Condensed Consolidated Interim Financial Statements and Notes

Three and Six Month Periods Ended June 30, 2011 (unaudited)

Consolidated Balance Sheet
Expressed in thousands of Canadian dollars (Unaudited)

	Note	**June 30, 2011 $**	December 31, 2010 $	January 1, 2010 $
			(Note 25)	(Note 25)
Assets				
Current				
Cash	**5**	**21,726**	17,139	8,912
Trade receivables and other	**6**	**30,240**	27,509	24,186
Inventory	**7**	**356,393**	327,739	247,627
Prepaid expenses		**1,545**	1,611	509
		409,904	373,998	281,234
Non-current				
Property, plant and equipment	**8**	**22,138**	20,600	19,343
Goodwill	**9**	**10,050**	8,574	4,316
		32,188	29,174	23,659
		442,092	403,172	304,893
Liabilities				
Current				
Bank indebtedness	**5**	**-**	-	1,947
Trade payables, accruals and other	**10**	**34,104**	29,480	30,825
Floor plan payable	**11**	**235,711**	210,425	158,793
Deferred revenue		**3,145**	337	3,154
Current portion of long-term debt	**12**	**7,347**	6,574	8,545
Current portion of obligations under finance leases	**13**	**1,030**	825	619
		281,337	247,641	203,883
Non-current				
Long-term debt	**12**	**12,861**	13,058	12,968
Obligations under finance leases	**13**	**1,856**	1,387	896
Convertible debentures	**14**	**28,582**	28,411	-
Deferred tax liability	**18.2**	**3,770**	6,851	1,051
		47,069	49,707	14,915
		328,406	297,348	218,798
Shareholders' Equity				
Common shares		**79,689**	76,144	70,601
Convertible debentures	**14**	**539**	539	-
Contributed surplus	**16.5**	**3,728**	4,837	3,213
Retained earnings		**29,730**	24,304	12,281
		113,686	105,824	86,095
		442,092	403,172	304,893

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

ROCKY MOUNTAIN DEALERSHIPS

Consolidated Statement of Changes in Equity
Expressed in thousands of Canadian dollars (Unaudited)

	Note	Common shares		Convertible debentures	Contributed surplus	Retained earnings	Total equity
		Number of shares	Amount $	$	$	$	$
Balances, January 1, 2010	**25**	17,807	70,601	-	3,213	12,281	86,095
Shares issued:							
As consideration for business combinations	**4**	442	4,100				4,100
Upon exercise of stock options	**16.3**	9	58		(19)		39
Share-based payment expense	**16.5**				855		855
Net earnings and comprehensive income for the period						4,853	4,853
Dividends paid	**16.2**					(1,617)	(1,617)
Transaction costs			(6)				(6)
Balances, June 30, 2010	**25**	18,258	74,753	-	4,049	15,517	94,319
Shares issued:							
As consideration for business combinations	**4**	171	1,400				1,400
Issuance of convertible debentures	**14**			539			539
Repurchased pursuant to normal course issuer bid		(2)	(8)			(7)	(15)
Share-based payment expense					788		788
Net earnings and comprehensive income for the period						10,445	10,445
Dividends paid						(1,651)	(1,651)
Transaction costs			(1)				(1)
Balances, December 31, 2010	**25**	18,427	76,144	539	4,837	24,304	105,824
Shares issued:							
As consideration for business combinations	**4**	139	1,353				1,353
Upon exercise of stock options	**16.3**	212	2,214		(1,620)		594
Repurchased pursuant to normal course issuer bid	**16.1**	(5)	(22)			(27)	(49)
Share-based payment expense	**16.5**				511		511
Net earnings and comprehensive income for the period						7,127	7,127
Dividends paid	**16.2**					(1,674)	(1,674)
Balances, June 30, 2011		18,773	79,689	539	3,728	29,730	113,686

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

Consolidated Statement of Net Earnings and Comprehensive Income
Three and Six Month Periods Ended
Expressed in thousands of Canadian dollars except per share amounts (Unaudited)

	Note	**Three Months Ended June 30, 2011 $**	Three Months Ended June 30, 2010 $	**Six Months Ended June 30, 2011 $**	Six Months Ended June 30, 2010 $
			(Note 25)		(Note 25)
Sales					
New units		**115,974**	82,065	**200,698**	144,003
Used units		**62,481**	36,981	**109,023**	75,068
Parts		**25,065**	15,763	**39,758**	26,501
Service		**12,961**	10,185	**23,575**	19,314
Other		**1,438**	1,175	**2,444**	1,758
	17	**217,919**	146,169	**375,498**	266,644
Cost of sales		**184,698**	123,213	**316,576**	224,456
Gross profit		**33,221**	22,956	**58,922**	42,188
Expenses					
Selling, general and administrative		**23,433**	16,927	**43,120**	31,989
Interest on short-term debt	**17**	**2,641**	1,506	**4,185**	2,869
Interest on long-term debt		**933**	231	**1,800**	459
		27,007	18,664	**49,105**	35,317
Earnings before income taxes		**6,214**	4,292	**9,817**	6,871
Provision for (recovery of) income taxes					
Current		**256**	(990)	**5,866**	(25)
Deferred	**18.3**	**1,494**	2,186	**(3,176)**	2,043
	18.1	**1,750**	1,196	**2,690**	2,018
Net earnings and comprehensive income		**4,464**	3,096	**7,127**	4,853
Earnings per share					
Basic	**19**	**0.24**	0.17	**0.38**	0.27
Diluted	**19**	**0.23**	0.17	**0.37**	0.27

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

Consolidated Statement of Cash Flows
Three and Six Month Periods Ended
Expressed in thousands of Canadian dollars (Unaudited)

	Note	**Three Months Ended June 30, 2011 $**	Three Months Ended June 30, 2010 $	**Six Months Ended June 30, 2011 $**	Six Months Ended June 30, 2010 $
			(Note 25)		(Note 25)
Operating activities					
Net earnings and comprehensive income		**4,464**	3,096	**7,127**	4,853
Adjustments for:					
Depreciation expense	**8**	**1,663**	1,234	**3,025**	2,295
Accretion expense	**14**	**86**	-	**171**	-
Deferred tax expense (recovery)	**18.3**	**1,494**	2,186	**(3,176)**	2,043
Share-based payment expense	**16.5**	**190**	397	**511**	855
Non-cash impact – Case credit promissory note		**15**	-	**(32)**	-
Loss (gain) on disposal of property, plant and equipment	**8**	**-**	(2)	**6**	(195)
		7,912	6,911	**7,632**	9,851
Changes in non-cash working capital, net of the effect of acquisitions		**3,498**	(10,062)	**7,516**	(19,499)
		11,410	(3,151)	**15,148**	(9,648)
Financing activities					
Repayment of long-term debt		**(1,271)**	(2,133)	**(2,694)**	(5,193)
Proceeds from long-term debt		**-**	3,000	**3,302**	4,962
Net change in obligations under finance leases		**(115)**	293	**674**	818
Dividends paid	**16.2**	**(842)**	(808)	**(1,674)**	(1,617)
Proceeds from issuance of common shares		**545**	11	**594**	39
Purchase of shares for cancellation	**16.1**	**(49)**	-	**(49)**	-
		(1,732)	363	**153**	(991)
Investing activities					
Purchase of property, plant and equipment	**8**	**(905)**	(996)	**(2,667)**	(2,831)
Disposal of property, plant and equipment	**8**	**47**	900	**173**	1,785
Purchase of equipment dealerships	**4**	**(2,315)**	(1,778)	**(8,220)**	(2,588)
		(3,173)	(1,874)	**(10,714)**	(3,634)
Net increase (decrease) in cash and cash equivalents		**6,505**	(4,662)	**4,587**	(14,273)
Cash and cash equivalents, beginning of period	**5**	**15,221**	(2,646)	**17,139**	6,965
Cash and cash equivalents, end of period	**5**	**21,726**	(7,308)	**21,726**	(7,308)
Cash taxes paid (received)		**(121)**	3,266	**2,875**	4,041
Cash interest received		**36**	24	**52**	52
Cash interest paid		**3,574**	1,737	**5,985**	3,328

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

1. General information

Rocky Mountain Dealerships Inc. (the "Company") was incorporated under the Business Corporations Act (Alberta). Through its wholly-owned subsidiaries Hammer Equipment Ltd. ("Hammer"), Hi-Way Service Ltd. ("Hi-Way") and Miller Equipment Ltd. ("Miller"), the Company sells, leases and provides support for a wide variety of agriculture and construction equipment in Western Canada. All of the Company's subsidiaries are incorporated in Canada.

During 2010, Hi-Way and Miller established Rocky Mountain Dealer Group Partnership (the "Partnership"), a general partnership into which all assets and liabilities of the two companies were transferred and under which both entities have since operated. The Partnership has a year end of January 1.

During the six months ended June 30, 2011 and year ended December 31, 2010, the Company completed the acquisitions of several equipment dealerships as discussed further in Note 4.

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.

These financial statements were approved by the Company's Board of Directors and authorized for issue on August 8, 2011.

2. Basis of preparation

2.1 Statement of compliance

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company is reporting on this basis in these interim consolidated financial statements. In the financial statements, the term "GAAP" refers to Canadian generally accepted accounting principles before the adoption of IFRS.

These interim consolidated financial statements are in compliance with IFRS applicable to the preparation of interim financial statements, including IAS 34 and IFRS 1. Subject to certain transition elections disclosed in Note 25, the Company has consistently applied the same accounting policies in its opening IFRS Consolidated Balance Sheet at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 25 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2010.

The Company has elected to exceed the minimum disclosure requirements under IAS 34 in order to present the Company's accounting policies in accordance with IFRS and the additional disclosures required under IFRS, which also highlight the changes from the Company's 2010 annual consolidated financial statements prepared in accordance with GAAP. In 2012 and beyond, the Company may not provide the same amount of disclosure in the its interim consolidated financial statements under IFRS as the reader will be able rely on the annual consolidated financial statements which will be prepared in accordance with IFRS.

The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of August 8, 2011, the date the Board of Directors approved these statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

2. Basis of preparation (continued)

2.2 Adoption of new and revised standards and interpretations

The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial year beginning on January 1, 2011. For the purpose of preparing and presenting the consolidated financial statements for the relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.

At the date of authorization of these consolidated financial statements, the IASB and the IFRS Interpretations Committee (IFRIC) have issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods.

- IFRS 7 (Revised) 'Financial Instruments: Disclosures' – Amendments enhancing disclosures about transfers of financial assets (i)
- IFRS 9 'Financial Instruments: Classification and Measurement'(ii)
- IAS 12 (Revised) 'Income Taxes' – Recovery of underlying assets(iii)

(i) Effective for annual periods beginning on or after July 1, 2011
(ii) Effective for annual periods beginning on or after January 1, 2013.
(iii) Effective for annual periods beginning on or after January 1, 2012.

The Company has not early adopted these standards, amendments and interpretations, however the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company.

2.3 Seasonality of operations

The Company's customers operate in industries that are affected by seasonality. The seasonal nature of 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 due to the crop growing season and winter weather making certain types of construction and agricultural work difficult to perform.

