sale	**8**	**-**	1,562	2,846
Total current liabilities		**399,265**	410,461	439,468
Non-current				
Long-term debt		**36,744**	40,080	38,082
Obligations under finance leases		**742**	154	-
Derivative financial liabilities	**14**	**5,562**	4,859	2,686
Total non-current liabilities		**43,048**	45,093	40,768
Total liabilities		**442,313**	455,554	480,236
Shareholders' Equity				
Common shares		**87,709**	87,709	87,709
Contributed surplus		**6,030**	5,929	5,755
Accumulated other comprehensive loss		**(4,358)**	(3,609)	(2,885)
Retained earnings		**78,901**	79,729	75,256
Total shareholders' equity		**168,282**	169,758	165,835
Total liabilities and shareholders' equity		**610,595**	625,312	646,071

APPROVED BY THE BOARD

"Signed" Dennis Hoffman
Dennis Hoffman, Director

"Signed" Matthew Campbell
Matthew Campbell, Director

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

Condensed Consolidated Interim Statements of Net Earnings
For the three and six month periods ended
Expressed in thousands of Canadian dollars except per share amounts (unaudited)

	Note	**Three Months Ended June 30, 2016 $**	Three Months Ended June 30, 2015 $	**Six Months Ended June 30, 2016 $**	Six Months Ended June 30, 2015 $
Sales					
New equipment		**111,971**	95,393	**191,773**	207,141
Used equipment		**78,468**	75,487	**162,134**	159,272
Parts		**32,314**	31,989	**50,656**	48,977
Service		**8,550**	9,387	**15,298**	16,440
Other		**1,272**	1,204	**2,178**	2,053
Total sales	**10**	**232,575**	213,460	**422,039**	433,883
Cost of sales	**7**	**198,428**	180,519	**359,609**	369,482
Gross profit		**34,147**	32,941	**62,430**	64,401
Selling, general and administrative	**11**	**25,455**	26,363	**49,924**	53,993
Interest on short-term debt		**3,297**	3,304	**6,390**	6,159
Interest on long-term debt		**454**	526	**907**	1,040
Earnings before income taxes		**4,941**	2,748	**5,209**	3,209
Income taxes					
Current		**1,288**	630	**1,514**	1,028
Deferred	**12.2**	**287**	89	**65**	(180)
Total income taxes	**12.1**	**1,575**	719	**1,579**	848
Net earnings		**3,366**	2,029	**3,630**	2,361
Earnings per share					
Basic		**0.17**	0.10	**0.19**	0.12
Diluted		**0.17**	0.10	**0.19**	0.12

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

ROCKY MOUNTAIN DEALERSHIPS

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)
For the three and six month periods ended
Expressed in thousands of Canadian dollars (unaudited)

	Note	**Three Months Ended June 30, 2016 $**	Three Months Ended June 30, 2015 $	**Six Months Ended June 30, 2016 $**	Six Months Ended June 30, 2015 $
Net earnings		**3,366**	2,029	**3,630**	2,361
Other comprehensive income (loss)					
Items which will subsequently be reclassified to net earnings:					
Unrealized gain (loss) on derivative financial instruments, net of tax	**14**	**45**	353	**(749)**	(801)
Total other comprehensive income (loss), net of tax		**45**	353	**(749)**	(801)
Comprehensive income		**3,411**	2,382	**2,881**	1,560

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

ROCKY MOUNTAIN DEALERSHIPS

Condensed Consolidated Interim Statements of Changes in Equity
Expressed in thousands of Canadian dollars and thousands of common shares (unaudited)

	Note	Common shares		Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total equity
		Number of shares	Amount $	$	$	$	$
Balance, December 31, 2015		19,384	87,709	5,929	(3,609)	79,729	169,758
Equity-settled share-based payment expense	**11**	-	-	101	-	-	101
Net earnings		-	-	-	-	3,630	3,630
Other comprehensive loss		-	-	-	(749)	-	(749)
Dividends paid		-	-	-	-	(4,458)	(4,458)
Balance, June 30, 2016		19,384	87,709	6,030	(4,358)	78,901	168,282