3. Summary of significant accounting policies

3.1 Basis of measurement

The fundamental valuation method applied in the consolidated financial statements is historical cost except for certain financial instruments that are measured at fair value as explained below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, except per share and per option amounts or unless otherwise stated.

3. Summary of significant accounting policies (continued)

3.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries (see Note 1). Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statements of the Company from the date control of the subsidiary commences until the date that control ceases. Intercompany transactions and balances are eliminated on consolidation.

3.3 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the acquisition date) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Acquisition-related costs are expensed as incurred.

Where applicable, the consideration for the acquisition may include any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in fair values of contingent consideration are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRS. Changes in the fair value of contingent consideration classified as equity are not recognized.

Goodwill is measured as the excess of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the excess is recognized immediately in net earnings as a bargain purchase gain.

The measurement period is the period from the date of acquisition to the date the Company obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year. The first business combination to which the Company applied IFRS 3 Business Combinations is Roydale New Holland Inc. as discussed further in Note 4.

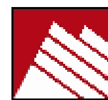
3.4 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, highly liquid investments with original maturities of three months or less and bank indebtedness.

3.5 Property, plant and equipment

All items in property, plant and equipment are recorded at cost less accumulated depreciation and any accumulated impairment losses.

Each part of an item of property, plant and equipment with a useful life that is significantly different from the useful lives of other parts is depreciated separately.



3. Summary of significant accounting policies (continued)

3.5 Property, plant and equipment (continued)

Property, plant and equipment are depreciated commencing on the date they are ready for use using the methods and rates as follows:

Land	Not depreciated
Rental assets	Straight-line over 3 – 5 years or unit of usage
Lease equipment	30% declining balance
Buildings	Straight-line over 20 years
Computer equipment	Straight-line over 3 years
Furniture and fixtures	Straight-line over 5 – 10 years
Leasehold improvements	Straight-line over the lesser of the lease term and useful life
Shop tools and equipment	Straight-line over 5 – 10 years
Vehicles	Straight-line over 3 – 5 years

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in net earnings. Items of property, plant and equipment are tested for impairment as discussed in Note 3.8.

3.6 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see Note 3.3) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units ("CGUs") (or groups of CGUs) which are expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized in net earnings. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the net earnings on disposal.

3.7 Key sources of estimation uncertainty

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Summary of significant accounting policies (continued)

3.7 Key sources of estimation uncertainty (continued)

By nature, asset valuations are subjective and do not necessarily result in precise determinations. Should underlying assumptions change, estimated net recoverable values could change by a material amount.

Balances in these consolidated financial statements that are subject to estimation include the allowance for doubtful accounts (Note 3.19.8), net realizable value of inventory (Notes 3.8 & 3.11), share-based payment expense (Note 3.15), depreciation periods for property, plant and equipment (Note 3.5), the net recoverable values of property, plant and equipment (Note 3.8) and goodwill (Note 3.6), and estimates in deferred taxes (Note 3.17).

3.8 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

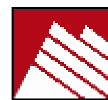
If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in net earnings.

Where an impairment loss subsequently reverses, the carrying amount of the assets (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the assets (or CGU) in prior periods. A reversal of impairment loss is recognized immediately in net earnings.

3.9 Earnings per share

Basic earnings per share is computed by dividing net earnings by the weighted average number of common shares outstanding during the period. Diluted per share amounts reflect the potential dilution that could occur if options to purchase common shares were exercised and debentures converted. The treasury stock method is used to determine the dilutive effect of options, whereby any proceeds received by the Company from their exercise are assumed to be used to purchase common shares at the average market price during the period. The convertible debentures are assumed to have been converted into common shares, and net earnings is adjusted to eliminate the interest expense and accretion expense, net of any tax effects.

The average market value of the Company's shares for the purposes of calculating the dilutive effect of share options is based on quoted market prices for the periods during which the options are outstanding.



3. Summary of significant accounting policies (continued)

3.10 Leases

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Consolidated Balance Sheet as an obligation under finance lease.

Lease payments are apportioned between finance expenses and reductions of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in net earnings.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the pattern in which economic benefits from the leased asset are consumed.

3.11 Inventory

Equipment is valued at the lower of cost and net realizable value, with cost being determined on a specific item, actual cost basis, and net realizable value being determined by the recent sales of the same or similar equipment inventory less the costs to sell that item. Parts inventory is recorded at the lower of cost and net realizable value, with cost being determined using average cost and net realizable value being determined by the recent sales of the same or similar parts inventory less the costs to sell the specific parts inventory. Work-in-progress is valued on a specific item, actual cost basis.

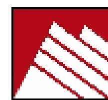
3.12 Revenue recognition

Sales are measured at the fair value of the consideration received or receivable.

3.12.1 Sale of goods

Revenue from the sale of goods including new and used equipment and parts is recognized when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.



3. Summary of significant accounting policies (continued)

3.12 Revenue recognition (continued)

3.12.2 Rendering of services

Revenue derived from the rendering of a service is recognized by reference to the stage of completion of the contract when the outcome can be estimated reliably. The outcome of a transaction at the end of a reporting period can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probably that the economic benefits associated with the transaction will flow to the Company;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

3.12.3 Other revenue

Other revenue consists of commission revenue from finance and insurance recognized when the finance contract is signed; revenue from rentals recognized on the first day of each month specified in the rental contract on a straight-line basis over the term of the contract; and lease revenue recognized on a straight-line basis over the term of the lease independent of the timing of the payments received. Prepayment of any lease is initially set up as a deposit and this deposit is reduced on a monthly basis at a rate reflective of the lease contract.

3.13 Deferred revenue

Deferred revenue comprises: 1) units sales in which cash has been received but not all terms and conditions have been fulfilled to meet the requirements of revenue recognition; 2) maintenance plans sold to customers in which all services have not yet been provided and 3) manufacturer incentives received by the Company for certain equipment describe in point 1 above. Once title and all risk and rewards of ownership have transferred and/or the service has been provided, revenue will be recognized in the corresponding period.

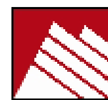
3.14 Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event, it is probable that the Company will be required to settle that obligation and the amount of the obligation is reasonably estimable. Provisions are measured at the present value of the Company's best estimate of the expenditure required to settle the obligation at the balance sheet date.

3.15 Share-based transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The Company follows the fair value based method of accounting, using the Black-Scholes option pricing model, whereby compensation expense is recognized over the vesting period and is based on the Company's estimate of awards that will ultimately vest, with a corresponding increase to contributed surplus. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 16.3.

No share-based payment expense is recognized for awards that do not ultimately vest.



3. Summary of significant accounting policies (continued)

3.15 Share-based transactions (continued)

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

Cash-settled share-based payments are recorded as liabilities and are measured initially at their fair values. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in net earnings for the period. Details regarding the determination of the fair value of cash-settled share-based payments are set out in Note 16.6.

3.16 Employee Share Ownership Plan

The Company has an Employee Share Ownership Plan ("ESOP"). Under the ESOP, employees who meet the eligibility criteria can contribute up to 5% of their annual gross salary by way of payroll deductions. The Company matches the employee contribution amount to a maximum of $5 per annum. Senior management, approved consultants and non-employee Directors may contribute an amount agreed to by the Company. The Company's contributions vest to the employee on December 31 of the contribution year and are expensed as incurred.

ESOP shares are purchased on the open market. The weighted average unvested shares held in the ESOP during the period are excluded from the earnings per share calculations as they are not considered to be outstanding. Dividends paid on the Company's common shares held for the ESOP are used to purchase additional common shares on the open market.

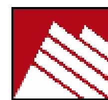
3.17 Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognized using the asset and liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, deferred tax is not recognized if it arises from initial recognition of goodwill or an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting net earnings nor taxable income. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred tax asset is realized or deferred tax liability is settled.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Current tax and deferred tax are recognized in net earnings except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.



ROCKY

MOUNTAIN DEALERSHIPS

3. Summary of significant accounting policies (continued)

3.18 Foreign currency translation

The individual financial statements of each subsidiary of the Company that are consolidated into these financial statements are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The functional currency of the Company and all of its wholly-owned subsidiaries is the Canadian dollar. For the purposes of the consolidated financial statements, the results and financial position of each entity are expressed in Canadian dollars, which is the presentation currency for the consolidated financial statements.

In preparing the consolidated financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities, if any, that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

3.19 Financial instruments

Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are recognized immediately in net earnings.

3.19.1 Classification of financial instruments

Financial instruments are classified in to the following specified categories: financial assets at FVTPL, held-to-maturity investments, available-for-sale ("AFS") financial assets, loans and receivables, financial liabilities at FVTPL and other financial liabilities. The classification depends on the nature and purpose of the financial instrument and is determined at the time of initial recognition.

3.19.2 Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest rate basis for debt instruments other than those financial assets classified as at FVTPL.

3.19.3 Financial instruments at FVTPL

Financial instruments are classified as at FVTPL when the instrument is either held for trading or it is designated as at FVTPL.

3. Summary of significant accounting policies (continued)

3.19 Financial instruments (continued)

3.19.3 Financial instruments at FVTPL (continued)

A financial asset (liability) is classified as held for trading if:

- it has been acquired principally for the purpose of selling (repurchasing) it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial instrument other than a financial instrument held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial instrument forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in net earnings. The net gain or loss recognised in net earnings incorporates any dividends or interest earned on the financial asset and is included in selling, general and administrative expense. Fair value is determined in the manner described in Note 22.

The Company's cash and cash equivalents are held-for trading and therefore are classified as at FVTPL.

3.19.4 Held-to-maturity investments

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any repayment.

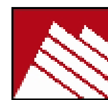
The Company does not have any financial assets classified as held-to-maturity.

3.19.5 Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Subsequent to initial measurement, AFS financial assets are stated at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in net earnings. Other changes in the carrying amount of AFS financial assets are recognized in the other comprehensive income.

The Company does not have any financial assets classified as AFS.



3. Summary of significant accounting policies (continued)

3.19 Financial instruments (continued)

3.19.6 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment.

The Company has classified its trade receivables and other as loans and receivables.

3.19.7 Other financial liabilities

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

The Company has classified it trade payables, accruals and other (with the exception of DSUs), floor plan payable, long-term debt, obligations under finance leases and convertible debentures as other financial liabilities.

3.19.8 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. For financial assets carried at amortized cost, the amount of the impairment loss, if any, is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. As indicated above, the Company's financial assets carried at amortized cost consist only of trade receivables and other. Any impairment determined on these financial assets reduces their carrying amount through the use of an allowance account and is recorded when an account is considered uncollectible. Subsequent recoveries of amounts previously written off are credited against the allowance. Changes in the carrying amount of the allowance are recognized in selling, general and administrative expenses.

3.19.9 Derecognition of financial instruments

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated equity is recognized in net earnings.

The Company derecognizes a financial liability when the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in net earnings.

3.19.10 Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and equity instrument.

3.19.11 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.
Repurchases of the Company's own equity instruments are recognized and deducted directly in equity. No gain or loss is recognized in net earnings on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. Summary of significant accounting policies (continued)

3.19 Financial instruments (continued)

3.19.12 Compound financial instruments

The Company has issued convertible debentures (the "Debentures") that are compound financial instruments. These Debentures can be converted to common shares at the option of the holder. The number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

The deferred tax liability associated with the liability component of the Debentures is charged to the equity component upon initial recognition.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest, dividends, losses and gains relating to the financial liability are recognized in net earnings. Distributions to shareholders are recognized in equity, net of any tax benefit.

3.20 Prior year comparative information

The Company has extended its definition of cash and cash equivalents to include bank indebtedness and as such, certain comparative amounts have been reclassified to conform to current period presentation.

4. Acquisitions

During the six months ended June 30, 2011 and the year ended December 31, 2010, the Company completed several business acquisitions. Over time, these acquisitions offer synergies in the forms of cost reduction, greater access to inventory and expanded territory for sales and product support. Acquisitions completed during these periods are as follows:

J&B Equipment Ltd.

On April 1, 2011, the Company acquired 100% of the outstanding common shares of J&B Equipment Ltd. ("J&B"), a Case IH dealer. The operating results of the business acquired are consolidated from April 1, 2011, the acquisition's closing date.

Agritrac Equipment Ltd.

On January 1, 2011, the Company acquired certain assets of Agritrac Equipment Ltd. ("Agritrac"), a Case IH dealer. The operating results of the business acquired are consolidated from January 1, 2011, the acquisition's closing date.

K&M Equipment Ltd.

On October 15, 2010, the Company acquired 100% of the outstanding common shares of K&M Equipment Ltd. ("K&M"), a New Holland Agriculture dealership. The operating results of the business acquired are consolidated from October 15, 2010, the acquisition's closing date.

4. Acquisitions (continued)

Gateway Farm Equipment Ltd.

On September 1, 2010, the Company acquired 100% of the outstanding common shares of Gateway Farm Equipment Ltd. (“Gateway”), a Case IH dealer. The operating results of the business acquired are consolidated from September 1, 2010, the acquisition’s closing date.

Allen’s Agrocentre Ltd.

On September 1, 2010, the Company acquired 100% of the outstanding common shares of the holding company that owned certain business assets of Allen’s Agrocentre Ltd. (“Allen’s”), a Case IH dealer. The operating results of the business acquired are consolidated from September 1, 2010, the acquisition’s closing date.

Wardale Equipment (1998) Ltd.

On June 1, 2010, the Company acquired certain assets of Wardale Equipment (1998) Ltd. (“Wardale”), a Case IH dealer. The operating results of the business acquired are consolidated from June 1, 2010, the acquisition’s closing date.

Roydale New Holland Inc.

On March 1, 2010, the Company acquired 100% of the outstanding common shares of Roydale New Holland Inc. (“Roydale NH”), a New Holland dealer. The operating results of the business acquired are consolidated from March 1, 2010, the acquisition’s closing date.

The initial accounting for the acquisitions of Agritrac and J&B have only been provisionally determined at the end of the reporting period as the working capital adjustments have not yet been finalized. The remaining cash consideration is anticipated to be determined and paid upon completion of the working capital adjustments.

4. Acquisitions (continued)

The business combinations completed during the six months ended June 30, 2011 as well as during the year ended December 31, 2010 are summarized as follows:

Expressed in $ except shares issued

	Acquisitions effected in							
	2011		2010					Total
	J&B	Agritrac	K&M	Gateway	Allen's	Wardale	Roydale NH	
Purchase Price Allocation								
Cash consideration								
- recognized in 2011	3,178	4,726	(160)	71	-	(83)	-	7,732
- recognized in 2010	-	-	3,104	1,444	2,607	3,136	1,466	11,757
Total cash consideration	3,178	4,726	2,944	1,515	2,607	3,053	1,466	19,489
Number of shares issued	84	55	96	55	20	293	149	752
Share price	10.26	8.90	7.97	8.42	8.42	8.90	10.06	9.11
Total share consideration	863	490	769	463	168	2,605	1,495	6,853
Purchase consideration	4,041	5,216	3,713	1,978	2,775	5,658	2,961	26,342
Net working capital								
Cash	771	-	8	80	-	-	26	885
Trade receivables and other								
- gross contractual amount	100	-	715	373	-	322	32	1,542
- not expected to be collected	-	-	26	-	-	33	-	59
- acquisition date fair value	100	-	689	373	-	289	32	1,483
Prepaids	-	36	-	9	-	-	16	61
Inventory	7,781	9,780	9,112	5,854	2,186	11,163	2,183	48,059
Bank indebtedness	-	-	(559)	-	-	-	-	(559)
Trade payables, accruals and other	(590)	-	(790)	(210)	-	(1,460)	(527)	(3,577)
Floor plan payable	(5,836)	(6,093)	(6,054)	(4,791)	(201)	(6,279)	(485)	(29,739)
Deferred revenue	-	-	-	(71)	-	-	(5)	(76)
	2,226	3,723	2,406	1,244	1,985	3,713	1,240	16,537
Net working capital adjustments	(10)	(77)	(214)	(47)	-	(1,034)	(74)	(1,456)
Property, plant and equipment	600	1,467	721	528	788	1,500	600	6,204
Deferred taxes (Note 18.3)	(95)	-	(77)	(83)	-	(92)	(129)	(476)
Goodwill(1)								
- recognized in 2011	1,320	103	2	39	-	12	-	1,476
- recognized in 2010	-	-	875	297	2	1,559	1,324	4,057
	1,320	103	877	336	2	1,571	1,324	5,533
Net assets acquired	4,041	5,216	3,713	1,978	2,775	5,658	2,961	26,342

(1) – Goodwill arose in these acquisitions due to the future revenue growth and synergies expected to occur. These amounts are not recognized separately as they do not meet the recognition criteria for identifiable intangible assets. Goodwill recognized on initial measurement is not deductible for tax purposes.

4. Acquisitions (continued)

Expressed in $

	Acquisitions effected in							
	2011		2010					Total
	J&B	Agritrac	K&M	Gateway	Allen's	Wardale	Roydale NH	
Supplemental Acquisition Information								
Cash consideration paid (net of cash acquired)								
- during the six months ended June 30, 2011	1,454	4,432	794	355	-	1,185	-	8,220
- during the year ended December 31, 2010	-	-	2,142	1,076	2,607	1,868	1,440	9,133
Acquisition related costs(2):								
- incurred during 2011	11	16	-	-	-	-	-	27
- incurred during 2010		67	32	35	111	63	36	344
2011 period ended results:								
- revenue	3,889	23,112	11,532	6,176	4,924	25,106	10,143	84,882
- net earnings (loss)	178	135	117	24	112	429	(28)	967
2010 period ended results:								
- revenue	-	-	-	-	-	3,010	5,245	8,255
- net earnings (loss)	-	-	-	-	-	209	18	227

(2) – Acquisition related costs incurred have been included in selling, general and administrative expenses in the period in which they are incurred.

Had the business combinations occurring during the period been effected at January 1 of the acquisition year, the Company estimates that consolidated revenue and net earnings for the six months ended June 30, 2011 would have been $378,609 and $7,269 respectively (2010 - $299,919 and $4,734).

In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on January 1 of the acquisition year.

5. Cash and cash equivalents

Cash and cash equivalents include cash on hand and in banks, net of outstanding bank indebtedness as follows:

	June 30, 2011 $	December 31, 2010 $	January 1, 2010 $
Cash	**21,726**	17,139	8,912
Bank indebtedness	**-**	-	(1,947)
Cash and cash equivalents	**21,726**	17,139	6,965

The Company had a revolving operating credit facility to a maximum of $22,000 with HSBC which bore interest ranging from HSBC's prime rate plus 0.5% to 1.5%. This facility was closed during the period, and therefore had a $Nil balance at June 30, 2011 (December 31, 2010 - $Nil, January 1, 2010 - $Nil). The effective interest rate at December 31, 2010 was 3.5% and at January 1, 2010 was 2.8%. Indebtedness on this facility was secured by a general security agreement in favor of HSBC that was subject to various priority agreements that covered the Company's receivables and the non-CNH parts inventory.

On May 31, 2011 the Company entered into a credit agreement (the "Credit Agreement") with a syndicated group of lenders, which provided, among other financing commitments, a $30,000 facility to fund working capital requirements (the "Operating Facility"). Advances under the Operating Facility may be made based on HSBC's prime rate or the US base rate plus 1.3% - 2.8% or based on the banker's acceptance rate plus 2.5% - 4.0%. As at June 30, 2011 $Nil was drawn on this facility and the effective interest rate was 4.3%.

The Company had an additional working capital line of $7,000 through Vanguard Credit Union Ltd. which bore interest at the credit union's prime rate plus 1.0%. The balance drawn at January 1, 2010 was $2,507, which included outstanding deposits of $560. The effective interest rate at January 1, 2010 was 3.3%. During the year ended December 31, 2010, this facility was closed.

6. Trade receivables and other

	June 30, 2011 $	December 31, 2010 $	January 1, 2010 $
Trade receivables			
Current	**24,680**	23,624	18,445
Aged between 61 – 119 days	**2,146**	953	2,548
Aged greater than 120 days	**2,418**	2,246	1,747
	29,244	26,823	22,740
Allowance for doubtful accounts	**(1,047)**	(965)	(1,034)
Net trade receivables	**28,197**	25,858	21,706
Warranty receivables	**2,043**	1,651	2,480
	30,240	27,509	24,186

Included in trade receivables and other at June 30, 2011 is current tax receivable of $649 (December 31, 2010 - $Nil, January 1, 2010 - $Nil).

6. Trade receivables and other (continued)

The allowance for doubtful accounts can be reconciled as follows:

	$
As at January 1, 2010	1,034
Provided for during the year	593
Write-offs in the year	(662)
As at December 31, 2010	965
Provided for during the period	287
Write-offs in the period	(205)
As at June 30, 2011	1,047

7. Inventory

	June 30, 2011 $	December 31, 2010 $	January 1, 2010 $
Equipment – new	**178,829**	157,393	121,830
Equipment – used	**145,822**	142,729	102,684
Parts	**29,644**	26,512	22,469
Work-in-progress	**2,098**	1,105	644
	356,393	327,739	247,627

For the three and six months ended June 30, 2011, new and used equipment, parts and work-in-progress recognized as an expense amounted to $184,294 and $316,085 (2010 - $123,038 and $224,196), respectively, which is included in cost of sales in the Consolidated Statements of Net Earnings and Comprehensive Income. For the three and six months ended June 30, 2011, there were write downs of $301 and $855, respectively, of inventory to net realizable value (2010 - $134 and $661) and there have been $Nil and $Nil reversals of previously recorded inventory write downs for the three and six months ended June 30, 2010 (2010 - $Nil and $Nil) in the Consolidated Statements of Net Earnings and Comprehensive Income. All inventory has been pledged as security for liabilities as disclosed in Notes 5, 11 and 12.