	Note	Common shares		Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Total equity
		Number of shares	Amount $	$	$	$	$
Balance, December 31, 2014		19,384	87,709	5,429	(2,084)	77,353	168,407
Equity-settled share-based payment expense	**11**	-	-	326	-	-	326
Net earnings		-	-	-	-	2,361	2,361
Other comprehensive loss		-	-	-	(801)	-	(801)
Dividends paid		-	-	-	-	(4,458)	(4,458)
Balance, June 30, 2015		19,384	87,709	5,755	(2,885)	75,256	165,835

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

Condensed Consolidated Interim Statements of Cash Flows
For the three and six month periods ended
Expressed in thousands of Canadian dollars (unaudited)

ROCKY MOUNTAIN DEALERSHIPS

	Note	**Three Months Ended June 30, 2016 $**	Three Months Ended June 30, 2015 $	**Six Months Ended June 30, 2016 $**	Six Months Ended June 30, 2015 $
Operating activities					
Net earnings		**3,366**	2,029	**3,630**	2,361
Adjustments for:					
Depreciation and amortization expense	**11**	**2,168**	1,957	**3,953**	3,757
Deferred tax expense (recovery)	**12.2**	**287**	89	**65**	(180)
Equity-settled share-based payment expense	**11**	**18**	93	**101**	326
Unrealized asset impairment loss	**8**	**100**	-	**100**	-
Loss (gain) on disposal of property and equipment		**340**	(43)	**264**	(65)
Gain on derivative financial instruments	**14**	**(1,469)**	(597)	**(1,217)**	(164)
Changes in non-cash working capital		**(7,611)**	(5,563)	**(13,240)**	(4,781)
Total cash (used) generated from operating activities		**(2,801)**	(2,035)	**(6,344)**	1,254
Financing activities					
Repayment of long-term debt		**(1,819)**	(9,467)	**(1,876)**	(12,139)
Proceeds from long-term debt		**-**	15,566	**-**	15,566
Net change in obligations under finance leases		**5**	(118)	**952**	(268)
Dividends paid		**(2,229)**	(2,229)	**(4,458)**	(4,458)
Deferred debt issuance costs		**18**	-	**35**	-
Total cash (used) generated from financing activities		**(4,025)**	3,752	**(5,347)**	(1,299)
Investing activities					
Purchase of property and equipment		**(3,735)**	(3,131)	**(7,973)**	(5,234)
Disposal of property and equipment		**639**	179	**872**	348
Acquisition of business, net of cash acquired and bank indebtedness assumed		**-**	(15,847)	**-**	(16,680)
Total cash used from investing activities		**(3,096)**	(18,799)	**(7,101)**	(21,566)
Net decrease in cash		**(9,922)**	(17,082)	**(18,792)**	(21,611)
Cash, beginning of period		**7,820**	18,423	**16,690**	22,952
Cash (cash deficiency), end of period		**(2,102)**	1,341	**(2,102)**	1,341
Taxes paid		**1,464**	815	**1,464**	9,259
Interest paid		**3,688**	3,830	**7,172**	7,199
Cash (cash deficiency), end of period consists of:					
Cash		**12,898**	8,956	**12,898**	8,956
Bank indebtedness	**9**	**(15,000)**	(7,615)	**(15,000)**	(7,615)
		(2,102)	1,341	**(2,102)**	1,341

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

1. General information

Rocky Mountain Dealerships Inc. (the "Company") was incorporated under the Business Corporations Act (Alberta). Through its wholly-owned subsidiaries, the Company sells, leases and provides product and warranty support for a wide variety of agriculture and industrial equipment in Western Canada. All of the Company's operating subsidiaries are incorporated in Alberta, Canada and all of the equipment dealership locations operate under the name "Rocky Mountain Equipment".

The head office, principal address and registered and records office of the Company are located at Suite 301, 3345 8th Street S.E., Calgary, Alberta, T2G 3A4.

2. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, 'Interim financial reporting' and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2015, which have been prepared in accordance with IFRS. These condensed consolidated interim financial statements were approved by the Board of Directors of the Company on August 9, 2016.