Notes to the Condensed Consolidated Financial Statements
Three and Six Month Periods Ended June 30, 2011 and 2010
In thousands of Canadian dollars except per share and per option amounts (Unaudited)

8. Property, plant and equipment

	Land $	Rental assets $	Lease equipment $	Buildings $	Computer equipment $	Furniture and fixtures $	Leasehold improve-ments $	Shop tools and equipment $	Vehicles $	Total $
Cost										
As at January 1, 2010	2,252	9,447	2,050	373	1,185	986	917	3,457	6,654	27,321
Additions	-	253	-	-	1,307	119	676	503	1,858	4,716
Acquired through business combinations	-	-	-	-	477	783	31	1,369	1,477	4,137
Disposals	-	(1,726)	(1,124)	-	(4)	(4)	(31)	(82)	(171)	(3,142)
As at December 31, 2010	2,252	7,974	926	373	2,965	1,884	1,593	5,247	9,818	33,032
Additions	-	334	-	-	244	160	377	123	1,429	2,667
Acquired through business combinations	-	-	-	-	162	208	60	1,023	614	2,067
Disposals	-	-	(143)	-	(11)	-	-	(71)	(209)	(434)
As at June 30, 2011	2,252	8,308	783	373	3,360	2,252	2,030	6,322	11,652	37,332
Accumulated depreciation										
As at January 1, 2010	-	2,048	931	84	554	338	169	1,018	2,836	7,978
Depreciation charge for the year	-	806	31	49	558	324	152	1,016	2,344	5,280
Eliminated on disposals	-	(503)	(200)	-	-	-	(1)	(2)	(120)	(826)
As at December 31, 2010	-	2,351	762	133	1,112	662	320	2,032	5,060	12,432
Depreciation charge for the period	-	492	-	23	413	209	144	586	1,158	3,025
Eliminated on disposals	-	-	(66)	-	-	-	-	(72)	(125)	(263)
As at June 30, 2011	-	2,843	696	156	1,525	871	464	2,546	6,093	15,194
Net book value										
As at January 1, 2010	2,252	7,399	1,119	289	631	648	748	2,439	3,818	19,343
As at December 31, 2010	2,252	5,623	164	240	1,853	1,222	1,273	3,215	4,758	20,600
As at June 30, 2011	2,252	5,465	87	217	1,835	1,381	1,566	3,776	5,559	22,138

Included in selling general and administrative expenses for the three and six month periods ended June 30, 2011 are depreciation expenses aggregating $1,259 and $2,534 (2010 - $1,059 and $2,035) and a loss on the disposal of property, plant and equipment (“PP&E”) of $Nil and $6 (2010 – $2 gain and $195 gain), respectively. Included in cost of sales for the three and six month periods ended June 30, 2011 are depreciation expense aggregating $404 and $491 (2010 - $166 and $234) for rental assets and $Nil and $Nil (2010 - $9 and $26) for leased equipment.

As at June 30, 2011, assets under finance leases included in computer equipment and vehicles, have a cost of $808 (December 31, 2010 - $808, January 1, 2010 - $258) and $4,947 (December 31, 2010 - $2,864, January 1, 2010 - $1,899), and accumulated depreciation of $386 (December 31, 2010 - $278, January 1, 2010 - $50) and $1,231 (December 31, 2010 - $758, January 1, 2010 - $512), respectively. Certain items of PP&E have been pledged as security for liabilities as disclosed in Note 12.

9. Goodwill

	Cost $	Accumulated Impairment Losses $	Carrying Amount $
As at January 1, 2010	4,316	-	4,316
Recognized on business combinations occurring during the year (Note 4)	4,057	-	4,057
Adjustments to goodwill on prior period acquisitions			
Liabilities arising from prior period acquisitions	103	-	103
Fair value adjustment to working capital acquired	98	-	98
As at December 31, 2010	8,574	-	8,574
Recognized on business combinations occurring during the period (Note 4)	1,423	-	1,423
Adjustments to goodwill on prior period acquisitions			
Fair value adjustment to working capital acquired	53	-	53
As at June 30, 2011	10,050	-	10,050

Goodwill acquired in a business combination is allocated, at the time of acquisition, to the Company's cash generating units ("CGUs") that are expected to benefit from that business combination. The CGUs have been defined as the operating business to which the goodwill relates. The carrying amount of goodwill has been allocated to CGUs as follows:

	June 30, 2011 $	December 31, 2010 $	January 1, 2010 $
Hammer	**2,200**	2,198	-
Rocky Mountain Dealer Group Partnership	**7,850**	6,376	4,316
	10,050	8,574	4,316

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates, gross margin and expected changes to selling prices and direct costs during the period. The key assumptions are based on past experience which has been adjusted for expected changes in future conditions.

As at January 1, and December 31, 2010 the Company prepared cash flow forecasts derived from the most recent financial plans prepared by management for the next five years and extrapolated these cash flows into perpetuity using growth assumptions relevant to the business sector.

The growth rate used for the purposes of these analyses was 2.0%, which is not considered to be higher than average long-term industry growth rates.

At January 1 and December 31, 2010, the rates used to discount the forecast cash flows for all CGUs were 14.3% and 12.6%, respectively, and represent the Company's estimate of the pre-tax discount rate reflecting current market assessments of the time value of money and the risks specific to the CGUs.

The recoverable amount for each CGU exceeded its carrying value at the impairment test dates. The Company has conducted sensitivity analysis based on reasonably possible changes in the key assumptions used for the impairment tests. This has not resulted in any impairment of the carrying value of goodwill as at January 1, or December 31, 2010. As at June 30, 2011, there was no indication that the CGUs to which goodwill has been allocated may be impaired, thus no impairment test was required.

10. Trade payables, accruals and other

	June 30, 2011 $	December 31, 2010 $	January 1, 2010 $
Trade payables and accruals	**29,774**	28,198	26,809
Current tax payable	**4,093**	1,102	4,016
Directors' share units (Note 16.6)	**237**	180	-
	34,104	29,480	30,825

11. Floor plan payable

The floor plan payable is due to various creditors who have extended wholesale credit, and is due on various dates, at fixed or variable interest rates ranging from 0.0% to the bank's prime rate plus 4.9%. At June 30, 2011, the Company had approximately $164,289 of floor plan financing available. The amounts due are secured by certain of the Company's new and used equipment inventories and are due when the equipment is sold or transferred, up to a maximum term of 48 months. At June 30, 2011, the Company had $5,374 of floor plan outstanding in US currency (December 31, 2010 - $2,816, January 1, 2010 - $1,510). The entire amount of floor plan payable has been classified as current, as the corresponding inventory to which it relates has also been classified as current.

Pursuant to agreements with lenders, the Company is required to monitor and report certain non-IFRS measures including: current ratio, funded debt to EBITDA, fixed coverage change ratio and debt to tangible net worth (each lender has its own definition of which account balances are to be included in these computations). As at January 1, 2010, December 31, 2010 and June 30, 2011, the Company was in compliance with all externally imposed capital requirements.

12. Long-term debt

	June 30, 2011 $	December 31, 2010 $	January 1, 2010 $
Bankers acceptance rate plus 5.7% to the bank's prime rate plus 4.9% payable on rental assets to various vendors, in monthly principal instalments based on rents earned and secured by related equipment. The interest rates at June 30, 2011 ranged from 6.8% to 7.9% (December 31, 2010 – 6.8% to 7.9%, January 1, 2010 – 6.0% to 8.3%)	**1,156**	1,410	4,254
Mortgage payable with payments due monthly (December 31, 2010 and January 1, 2010 – interest only payments) at the bank's prime rate plus 1.8% and secured by the specific property. The effective interest rate at June 30, 2011 was 4.8% (December 31, 2010 – 4.8%, January 1, 2010 – 4.0%)	**813**	875	875
Non-interest bearing Case credit promissory note payable in monthly principal instalments, secured by certain items of parts inventory.	**1,166**	-	1,339
Acquisition loan payable in equal monthly principal instalments over a 60 month period, plus interest ranging from the bank's prime rate plus 1.3% to plus 2.8%, and secured by all real property owned and subsequently acquired. The available limit is $30,000. The effective interest rate at June 30, 2011 was 4.3% (December 31, 2010 – 5.0%, January 1, 2010 – 3.8%)	**16,383**	16,303	12,193
HSBC dealer leasing loans comprised of individual contracts with individual interest rates that are either floating at prime plus 0.4% or fixed based on the bank's daily fixed rate for the particular length of the individual contract. Contracts are secured by all real property owned and subsequently acquired and individual payment terms are up to five years from the time each contract is initiated. The effective interest rate at June 30, 2011 was 6.7% (December 31, 2010 – 6.7%, January 1, 2010 - 5.6%)	**351**	600	2,575
Contracts with various financial institutions repayable in monthly instalments ranging from $1 to $13, plus interest ranging from 0.6% to 3.3%, secured by various motor vehicles and computer equipment, due between July 2011 and March 2013.	**339**	444	277
	20,208	19,632	21,513
Less current portion	**(7,347)**	(6,574)	(8,545)
	12,861	13,058	12,968

Principal payments due are as follows:

	$
Remainder of 2011	**4,091**
2012	**6,391**
2013	**5,149**
2014	**2,684**
2015	**1,557**
Thereafter	**336**
	20,208

13. Obligations under finance leases

13.1 Leasing arrangements

Finance leases relate primarily to vehicles with lease terms ranging from 3 to 5 years. The Company has options to purchase many of these vehicles for a nominal amount at the conclusion of the lease agreements. The Company's obligations under finance leases are secured by the lessors' title to the leased assets.

Interest rates underlying all obligations under finance leases are fixed at the respective contract dates ranging from 4.2% to 10.1% (December 31, 2010 – 4.2% - 10.1%, January 1, 2010 – 4.2% - 10.2%).

13.2 Finance lease liabilities

Future minimum payments under finance leases along with the balance of the obligations under finance leases are as follows:

	Minimum Lease Payments			Present Value of Minimum Lease Payments		
	June 30, 2011 $	December 31, 2010 $	January 1, 2010 $	**June 30, 2011 $**	December 31, 2010 $	January 1, 2010 $
Minimum lease payments due:						
Not later than one year	**1,183**	943	695	**1,030**	825	619
Later than one year and not later than five years	**2,081**	1,459	998	**1,850**	1,387	896
Later than five years	**7**	-	-	**6**	-	-
	3,271	2,402	1,693	**2,886**	2,212	1,515
Less future finance charges	**(385)**	(190)	(178)	**-**	-	-
Present value of obligations under finance leases	**2,886**	2,212	1,515	**2,886**	2,212	1,515

	June 30, 2011 $	December 31, 2010 $	January 1, 2010 $
Included in the financial statements as:			
Current portion of obligations under finance leases	**1,030**	825	619
Obligations under finance leases	**1,856**	1,387	896

13.3 Fair value of obligations under finance leases

The fair values of the obligations under finance leases approximate their carrying amounts as interest rates are consistent with market rates for similar debt.

14. Convertible debentures

On July 27, 2010, the Company completed a $31,500 bought deal financing arrangement where a syndicate of underwriters agreed to buy 31.5 convertible unsecured subordinated debentures (the "Debentures") of the Company at a price of $1 per Debenture.

The Debentures are direct, unsecured obligations of the Company, subordinated to other indebtedness of the Company and ranking equally with all other unsecured subordinated indebtedness.

14. Convertible debentures (continued)

The Debentures will mature on September 30, 2017 and will accrue interest at 7.0% per annum, payable semi-annually in arrears on June 30 and September 30 of each year, commencing on September 30, 2010. At the holder's option, the Debentures may be converted into common shares of the Company at any time on the earlier of maturity and the business day immediately preceding the date fixed for redemption at a conversion price of $10.65 per share.

The debentures will not be redeemable prior to September 30, 2014. On or after September 30, 2014 and prior to September 30, 2015, the Debentures may be redeemed in whole or in part at the option of the Company on not more than sixty days and not less than thirty days prior notice at a price equal to their principal amount plus accrued and unpaid interest, provided that the market price of the Company's shares traded on the Toronto Stock Exchange on the date on which the notice of redemption is given is not less than 125.0% of the conversion price. On or after September 30, 2015 and prior to the maturity date, the Debentures may be redeemed in whole or in part at the option of the Company on not more than sixty days and not less than thirty days prior notice at a price equal to their principal amount plus accrued and unpaid interest.

On issuance, the Company allocated $28,293 to the liability component and $539 to the equity component (net of the deferred tax liability of $804). The fair value of the liability component was estimated by discounting the future payments of interest and principal and will be accreted to the $31,500 face value using the estimated effective interest rate of 9.3%. Accretion relating to the convertible debentures totalled $86 and $171 for the three and six month periods ended June 30, 2011 (2010 - $Nil and $Nil), respectively, and is included in interest on long-term debt.

	Debt $	Equity $
As at July 27, 2010	28,293	539
Accretion expense – 2010	118	-
As at December 31, 2010	28,411	539
Accretion expense – 2011	171	-
As at June 30, 2011	28,582	539

15. Contingency and guarantee

The Company is subject to various degrees of recourse, arising in the ordinary course of business, by assisting its customers in financing the sale of equipment. The Company is exposed to potential losses arising from the difference between the assessed value of the underlying security and the loan balance, if certain customers default on their loan. Any resulting losses are recorded as soon as the amount of the loss can be reasonably estimated. It is management's opinion that there is an insignificant risk of loss from this guarantee, as the assessed value of the underlying security generally exceeds the loan balance. Accordingly, management believes the fair value of the guarantee is not significant.

16. Share capital

16.1 Common shares

Authorized	Unlimited common shares with no par value
Issued and outstanding	18,773 (December 31, 2010 – 18,427, January 1, 2010 – 17,807)

All issued and outstanding shares were fully paid at June 30, 2011, December 31, 2010 and January 1, 2010.

16. Share capital (continued)

16.1 Common shares (continued)

Normal Course Issuer Bid

On September 29, 2010, the Company received final acceptance from the Toronto Stock Exchange to implement a normal course issuer bid ("NCIB") to purchase existing common shares.

Under the NCIB program the Company will have the ability to repurchase up to a maximum of 1,153 common shares, which represented ten percent of its 11,530 outstanding public float of common shares as of September 29, 2010. The maximum daily purchases under the NCIB cannot exceed 9 common shares of the Company. The NCIB began on October 1, 2010 and will end on September 30, 2011 (or when the Company provides notice of early termination) or when the Company has purchased the maximum allowable number of shares. All purchases pursuant to the NCIB will be made through the facilities of the Toronto Stock Exchange and all shares purchased under the NCIB will be cancelled. During the three and six months ended June 30, 2011, the Company purchased 5 and 5 (2010 – Nil and Nil) shares under the NCIB, respectively. Of the amount paid, $22 was charged to common shares and $27 was charged to retained earnings.

16.2 Dividends paid

During the three and six month periods ended June 30, 2011, quarterly dividends of $0.045 per share for a total of $842 and $1,674 were declared and paid by the Company (2010 – $0.045 per share per quarter for a total of $808 and $1,617).

In respect of the current period, the Board of Directors propose that a dividend be paid to shareholders on September 30, 2011. This dividend is subject to approval by the Board of Directors and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on record at close of business on August 31, 2011. The total estimated dividend to be paid is $0.045 per common share. The payment of this dividend will not have any tax consequences for the Company.

16.3 Stock options

The Company has a stock option plan under which the Board of Directors may grant options to directors, officers, and employees of the Company at an exercise price equal to the market price of the Company's common shares at the time of the grant. The plan is limited to 10% of the issued and outstanding common shares.

The general terms of stock options granted under the plan include a maximum exercise period of 5 years and a vesting period of 3 years with one-third of the grant vesting on the first anniversary of the grant, one-third vesting on the second anniversary of the grant and one-third vesting on the third anniversary of the grant. The options granted on December 20, 2007 which carried an exercise price of $0.01 per option vested and were subsequently exercised on April 1, 2011. Each option converted to one common share of the Company on exercise. The options carry neither voting rights nor rights to dividends.

During the three and six month periods ended June 30, 2011, the Company granted Nil and 125 (2010 – Nil and Nil) stock options with exercise prices of $Nil and $10.39 (2010 – $Nil and $Nil). The options issued during the six month period ended expire on March 11, 2016. The weighted average fair value of the options issued during the three and six month periods ended June 30, 2011 were estimated at $Nil and $4.83 (2010 – $Nil and $Nil), respectively, per option at the grant date using the Black-Scholes option pricing model.

16. Share capital (continued)

16.3 Stock options (continued)

The weighted average assumptions used for the fair value calculation for the six months ended June 30 were:

	Six months ended June 30,	
	2011	2010
Risk free interest rate	**2.4%**	Nil
Expected option life	**4.5 years**	Nil
Expected volatility [(1)]	**62.8%**	Nil
Expected annual dividend per share	**$0.18**	Nil
Share price on grant date	**$10.39**	Nil
Exercise price	**$10.39**	Nil

(1)Expected volatility has been based on historical volatility of the Company's publicly traded shares

The reconciliation of options outstanding as at June 30 is as follows:

	2011		2010	
	Number of options	**Weighted average exercise price ($)**	Number of options	Weighted average exercise price ($)
Opening balance, January 1	**1,074**	**9.39**	1,153	9.43
Granted	**125**	**10.39**	-	-
Exercised	**(212)**	**2.80**	(9)	4.15
Forfeited	**(237)**	**9.37**	(23)	12.40
Expired	**-**	**-**	-	-
Closing balance, June 30	**750**	**11.42**	1,121	9.42

The weighted average share price at the date of exercise during for the three and six months ended June 30, 2011 was $10.13 and $10.14, respectively (2010 – $8.14 and $9.80).

The options outstanding at June 30, 2011 are as follows:

Date granted	Number of options outstanding	Number of options exercisable	Weighted average exercise price ($)	Expiry date	Weighted average contractual life
December 20, 2007	56	56	10.00	December 20, 2012	1.5
February 29, 2008	387	387	12.40	February 28, 2013	1.7
March 12, 2009	41	21	4.15	March 12, 2014	2.7
December 29, 2009	191	53	9.22	December 29, 2014	3.5
March 11, 2011	75	-	10.39	March 11, 2016	4.7
	750	517	11.42		2.5

16. Share capital (continued)

16.4 Restricted share unit plan

In 2007, the Company reserved 158 shares under a restricted share unit plan. Under this plan, certain key employees will receive treasury shares in the Company on December 20, 2012 should they remain with the Company at that time. During the three and six months ended June 30, 2011, 2 and 8 of these units were forfeited (2010 – 1 and 11). The aggregated fair value of the remaining 122 shares (December 31, 2010 – 129, January 1, 2010 – 145) at June 30, 2011 is $1,215 (December 31, 2010 - $1,290, January 1, 2010 - $1,445). These shares were valued upon issuance, using the Black-Scholes option pricing model, at a fair value of $10, and the compensation expense is allocated over the vesting term of five years.

16.5 Contributed surplus

During the three and six months ended June 30, 2011, the Company recorded share-based payment expense in the Consolidated Statement of Net Earnings and Comprehensive Income under selling, general and administrative expenses totalling $190 and $511 (2010 – $397 and $855).

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	**2011**	2010
	$	$	**$**	$
Contributed surplus, beginning	**5,134**	3,656	**4,837**	3,213
Share-based payment expense	**190**	397	**511**	855
Exercise of options	**(1,596)**	(4)	**(1,620)**	(19)
Contributed surplus, June 30	**3,728**	4,049	**3,728**	4,049

16.6 Directors' Share Units

During 2010, the Company instituted a Directors' Share Unit plan ("DSU"). Under this plan, the Board of Directors may grant DSUs to non-officer Directors of the Company as they determine to be appropriate for their services rendered to the Company. The DSUs are notional grants of shares and are to be settled in cash within 30 days of a Director's termination date. Additional DSUs are credited to the Directors' accounts when cash dividends are paid to the common shareholders of the Company. Such amount of additional DSUs is determined by dividing the dividends which would have been paid on the DSUs had they been common shares of the Company by the volume weighted average trading price of the Company's shares over the 20 day trading period immediately preceding the date the dividends are paid.

Upon redemption and at each reporting period, the DSUs will be valued on a per DSU basis at an amount equal to the volume weighted average trading price of the Company's shares over the immediately preceding 20 day trading period. Upon redemption, the DSUs will be settled in cash. At June 30, 2011, $237 was included in trade payables, accruals and other with respect to the DSUs (December 31, 2010 – $180, January 1, 2010 - $Nil). During the three and six months ended June 30, 2011, 6 and 6 DSU's were redeemed (2010 – Nil and Nil) in cash for proceeds of $60 and $60 (2010 – $Nil and $Nil).

16. Share capital (continued)

16.6 Directors' Share Units (continued)

DSUs granted and redeemed and the unrealized losses (gains) recognized on the DSUs during the six months ended June 30 are as follows:

	2011		2010	
	DSUs	**$**	DSUs	$
Opening balance, January 1	**20**	**180**	-	-
Granted during the period[1]	**10**	**106**	10	93
Redeemed during the period	**(6)**	**(60)**	-	-
Loss (gain) on mark to market revaluation[1]	**-**	**11**	-	(8)
Closing balance, June 30	**24**	**237**	10	85

(1) – Included in selling, general and administrative expenses

16.7 Employee Share Ownership Plan

During the three and six months ended June 30, 2011, the Company recognized $225 and $436 (2010 - $151 and $295) in selling, general and administrative expenses in respect of employee contributions to the ESOP plan which were matched by the Company.

17. Sales

The following is an analysis of the Company's sales for the three and six months ended June 30.

	2011	2010	**2011**	2010
	$	$	**$**	$
Sale of goods	**203,520**	134,809	**349,479**	245,572
Rendering of services	**14,399**	11,360	**26,019**	21,072
Total sales	**217,919**	146,169	**375,498**	266,644

During the three and six months ended June 30, 2011, the Company earned interest income of $36 and $52, respectively (2010 - $24 and $52). Interest income earned has been included in the Consolidated Statement of Net Earnings and Comprehensive Income as a reduction to interest on short-term debt.