3. Summary of significant accounting policies

The accounting policies adopted are consistent with those described in the annual consolidated financial statements for the year ended December 31, 2015 except for new standards, interpretations and amendments mandatorily effective for the first time from January 1, 2016 and taxes on income in the interim periods which are accrued using the tax rate that would be applicable to the expected total annual profit or loss.

No new standards, interpretations or amendments were adopted for the first time from January 1, 2016, which had a material impact on the Company's financial statements.

At the date of authorization of these consolidated financial statements, the IASB and the IFRS Interpretations Committee (IFRIC) have issued the following amendments which are not yet effective for the relevant reporting periods. These amendments are in addition to those disclosed in the Company's annual consolidated financial statements for the year ended December 31, 2015. The Company has not early adopted these amendments, however the Company is currently assessing what impact the application of these amendments will have on the consolidated financial statements.

Amendment to IAS 7, *'Statement of cash flows'*

Amended to improve information provided to users of financial statements about an entity's financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017.

Amendment to IAS 12, *'Income taxes'*

The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments are effective for annual periods beginning on or after January 1, 2017.

4. Key estimates and judgements

The preparation of interim financial statements requires the use of estimates and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the key estimates and judgements made by management in applying the Company's accounting policies were the same as those applied to the annual consolidated financial statements for the year ended December 31, 2015.

In thousands of Canadian dollars except per share and per option amounts (unaudited)

5. Seasonality

The Company's customers operate in industries that are affected by seasonality. The seasonal nature of our customers' businesses affects their demand for the Company's equipment and services. The Company generally experiences a lower volume of equipment sales during the first quarter of the calendar year, when winter weather makes certain types of industrial and agriculture work difficult to perform.

6. Restricted Cash

Restricted cash as at June 30, 2016 is $Nil (December 31, 2015 - $879, June 30, 2015 - $879). The entire amount of restricted cash at December 31, 2015 and June 30, 2015 was comprised of $879 related to a holdback on the Chabot acquisition that was held in trust. These funds were released during the second quarter of 2016.

7. Inventory

	June 30, 2016 $	December 31, 2015 $	June 30, 2015 $
New equipment	**164,042**	172,335	223,579
Used equipment	**285,939**	287,784	268,112
Parts	**42,849**	37,872	46,401
Work-in-progress	**2,015**	1,769	2,858
	494,845	499,760	540,950

For the three and six months ended June 30, 2016, inventory recognized as an expense amounted to $194,872 and $353,524, respectively, (2015 – $176,565 and $362,733, respectively) which is included in cost of sales in the consolidated statement of net earnings.

For the three and six months ended June 30, 2016, there were net write downs of inventory to net realizable value of $934 and $2,084, respectively, (2015 – $2,357 and $3,102, respectively) in cost of sales in the consolidated statement of net earnings. The Company's inventory has been pledged as security for its bank indebtedness, floor plan payable and long-term debt.

8. Assets held for sale

As at June 30, 2016, one piece of real estate with a net book value of $495 is classified as held for sale. The fair value of the asset was assessed at $395, consequently the Company recorded a $100 asset impairment loss in the second quarter of 2016. There is no debt associated with this asset.

One parcel of land that was classified as an asset held for sale at December 31, 2015, with a net book value of $200 was disposed of during the second quarter of 2016, resulting in a gain of $18 recorded in selling, general and administrative expense.

Whole-goods and parts associated with a non-core product line that were classified as assets held for sale at March 31, 2016, in the amount of $1,398, along with floor plan associated with the inventory of $1,011 that was classified as a current liability at March 31, 2016, was fully disposed of during the second quarter of 2016, resulting in a gain of $172 recorded in selling, general and administrative expense.

During the first quarter of 2016, two parcels of land with a net book value of $8,272 (December 31, 2015 - $8,272) were reclassified as long-term assets held for sale as they are no longer expected to be sold within the next twelve months. These assets have been recorded within property and equipment.