18. Income taxes

18.1 Income tax recognized in net earnings

For the three and six months ended June 30, 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,		Six months ended June 30,	
	2011	2010	**2011**	2010
	$	$	**$**	$
Earnings before income taxes	**6,214**	4,292	**9,817**	6,871
Computed tax at statutory tax rate of 27.2% and 27.2% for 2011 (2010 – 27.2% and 27.1%)	**1,690**	1,165	**2,667**	1,865
Expenses with no tax basis	**176**	95	**241**	296
Change in enacted tax rates	**(117)**	(64)	**(126)**	(62)
Adjustment from prior year income tax expenses	**(18)**	-	**(18)**	-
Other	**19**	-	**(74)**	(81)
	1,750	1,196	**2,690**	2,018

18.2 Deferred taxes

Temporary differences that give rise to the deferred tax assets and liabilities pertain to timing differences on the Company's capital and intangible assets, as well as the deferral of taxes related to the DSUs and income earned through the Partnership. The Company's deferred tax assets and liabilities consist of the following:

	June 30, 2011	December 31, 2010	January 1, 2010
	$	$	$
Deferred tax liabilities			
Share issue costs	**(562)**	(670)	(419)
Cumulative eligible capital	**(73)**	(134)	(112)
Property, plant and equipment	**1,220**	1,394	1,582
Partnership deferral	**2,511**	5,528	-
Convertible debentures	**732**	777	-
DSUs	**(58)**	(44)	-
	3,770	6,851	1,051

18. Income taxes (continued)

18.3 Reconciliation of deferred tax liabilities

	Share issue costs	Cumulative eligible capital	Property, plant and equipment	Partnership deferral	Convertible debentures	DSUs	Total
As at January 1, 2010	(419)	(112)	1,582	-	-	-	1,051
Acquired pursuant to business combinations (Note 4)	-	92	290	-	-	-	382
Recognized in net earnings	(251)	(114)	(478)	5,528	(27)	(44)	4,614
Recognized in equity	-	-	-	-	804	-	804
Reclassed from equity to net earnings	-	-	-	-	-	-	-
As at December 31, 2010	(670)	(134)	1,394	5,528	777	(44)	6,851
Acquired pursuant to business combinations (Note 4)	-	-	95	-	-	-	95
Recognized in net earnings	108	61	(269)	(3,017)	(45)	(14)	(3,176)
Recognized in equity	-	-	-	-	-	-	-
Reclassed from equity to net earnings	-	-	-	-	-	-	-
As at June 30, 2011	(562)	(73)	1,220	2,511	732	(58)	3,770

19. Earnings per share

For the six months ended June 30, 2011, 657 options were anti-dilutive (2010 – 914).

The earnings used in the calculations of basic and diluted earnings per share for the three and six months ended June 30 are as follows.

	Three months ended		Six months ended	
	2011 **$**	2010 $	**2011** **$**	2010 $
Earnings used in the calculation of basic earnings per share	**4,464**	3,096	**7,127**	4,853
After tax effect of interest on convertible debentures	**491**	-	**975**	-
Earnings used in the calculation of diluted earnings per share	**4,955**	3,096	**8,102**	4,853

19. Earnings per share (continued)

The weighted average number of ordinary shares used in the calculations of basic and diluted earnings per share for the three and six months ended June 30, are as follows.

	Three months ended		Six months ended	
	2011	2010	**2011**	2010
	$	$	**$**	$
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**18,463**	18,057	**18,582**	17,958
Shares assumed issued on the exercise of stock options	**219**	341	**218**	511
Shares assumed repurchased from proceeds on exercise of stock options	**(113)**	(161)	**(116)**	(334)
Share assumed issued on the conversion of convertible debentures	**2,958**	-	**2,958**	-
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**21,527**	18,237	**21,642**	18,135

At June 30, 2011, 518 options outstanding (2010 – 767) had an exercise price in excess of the period end closing share price of $9.78 (2010 - $9.60).

20. Operating lease arrangements

20.1 Leasing arrangements

Operating leases relate to the Company's buildings and certain vehicles with lease terms of between 3 and 10 years. All building leases contain 5-year renewal options. During the three and six months ended June 30, 2011, the Company recognized $1,764 and $3,680 of operating lease payments as expenses (2010 - $1,333 and $2,665).

20.2 Non-cancellable operating lease commitments

Non-cancellable operating lease commitments are due as follows:

	June 30, 2011	December 31, 2010
	$	$
Not later than one year	**7,361**	6,388
Later than one year and not later than five years	**16,596**	17,530
Later than five years	**3,069**	922
	27,026	24,840

21. Related party transactions

21.1 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		Six months ended	
	2011	2010	**2011**	2010
	$	$	**$**	$
Management fees expensed	**88**	88	**178**	175
Performance bonuses expensed	**-**	-	**131**	142
Flight costs expensed	**111**	74	**146**	110
Rental payments on Company facilities expensed	**872**	862	**1,735**	1,724
Equipment sales	**765**	234	**1,427**	327
Equipment purchases	**837**	47	**1,307**	47

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. For the three and six month periods ended June 30, 2010 and 2011, the Company did not have any related party transactions that were not in the normal course of operations.

21.2 Amounts due from (to) related parties

Amounts due from (to) related parties are included in the Consolidated Balance Sheet under trade receivables and other (trade payables, accruals and other) and are as follows:

	June 30, 2011	December 31, 2010	January 1, 2010
	$	$	$
Due from related parties	**148**	-	3
Due to related parties	**-**	-	(185)

The amounts due from related parties are not secured and are to be settled in cash. As at January 1, 2010, December 31, 2010 and June 30, 2011, 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, 2011, $Nil and $Nil, respectively, has been recognized in bad debt expenses with respect to related party transactions (2010 - $Nil and $Nil).

The remuneration of directors and other members of key management for the three and six months ended June 30 is as follows:

	Three months ended		Six months ended	
	2011	2010	**2011**	2010
	$	$	**$**	$
Short-term benefits	**1,800**	306	**2,528**	1,093
Post retirement benefits	**7**	13	**25**	25
Share-based payments	**124**	189	**249**	502
	1,931	508	**2,802**	1,620

The remuneration of the directors and key management is determined by the Compensation, Governance and Nominating Committee of the Board of Directors based on performance and is consistent with market trends.

22. Financial instruments and financial risk management

The Company, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk, market risk (consisting of foreign currency exchange risk and interest rate risk), and liquidity risk. The following analysis provides a measurement of risks as at the Consolidated Balance Sheet date of June 30, 2011.

22.1 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The creditworthiness of counterparties is determined using information supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed regularly.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables.

22.2 Market risk

Market risk is the risk from changes in market prices, such as changes in foreign currency exchange rates and interest rates which will affect the Company's income or the value of the financial instruments held.

22.2.1 Foreign currency exchange risk and sensitivity analysis

The Company's financial instruments are exposed to currency fluctuations as it purchases a significant portion of its inventory in foreign currencies. A significant weakening of the U.S. dollar ("USD") against the Canadian dollar could result in a write-down of inventory as a large portion of the inventory is purchased in USD. In order to mitigate this risk, the Company uses forward contracts when appropriate. At June 30, 2011, December 31, 2010 and January 1, 2010 there were no contracts outstanding.

Included in selling, general and administrative expenses are gains recognized due to foreign currency translation for transactions and balances aggregating $15 and $70 for the three and six months ended June 30, 2011, respectively (2010 - $125 and $226).

Certain of the Company's financial instruments are exposed to fluctuations in the USD. The following tables detail the Company's exposure to currency risk at June 30, 2011 and 2010 and a sensitivity analysis to changes in currency (a 5.0% change in currency was used for obligations that would be retired in 30 days or less and a 10.0% change in currency for obligations that would be retired in greater than nine months). The sensitivity analysis includes USD denominated monetary items and adjusts their translation at year end for their respective change in the USD. For the respective weakening of the USD, there would be an equal and opposite impact on the Company's net earnings.

	Denominated USD $	Change in currency %	Effect on net earnings (net of tax) 6 months ended June 30, 2011 $
Cash and cash equivalents	2,106	5.0	76
Trade payables, accruals and other	(1,734)	5.0	(62)
Floor plan payable (Note 11)	(5,374)	10.0	(395)
	(5,002)		(381)

22. Financial instruments and financial risk management (continued)

22.2 Market risk (continued)

	Denominated USD $	Change in currency %	Effect on net earnings (net of tax) 6 months ended June 30, 2010 $
Cash and cash equivalents	1,317	5.0	47
Trade payables, accruals and other	(714)	5.0	(25)
Floor plan payable	(692)	10.0	(49)
	(89)		(27)

22.2.2 Interest rate risk and sensitivity analysis

The Company's financial liabilities are exposed to fluctuations in interest rates with respect to certain of its long-term liabilities, line of credit and floor plan payable. The following tables detail the Company's exposure to interest rate risk as at June 30, 2011 and 2010 and a sensitivity analysis to an increase of interest rates by 0.5% on net earnings. The sensitivity includes floating rate financial liabilities and adjusts their effect at period end for a 0.5% increase in interest rates. A decrease of 0.5% would result in an equal and opposite effect on net earnings.

	Change in interest rates %	**Floating rate financial liabilities $**	**Effect of earnings (net of tax) six months ended June 30, 2011 $**	Floating rate financial liabilities $	Effect of earnings (net of tax) six months ended June 30, 2010 $
Floor plan payable	0.5	**164,998**	**606**	125,554	446
Rental loan	0.5	**1,156**	**4**	2,821	10
HSBC dealer leasing loans	0.5	**351**	**1**	1,253	4
Bank indebtedness	0.5	**-**	**-**	12,567	45
Acquisition loan	0.5	**16,383**	**3**	15,125	54
Case Credit note	0.5	**-**	**-**	637	2
Mortgage payable	0.5	**813**	**60**	875	3
	0.5	**183,701**	**674**	158,832	564

22. Financial instruments and financial risk management (continued)

22.3 Liquidity risk

The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balances and cash flows generated from operations to meet its requirements. The Company has the following financial liabilities:

	As at June 30, 2011				
	Carrying Value $	**Remainder of 2011 $**	**2012-2013 $**	**2014-2015 $**	**Thereafter $**
Trade payables, accruals and other	**34,104**	**34,104**	**-**	**-**	**-**
Floor plan payable	**235,711**	**235,711**	**-**	**-**	**-**
Long-term debt	**20,208**	**4,091**	**11,540**	**4,241**	**336**
Obligations under finance leases	**2,886**	**539**	**1,517**	**824**	**6**
Convertible debentures	**28,582**	**-**	**-**	**-**	**28,582**
	321,491	**274,445**	**13,057**	**5,065**	**28,924**

	As at June 30, 2010				
	Carrying Value $	Remainder of 2010 $	2011-2012 $	2013-2014 $	Thereafter $
Bank indebtedness	12,567	12,567	-	-	-
Trade payables, accruals and other	29,300	29,300	-	-	-
Floor plan payable	179,363	179,363	-	-	-
Long-term debt	21,282	4,715	11,253	4,914	400
Obligations under finance leases	2,333	441	1,300	560	32
	244,845	226,386	12,553	5,474	432

22.4 Fair value of financial instruments carried at amortized cost

The carrying amounts of trade receivables and other, bank indebtedness and trade payables, accruals and other (excluding DSUs) approximate their fair values because of the short-term maturities of these items. The carrying amounts of floor plan payable, long-term debt and obligations under finance lease approximate their fair values as the interest rates are consistent with market rates for similar debt (except for the non-interest bearing debt with Ford Credit Canada, GMAC Financial Services and Case). Convertible debentures are carried at amortized cost using the effective interest method. The fair values and carrying values of the non-interest bearing debt with Ford Credit Canada and GMAC Financial Services, Case and the convertible debentures can be summarized as follows:

	Carrying Value			Fair Value		
	June 30, 2011 $	December 31, 2010 $	January 1, 2010 $	**June 30, 2011 $**	December 31, 2010 $	January 1, 2010 $
Non-interest bearing vehicle loans	**14**	24	86	**14**	22	80
Non-interest bearing Case loan	**1,166**	-	1,339	**1,166**	-	1,339
Convertible debentures	**28,582**	28,411	-	**28,582**	28,411	-

22. Financial instruments and financial risk management (continued)

22.4 Fair value of financial instruments carried at amortized cost (continued)

The fair values of the debt component of the convertible debentures and the non-interest bearing loans are determined using discounted cash flow analyses whereby the contractual payments are discounted at a discount rate reflective of market rates for instruments held by the Company with similar terms and period to maturity. For the purposes of the analysis presented above, the following discount rates were applied in determining fair value:

	June 30, 2011	December 31, 2010	January 1, 2010
Non-interest bearing vehicle loans	**5%**	5%	5%
Non-interest bearing Case loan	**3.5%**	-	2.8%
Convertible debentures	**8%**	8%	-

22.5 Fair value measurements recognized in the Consolidated Balance Sheet

The following table provides the basis of analysis for financial instruments of the Company, which are measured subsequent to initial recognition at fair value. This analysis is based on the degree to which the fair value is observable and grouped into categories accordingly:

- Level 1 financial instruments are those which can be derived from quoted market prices (unadjusted) in active markets for similar financial assets or liabilities. The Company's Level 1 financial instruments consist of cash and cash equivalents.

- Level 2 financial instruments are those which can be derived from inputs that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The Company has no Level 2 financial instruments.

- Level 3 financial instruments are those derived from valuation techniques that include inputs for the financial asset or liability which are not based on observable market data (unobservable inputs). The Company has no Level 3 financial instruments.

As at June 30, 2011, cash and cash equivalents had a fair value of $21,726 (December 31, 2010 - $17,139, January 1, 2010 - $6,965)

There were no transfers between Level 1 and 2 during the period.

23. Management of capital

The Company's objectives when managing capital are:

(a) To maintain a flexible capital structure which optimizes the cost of capital at acceptable risk; and
(b) To maintain capital in a manner which balances the interests of equity and debt holders.

In the management of capital, the Company includes shareholders' equity, long-term debt and obligations under finance leases (including current portions thereof), convertible debentures and floor plan payable.

23. Management of capital (continued)

The Company manages its capital structure and makes adjustments due to changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, purchase shares for cancellation pursuant to normal course issuer bids, issue new shares, issue new debt, and/or issue new debt to replace existing debt with different characteristics.

The Company monitors debt to equity capitalization. This ratio is a non-IFRS measure which does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers. Pursuant to agreements with lenders, the Company is required to monitor and report certain other non-IFRS measures including: current ratio, funded debt to EBITDA and debt to net tangible worth (each lender has its own definition of which account balances are to be included in these computations). These measures are calculated quarterly and annually.

As at June 30, 2011, the Company was in compliance with all externally imposed capital requirements.

The Company calculates debt to equity capitalization including and excluding floor plan payable. Debt to equity capitalization (excluding floor plan payable) is calculated as total long-term debt including obligations under finance leases, (both current and long-term portions) and convertible debentures, divided by total equity, (common shares, convertible debentures – equity component, contributed surplus and retained earnings). Debt to equity capitalization (including floor plan payable) includes the balance of floor plan payable in the determination of the numerator.

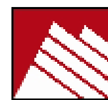
The debt to equity ratio target for the Company (excluding floor plan payable) is between 0.3 and 0.5 to 1. The debt to equity ratio target for the Company (including floor plan payable) is debt between 2.5 and 3.0 to 1.0. As at January 1, 2010, December 31, 2010 and June 30, 2011, the ratios were within the target ranges.

The components of debt to equity ratios are as follows:

	June 30, 2011 $	December 31, 2010 $	January 1, 2010 $
Current portion of long-term debt	**7,347**	6,574	8,545
Current portion of obligations under finance leases	**1,030**	825	619
Long-term debt	**12,861**	13,058	12,968
Obligations under finance leases	**1,856**	1,387	896
Convertible debentures	**28,582**	28,411	-
Total debt (excluding floor plan payable)	**51,676**	50,255	23,028
Floor plan payable	**235,711**	210,425	158,793
Total debt (including floor plan payable)	**287,387**	260,680	181,821
Shareholders' equity	**113,686**	105,824	86,095
Debt to equity ratio (excluding floor plan payable)	**0.45**	0.47	0.27
Debt to equity ratio (including floor plan payable)	**2.53**	2.46	2.11

24. Economic dependence

The Company is the holder of authorized dealerships granted by the CNH group of companies whereby it has the right to act as an authorized dealer for Case equipment. The dealership authorizations and floor plan facilities can be cancelled by the CNH group of companies if the Company does not observe certain established guidelines and covenants, which is common for this industry.



25. First time adoption of IFRS

The Company has adopted IFRS on January 1, 2011 with a transition date of January 1, 2010. Under IFRS 1 *'First-time Adoption of International Financial Reporting Standards'*, the IFRS are applied retrospectively at the transition date with all adjustments to previously reported assets and liabilities under GAAP taken to retained earnings unless certain exemptions are applied. In making this transition, the Company made use of the exemptions offered by transition standard IFRS 1 First-time Adoption of International Financial Reporting Standards with respect to retroactive application of the following standards:

- IFRS 3 Business Combinations – Business combinations prior to January 1, 2010 have been recognized based on their original valuations and allocations made under the previously applied principles. The Company has however recognized all assets and liabilities which would have been recognized had IFRS been in effect for all acquisitions, including those completed prior to January 1, 2010.

- IAS 16 Property, Plant and Equipment – the Company revalued its property, plant and equipment at fair value as at December 19, 2007, the date of its initial public offering. The revaluation resulted in property, plant and equipment being recorded at the fair values assigned as at December 19, 2007 as previously determined under GAAP.

IFRS employs a conceptual framework that is similar to GAAP. While the adoption of IFRS has not changed the actual cash flows of the Company, the adoption has resulted in changes to the reported financial position and results of operations of the Company as previously reported under GAAP. Presented below are reconciliations prepared by the Company to reconcile the Consolidated Balance Sheet and Statements of Net Earnings and Comprehensive Income and Cash Flows of the Company to IFRS.

25. First time adoption of IFRS (continued)

The Consolidated Balance Sheet at January 1, 2010 under GAAP has been reconciled to IFRS as follows:

	Note	GAAP $	Effect of transition $	IFRS $
Assets				
Current				
Cash		8,912	-	8,912
Trade receivables and other		24,186	-	24,186
Inventory		247,627	-	247,627
Prepaid expenses		509	-	509
		281,234	-	281,234
Non-current				
Property, plant and equipment		19,343	-	19,343
Goodwill	(i)	4,086	230	4,316
		23,429	230	23,659
		304,663	230	304,893
Liabilities				
Current				
Bank indebtedness		1,947	-	1,947
Trade payables, accruals and other	(i)	30,595	230	30,825
Floor plan payable		158,793	-	158,793
Deferred revenue		3,154	-	3,154
Current portion of long-term debt		8,545	-	8,545
Current portion of obligations under finance leases		619	-	619
		203,653	230	203,883
Non-current				
Long-term debt		12,968	-	12,968
Obligations under finance leases		896	-	896
Deferred taxes		1,051	-	1,051
		14,915	-	14,915
		218,568	230	218,798
Shareholders' equity				
Common shares		70,601	-	70,601
Contributed surplus	(ii)	2,915	298	3,213
Retained earnings	(ii)	12,579	(298)	12,281
		86,095	-	86,095
		304,663	230	304,893

25. First time adoption of IFRS (continued)

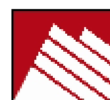
The Consolidated Statement of Net Earnings and Comprehensive Income for the three months ended June 30, 2010 under GAAP has been reconciled to IFRS as follows:

	Note	GAAP $	Effect of transition $	IFRS $
Sales				
New units		82,065	-	82,065
Used units		36,981	-	36,981
Parts		15,763	-	15,763
Service		10,185	-	10,185
Other		1,175	-	1,175
		146,169	-	146,169
Cost of sales		123,213	-	123,213
Gross profit		22,956	-	22,956
Expenses				
Selling, general and administrative	(iii)	15,856	63	16,927
	(ii)		(51)	
	(vi)		1,059	
Interest on short-term debt		1,506	-	1,506
Interest on long-term debt		231	-	231
Depreciation of property, plant and equipment	(vi)	1,059	(1,059)	-
		18,652	12	18,664
Earnings before income taxes		4,304	(12)	4,292
Provision for (recovery of) income taxes				
Current		(990)	-	(990)
Deferred		2,186	-	2,186
		1,196	-	1,196
Net earnings and comprehensive income		3,108	(12)	3,096
Earnings per share				
Basic		0.17	-	0.17
Diluted		0.17	-	0.17

25. First time adoption of IFRS (continued)

The Consolidated Statement of Net Earnings and Comprehensive Income for the six months ended June 30, 2010 under GAAP has been reconciled to IFRS as follows:

	Note	GAAP $	Effect of transition $	IFRS $
Sales				
New units		144,003	-	144,003
Used units		75,068	-	75,068
Parts		26,501	-	26,501
Service		19,314	-	19,314
Other		1,758	-	1,758
		266,644	-	266,644
Cost of sales		224,456	-	224,456
Gross profit		42,188	-	42,188
Expenses				
Selling, general and administrative	(iii)	29,887	99	31,989
	(ii)		(32)	
	(vi)		2,035	
Interest on short-term debt		2,869	-	2,869
Interest on long-term debt		459	-	459
Depreciation of property, plant and equipment	(vi)	2,035	(2,035)	-
		35,250	67	35,317
Earnings before income taxes		6,938	(67)	6,871
Provision for (recovery of) income taxes				
Current		(25)	-	(25)
Deferred		2,043	-	2,043
		2,018	-	2,018
Net earnings and comprehensive income		4,920	(67)	4,853
Earnings per share				
Basic		0.27	-	0.27
Diluted		0.27	-	0.27



25. First time adoption of IFRS (continued)

The Consolidated Statement of Net Earnings and Comprehensive Income for the year ended December 31, 2010 under GAAP has been reconciled to IFRS as follows:

	Note	GAAP $	Effect of transition $	IFRS $
Sales				
New units		333,603	-	333,603
Used units		189,315	-	189,315
Parts		65,047	-	65,047
Service		41,585	-	41,585
Other		3,869	-	3,869
		633,419	-	633,419
Cost of sales		533,861	-	533,861
Gross profit		99,558	-	99,558
Expenses				
Selling, general and administrative	(iii)	65,213	277	69,843
	(ii)		(91)	
	(vi)		4,444	
Interest on short-term debt		6,425	-	6,425
Interest on long-term debt		2,064	-	2,064
Depreciation of property, plant and equipment	(vi)	4,444	(4,444)	-
		78,146	186	78,332
Earnings before income taxes		21,412	(186)	21,226
Provision for income taxes				
Current		1,314	-	1,314
Deferred	(v)	4,641	(27)	4,614
		5,955	(27)	5,928
Net earnings and comprehensive income		15,457	(159)	15,298
Earnings per share				
Basic		0.85	(0.01)	0.84
Diluted		0.83	(0.01)	0.82