In thousands of Canadian dollars except per share and per option amounts (unaudited)

9. Bank indebtedness

The Company's bank indebtedness is comprised of the Operating Facility made available to the Company through its Syndicated Facility. Advances under the Operating Facility are limited to the lesser of the established borrowing base and $60,000. During the second quarter of 2016, the Company requested and received a $10,000 dollar reduction in its Operating Facility limit to $60,000. The reduction eliminates redundant room on the facility and the associated carrying costs associated therewith. The borrowing base is supported by otherwise unencumbered assets including certain accounts receivable, inventory and items of property and equipment, less priority payables. This facility may be used to finance general corporate operating requirements.

The Syndicated Facility is a revolving facility which matures on September 24, 2018, and which is secured in favour of the syndicate by a general security agreement. Advances under the Syndicated Facility may be made based on our lenders' prime rate or the U.S. base rate plus 1.0% – 2.5% or based on the banker's acceptance ("BA") rate plus 2.0% – 3.5%. The Company pays standby fees of between 0.4% – 0.7% per annum on any undrawn portion of the Syndicated Facility. The standby fees and premiums on base interest rates within the respective ranges are determined based on the Company's ratio of debt to tangible net worth.

10. Sales

The Company's sales for the three and six months ended June 30 are comprised of:

	Three Months Ended June 30, 2016 $	Three Months Ended June 30, 2015 $	**Six Months Ended June 30, 2016 $**	Six Months Ended June 30, 2015 $
Agriculture equipment sales	**178,569**	155,526	**334,638**	339,735
Industrial equipment sales	**11,870**	15,354	**19,269**	26,678
Parts sales	**32,314**	31,989	**50,656**	48,977
Sale of goods	**222,753**	202,869	**404,563**	415,390
Rendering of services	**9,822**	10,591	**17,476**	18,493
Total sales	**232,575**	213,460	**422,039**	433,883

11. Selling, general and administrative

The Company's selling, general and administration expenses for the three and six months ended June 30 are comprised of:

	Three Months Ended June 30, 2016 $	Three Months Ended June 30, 2015 $	**Six Months Ended June 30, 2016 $**	Six Months Ended June 30, 2015 $
Compensation and related expenses	**16,716**	17,266	**33,051**	34,035
Rent and other facility expenses	**3,281**	3,534	**6,982**	7,182
Depreciation and amortization expense	**2,168**	1,957	**3,953**	3,757
Administrative expenses	**2,509**	4,110	**4,822**	8,857
Industrial restructuring costs	**2,232**	-	**2,232**	-
Derivative financial instrument gains	**(1,469)**	(597)	**(1,217)**	(164)
Equity-settled share-based payment expense	**18**	93	**101**	326
Total selling, general and administrative expenses	**25,455**	26,363	**49,924**	53,993

Included in compensation and related expenses for the three and six months ended June 30, 2016 are variable sales commissions of $3,619 and $6,619, respectively (2015 – $3,297 and $6,498, respectively).

In thousands of Canadian dollars except per share and per option amounts (unaudited)

Depreciation and amortization expense for three and six months ended June 30, 2016 is comprised of property and equipment depreciation of $2,127 and $3,871, respectively (2015 - $1,957 and $3,757, respectively) and intangible asset amortization of $41 and $82, respectively (2015 - $Nil and $Nil, respectively).

Costs included in administrative expenses are marketing, training, insurance, travel, professional fees and other miscellaneous expenses.

During the second quarter of 2016, the Company recognized $2,232 of non-recurring costs associated with the amalgamation of our Calgary and Red Deer industrial facilities into existing agriculture facilities in those areas. Included in these expenses is an accrual of $1,099 for the estimated net costs associated with vacating these facilities. The Company is in the process of negotiating early lease terminations with the landlords, one of whom is a related party (see Note 13). Failing that, the Company will look to sublet the facilities for the duration of the lease terms. The accrual equates to 50% of the $2,197 of remaining contractual obligations associated with the vacated facilities, and reflects an estimated reduction and/or recovery of such obligations through either early termination or sublease. If the Company is unable to negotiate early terminations and/or sublet the facilities, it may be required to recognize additional expenses of up to $1,098 associated with vacating the facilities. For segment reporting purposes (see Note 15), these costs have been reported in the industrial segment.

12. Income taxes

12.1. Income tax recognized in net earnings

Total taxes recognized in net earnings were different than the amount computed by applying the combined statutory Canadian and Provincial tax rates to income before taxes. The difference resulted from the following:

	Three Months Ended June 30, 2016 $	Three Months Ended June 30, 2015 $	**Six Months Ended June 30, 2016 $**	Six Months Ended June 30, 2015 $
Earnings before income taxes	**4,941**	2,748	**5,209**	3,209
Computed tax at statutory tax rate of 27% (2015 – 26%)	**1,334**	719	**1,406**	834
Non-deductible expenses	**107**	90	**156**	188
Change in enacted rates	**-**	(57)	**-**	(57)
Adjustment from prior year income tax expenses	**100**	(49)	**56**	(49)
Other	**34**	16	**(39)**	(68)
	1,575	719	**1,579**	848

12.2. Deferred tax asset (liability)

	Share issue costs $	Cumulative eligible capital $	Property and equipment $	Intangible Asset $	DSUs $	Interest rate swaps $	Total $
December 31, 2015	89	116	(183)	(181)	123	2,403	2,367
Added in acquisition	-	-	(21)	-	-	-	(21)
Recognized in net earnings	(20)	(15)	294	22	(18)	(328)	(65)
Recognized in equity	-	-	-	-	-	276	276
June 30, 2016	69	101	90	(159)	105	2,351	2,557

In thousands of Canadian dollars except per share and per option amounts (unaudited)

	Share issue costs $	Cumulative eligible capital $	Property and equipment $	DSUs $	Interest rate swaps $	Total $
December 31, 2014	187	139	(147)	170	837	1,186
Recognized in net earnings	(8)	(7)	197	(15)	13	180
Recognized in equity	-	-	-	-	286	286
June 30, 2015	179	132	50	155	1,136	1,652

The Company also has capital losses in the amount of $3,150 with no fixed expiry date and non-capital losses of $1,671 which expire between 2034 and 2035. No deferred future tax asset has been recognized for the capital or the non-capital losses as the Company does not expect to have sufficient future taxable profit against which the capital or the non-capital losses can be utilised.

13. Related party transactions

During the three and six months ended June 30, the Company entered into the following transactions with related parties:

	Three Months Ended June 30, 2016 $	Three Months Ended June 30, 2015 $	**Six Months Ended June 30, 2016 $**	Six Months Ended June 30, 2015 $
Equipment and product support sales	**136**	569	**152**	869
Expenditures				
Rental payment on Company facilities	**1,447**	1,375	**2,895**	2,750
Equipment purchases	**46**	473	**49**	569
Flight costs	**-**	-	**16**	56
Other expenses	**10**	36	**33**	92

All related parties are either directly or indirectly owned by a member of senior management of the Company and/or a close family member thereof. These transactions were made on terms equivalent to those that prevail in arm's length transactions and are made only if such terms can be substantiated.

Amounts due from (to) related parties are included in the consolidated balance sheets under trade receivables and other (trade payables, accruals and other) and are as follows:

	June 30, 2016 $	December 31, 2015 $	June 30, 2015 $
Due from related parties	**87**	111	88
Due to related parties	**(533)**	(13)	(2)

The amounts due from related parties are not secured and are to be settled in cash. As at June 30, 2016, December 31, 2015, and June 30, 2015, the amounts due from related parties are considered collectible and therefore have not been provided for in the allowance for doubtful accounts. During the three and six months ended June 30, 2016, $Nil and $Nil, respectively, has been recognized in bad debt expenses with respect to related party transactions (2015 – $Nil and $Nil, respectively).

The amount due to related parties reflects the estimated net costs associated with vacating one of the industrial facilities which is currently leased from a related party. The Company is in the process of negotiating an early lease termination with the landlord and failing that, will look to sublet the facility for the duration of the lease term. The accrual equates to 50% of the $1,066 of remaining contractual obligation associated with the vacated facility, and reflects an estimated reduction and/or recovery of such obligations through either early termination or sublease. If the Company is unable to negotiate an early termination and/or sublet the facility, it may be required to recognize additional expenses of up to $533 associated with vacating the facility.

In thousands of Canadian dollars except per share and per option amounts (unaudited)

The Company has contractual obligations to related parties in the form of facility leases. As at June 30, 2016, these contractual obligations and due dates, inclusive of the aforementioned vacated facility which is presented at its gross amount, are as follows:

	Total $	Remainder of 2016 $	2017-2018 $	2019-2020 $	Thereafter $
Operating lease obligations	**25,143**	2,870	9,517	7,124	5,632

14. Derivative financial instruments and hedges

The Company has long and short-term debt raised at floating interest rates based on the prevailing Bankers' Acceptance rate and hedges a portion of this risk by using floating-to-fixed interest rate swaps. Under the interest rate swaps, the Company hedges interest rate risk by exchanging, at monthly intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts. The interest rate swaps hedge the Company's exposure to interest rate fluctuations on portions of the Term and Flooring Facilities. The accumulated amounts recognized within accumulated other comprehensive loss will be reversed into net earnings over the remainder of the term of the derivatives. Future changes in fair value will be recognized within net earnings in the period in which they arise.

Interest rate swaps outstanding at June 30, 2016 are as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Notional amount	**$ 131,000**	$ 134,115	$ 87,504
Effective fixed interest rate	**4.9%**	4.8%	4.5%
Effective floating interest rate	**3.5%**	3.5%	3.0%
Maturity dates	**April 2017 – September 2022**	May 2016 – September 2022	May 2016 – September 2020

The Company has several total return swaps to hedge the exposure associated with increases in its share value on its outstanding Director Share Units (DSUs) and Share Appreciation Rights (SARs). The Company does not apply hedge accounting to these relationships and as such, gains and losses arising from marking the derivatives to market are recognized in earnings in the period in which they arise.

Derivative financial liabilities, net of assets are as follows:

	June 30, 2016 $	December 31, 2015 $	June 30, 2015 $
Total return swaps	**2,545**	3,606	(213)
Interest rate swaps	**6,162**	5,293	4,418
	8,707	8,899	4,205
Current portion	**3,145**	4,040	1,581
Long-term portion	**5,562**	4,859	2,624

In thousands of Canadian dollars except per share and per option amounts (unaudited)

Losses (gains) on derivative financial instruments are as follows:

	Three Months Ended June 30, 2016 $	Three Months Ended June 30, 2015 $	**Six Months Ended June 30, 2016 $**	Six Months Ended June 30, 2015 $
Opening net derivative financial liability	**10,238**	5,266	**8,899**	3,282
Gain recognized in net earnings	**(1,469)**	(597)	**(1,217)**	(164)
(Gain) loss recognized in other comprehensive income (loss) – net of tax	**(45)**	(353)	**749**	801
Tax on (gain) loss recognized in other comprehensive income (loss)	**(17)**	(111)	**276**	286
Ending net derivative financial liability	**8,707**	4,205	**8,707**	4,205

These accumulated losses will be continuously released to the consolidated statement of net earnings within interest on short-term, long-term debt and selling, general and administrative expenses until full repayment of the underlying debt.

15. Segmented Reporting

The Company has two reportable operating segments, the agriculture segment and the industrial segment, which are both supported by the corporate office. The business segments are strategic business units that offer different products and services and are managed separately. The corporate office provides finance, treasury, human resource, legal and other administrative support to the business segments. Corporate expenditures are allocated and absorbed in each individual segment on the basis of the distribution of assets deployed in the segment.

The agriculture segment primarily includes sales of agricultural equipment, parts and services and the industrial segment includes sales of industrial equipment, parts and services. The Company's branches have been aggregated based on the primary industry which they serve. In the case where certain branches serve both industries, the primary industry served is agriculture and therefore, these facilities have been categorized as such. As a result, certain Industrial related results are included in the agriculture segment for the purposes of segmented financial reporting. See Note 10 for total industrial equipment sales for the three and six months ended June 30, 2016 and 2015.

As part of the amalgamations of the industrial facilities during the second quarter of 2016, the majority of the Company's industrial assets were transferred to agriculture branches. As at June 30, 2016, the assets remaining within the industrial segment are quantitatively insignificant and consequently, the Company has ceased to present segmented balance sheet information for the current period.

As a result of the recent change to the Company's industrial equipment distribution strategy, the Company has determined that its industrial operations results are quantitatively insignificant and consequently, the Company will cease the segmentation of its financial results commencing with the third quarter of 2016.

Notes to the Condensed Consolidated Interim Financial Statements
For the three and six month periods ended June 30, 2016 and 2015
In thousands of Canadian dollars except per share and per option amounts (unaudited)

For the three months ended June 30,

	2016			2015		
	Agriculture $	**Industrial $**	**Total $**	Agriculture $	Industrial $	Total $
Sales						
New equipment	**106,650**	**5,321**	**111,971**	87,327	8,066	95,393
Used equipment	**77,553**	**915**	**78,468**	73,977	1,510	75,487
Parts	**30,024**	**2,290**	**32,314**	28,130	3,859	31,989
Service	**7,740**	**810**	**8,550**	8,162	1,225	9,387
Other	**1,123**	**149**	**1,272**	1,052	152	1,204
	223,090	**9,485**	**232,575**	198,648	14,812	213,460
Cost of Sales	**190,874**	**7,554**	**198,428**	168,533	11,986	180,519
Gross profit	**32,216**	**1,931**	**34,147**	30,115	2,826	32,941
Selling, general and administrative	**21,161**	**4,294**	**25,455**	23,144	3,219	26,363
Interest on short-term debt	**3,026**	**271**	**3,297**	3,113	191	3,304
Interest on long-term debt	**408**	**46**	**454**	469	57	526
Earnings (loss) before income taxes	**7,621**	**(2,680)**	**4,941**	3,389	(641)	2,748
Income taxes	**2,861**	**(1,286)**	**1,575**	865	(146)	719
Net earnings (loss)	**4,760**	**(1,394)**	**3,366**	2,524	(495)	2,029

For the six months ended June 30,

	2016			2015		
	Agriculture $	**Industrial $**	**Total $**	Agriculture $	Industrial $	Total $
Sales						
New equipment	**182,290**	**9,483**	**191,773**	194,026	13,115	207,141
Used equipment	**160,367**	**1,767**	**162,134**	156,779	2,493	159,272
Parts	**45,977**	**4,679**	**50,656**	42,220	6,757	48,977
Service	**13,647**	**1,651**	**15,298**	13,924	2,516	16,440
Other	**1,990**	**188**	**2,178**	1,861	192	2,053
	404,271	**17,768**	**422,039**	408,810	25,073	433,883
Cost of Sales	**345,316**	**14,293**	**359,609**	349,733	19,749	369,482
Gross profit	**58,955**	**3,475**	**62,430**	59,077	5,324	64,401
Selling, general and administrative	**42,891**	**7,033**	**49,924**	47,057	6,936	53,993
Interest on short-term debt	**5,719**	**671**	**6,390**	5,738	421	6,159
Interest on long-term debt	**815**	**92**	**907**	927	113	1,040
Earnings (loss) before income taxes	**9,530**	**(4,321)**	**5,209**	5,355	(2,146)	3,209
Income taxes	**2,889**	**(1,310)**	**1,579**	1,415	(567)	848
Net earnings (loss)	**6,641**	**(3,011)**	**3,630**	3,940	(1,579)	2,361

Notes to the Condensed Consolidated Interim Financial Statements
For the three and six month periods ended June 30, 2016 and 2015
In thousands of Canadian dollars except per share and per option amounts (unaudited)

Balance Sheet Information:

December 31, 2015	Agriculture $	Industrial $	Total $
Inventory	451,088	48,672	499,760
Intangible assets	671	-	671
Goodwill	18,802	-	18,802
Other assets	88,732	17,347	106,079
Total assets	559,293	66,019	625,312

June 30, 2015	Agriculture $	Industrial $	Total $
Inventory	483,151	57,799	540,950
Intangible assets	821	-	821
Goodwill	17,764	-	17,764
Other assets	70,439	16,097	86,536
Total assets	572,175	73,896	646,071