25. First time adoption of IFRS (continued)

The Consolidated Balance Sheet at June 30, 2010 under GAAP has been reconciled to IFRS as follows:

	Note	GAAP $	Effect of transition $	IFRS $
Assets				
Current				
Cash		5,259	-	5,259
Trade receivables and other		23,523	-	23,523
Inventory		289,779	-	289,779
Prepaid expenses		666	-	666
		319,227	-	319,227
Non-current				
Property, plant and equipment		20,389	-	20,389
Goodwill	(iii)	6,795	(99)	7,141
	(iv)		215	
	(i)		230	
		27,184	346	27,530
		346,411	346	346,757
Liabilities				
Current				
Bank indebtedness		12,567	-	12,567
Trade payables, accruals and other	(i)	29,300	230	29,530
Floor plan payable		179,363	-	179,363
Deferred revenue		4,139	-	4,139
Current portion of long-term debt		7,653	-	7,653
Current portion of obligations under finance leases		656	-	656
		233,678	230	233,908
Non-current				
Long-term debt		13,629	-	13,629
Obligations under finance leases		1,677	-	1,677
Deferred taxes		3,224	-	3,224
		18,530	-	18,530
		252,208	230	252,438
Shareholders' equity				
Common shares	(iv)	74,538	215	74,753
Contributed surplus	(ii)	3,783	266	4,049
Retained earnings	(iii)	15,882	(99)	15,517
	(ii)		(266)	
		94,203	116	94,319
		346,411	346	346,757

25. First time adoption of IFRS (continued)

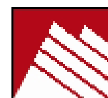
The Consolidated Balance Sheet at December 31, 2010 under GAAP has been reconciled to IFRS as follows:

	Note	GAAP $	Effect of transition $	IFRS $
Assets				
Current				
Cash		17,139	-	17,139
Trade receivables and other		27,509	-	27,509
Inventory		327,739	-	327,739
Prepaid expenses		1,611	-	1,611
		373,998	-	373,998
Non-current				
Property, plant and equipment		20,600	-	20,600
Deferred taxes	(v)	611	(611)	-
Goodwill	(iii)	8,528	(277)	8,574
	(iv)		231	
	(vii)		92	
		29,739	(565)	29,174
		403,737	(565)	403,172
Liabilities				
Current				
Trade payables, accruals and other		29,480	-	29,480
Floor plan payable		210,425	-	210,425
Deferred revenue		337	-	337
Current portion of long-term debt		6,574	-	6,574
Current portion of obligations under finance leases		825	-	825
		247,641	-	247,641
Non-current				
Long-term debt		13,058	-	13,058
Obligations under finance leases		1,387	-	1,387
Convertible debentures		28,411	-	28,411
Deferred taxes	(v)	6,593	777	6,851
	(v)		(611)	
	(vii)		92	
		49,449	258	49,707
		297,090	258	297,348
Shareholders' equity				
Common shares	(iv)	75,913	231	76,144
Convertible debentures	(v)	1,343	(804)	539
Contributed surplus	(ii)	4,630	207	4,837
Retained earnings	(iii)	24,761	(277)	24,304
	(ii)		(207)	
	(v)		27	
		106,647	(823)	105,824
		403,737	(565)	403,172

25. First time adoption of IFRS (continued)

The Consolidated Statement of Cash Flows for the three months ended June 30, 2010 under GAAP has been reconciled to IFRS as follows:

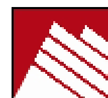
	Note	GAAP $	Effect of transition $	IFRS $
Operating activities				
Net earnings		3,108	(12)	3,096
Adjustments for:				
Depreciation expense		1,234	-	1,234
Deferred tax expense		2,186	-	2,186
Share-based payment expense	(ii)	448	(51)	397
Gain on disposal of property, plant and equipment		(2)	-	(2)
		6,974	(63)	6,911
Changes in non-cash working capital, net of the effect of acquisitions	(iii)	(10,125)	63	(10,062)
		(3,151)	-	(3,151)
Financing activities				
Repayment of long-term debt		(2,133)	-	(2,133)
Proceeds from long-term debt		3,000	-	3,000
Net change in obligations under finance leases		293	-	293
Dividends paid		(808)	-	(808)
Proceeds from issuance of common shares		11	-	11
		363	-	363
Investing activities				
Purchase of property, plant and equipment		(996)	-	(996)
Proceeds on disposal of property, plant and equipment		900	-	900
Purchase of equipment dealerships		(1,778)	-	(1,778)
		(1,874)	-	(1,874)
Net decrease in cash and cash equivalents		(4,662)	-	(4,662)
Cash and cash equivalents, beginning of period		(2,646)	-	(2,646)
Cash and cash equivalents, end of period		(7,308)	-	(7,308)



25. First time adoption of IFRS (continued)

The Consolidated Statement of Cash Flows for the six months ended June 30, 2010 under GAAP has been reconciled to IFRS as follows:

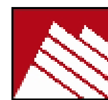
	Note	GAAP $	Effect of transition $	IFRS $
Operating activities				
Net earnings		4,920	(67)	4,853
Adjustments for:				
Depreciation expense		2,295	-	2,295
Deferred tax expense		2,043	-	2,043
Share-based payment expense	(ii)	887	(32)	855
Gain on disposal of property, plant and equipment		(195)		(195)
		9,950	(99)	9,851
Changes in non-cash working capital, net of the effect of acquisitions	(iii)	(19,598)	99	(19,499)
		(9,648)	-	(9,648)
Financing activities				
Repayment of long-term debt		(5,193)	-	(5,193)
Proceeds from long-term debt		4,962	-	4,962
Net change in obligations under finance leases		818	-	818
Dividends paid		(1,617)	-	(1,617)
Proceeds from issuance of common shares		39	-	39
		(991)	-	(991)
Investing activities				
Purchase of property, plant and equipment		(2,831)	-	(2,831)
Proceeds on disposal of property, plant and equipment		1,785	-	1,785
Purchase of equipment dealerships		(2,588)	-	(2,588)
		(3,634)	-	(3,634)
Net decrease in cash and cash equivalents		(14,273)	-	(14,273)
Cash and cash equivalents, beginning of period		6,965	-	6,965
Cash and cash equivalents, end of period		(7,308)	-	(7,308)



25. First time adoption of IFRS (continued)

The Consolidated Statement of Cash Flows for the year ended December 31, 2010 under GAAP has been reconciled to IFRS as follows:

	Note	GAAP $	Effect of transition $	IFRS $
Operating activities				
Net earnings		15,457	(159)	15,298
Adjustments for:				
Depreciation expense		5,280	-	5,280
Accretion expense		118	-	118
Deferred tax expense	(v)	4,641	(27)	4,614
Share-based payment expense	(ii)	1,734	(91)	1,643
Gain on disposal of property, plant and equipment		(229)	-	(229)
		27,001	(277)	26,724
Changes in non-cash working capital, net of the effect of acquisitions	(iii)	(30,555)	277	(30,278)
		(3,554)	-	(3,554)
Financing activities				
Repayment of long-term debt		(9,843)	-	(9,843)
Proceeds from long-term debt		7,962	-	7,962
Net change in obligations under finance leases		697	-	697
Dividends paid		(3,268)	-	(3,268)
Proceeds from issuance of common shares		39	-	39
Proceeds from issuance of convertible debentures		31,500	-	31,500
Debt issuance costs		(1,864)	-	(1,864)
Purchase of common shares for cancellation		(15)	-	(15)
		25,208	-	25,208
Investing activities				
Purchase of property, plant and equipment		(4,716)	-	(4,716)
Proceeds on disposal of property, plant and equipment		2,545	-	2,545
Purchase of equipment dealerships		(9,309)	-	(9,309)
		(11,480)	-	(11,480)
Net increase in cash and cash equivalents		10,174	-	10,174
Cash and cash equivalents, beginning of period		6,965	-	6,965
Cash and cash equivalents, end of period		17,139	-	17,139



ROCKY
MOUNTAIN DEALERSHIPS

25. First time adoption of IFRS (continued)

Notes to the IFRS reconciliation above:

(i) Adjustment for contingent consideration

During 2009, the Company acquired certain assets of Mayor Equipment ("Mayor"). The acquisition agreement included a provision for contingent consideration (the "Consideration") of up to $400 based on achieving certain earnings targets during the remainder of 2009 as well as the subsequent three calendar years.

Under GAAP – At the time of acquisition, the amount of the Consideration which would ultimately become payable by the Company was not able to be determined beyond a reasonable doubt and as such, no accrual of such Consideration was made.

Under IFRS – Using information available at the time of acquisition, the Company is required to estimate the consideration which will ultimately become payable to the former owner of Mayor. The Company has accrued $230 as a best estimate of total Consideration to be paid.

(ii) Adjustment for share-based payments

Under GAAP – The fair values of share-based awards with graded vesting were calculated as one grant and the resulting fair value was recognized on a straight-line basis over the vesting period. Forfeitures of awards were recognized as they occurred.

Under IFRS – Each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches. Forfeiture estimates are recognized in the period they are estimated, and are revised and accounted for prospectively in subsequent periods.

(iii) Adjustment for transaction costs

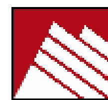
Under GAAP – The transaction costs incurred pursuant to the acquisitions of businesses were considered to be direct costs of the business combinations and were capitalized to goodwill.

Under IFRS – The transaction costs are considered to be acquisition-related costs and are expensed in the period incurred.

(iv) Adjustment for share valuation

Under GAAP – Share consideration issued pursuant to business combinations was valued based on the market price of the shares over a reasonable period before and after the date the terms of the business combination are agreed to and announced.

Under IFRS – Share consideration issued pursuant to business combinations is measured at the acquisition-date fair value.



25. First time adoption of IFRS (continued)

Notes to the IFRS reconciliation above (continued):

(v) Adjustment to deferred tax liability

Under GAAP – The Debentures were able to be settled without incidence of tax to the Company therefore the tax basis of the liability component was considered to be the same as its carrying amount and no deferred tax liability was recognized.

Under IFRS – The tax base of the liability component on initial recognition is equal to the initial carrying amount of the sum of the liability and equity components. The resulting taxable temporary difference arises from the initial recognition of the equity component separately from the liability component. Consequently, the Company recognizes the resulting deferred tax liability. The deferred tax is charged directly to the carrying amount of the equity component. Subsequent changes in the deferred tax liability are recognized in net earnings as deferred tax expense.

As a result of recognizing the deferred tax liability on the Debentures, the net deferred tax asset recognized under GAAP has been offset and the company to which it pertains is in a net deferred tax liability position.

(vi) Reclassification of depreciation expense

Under GAAP – all depreciation expense except the amount recorded as part of cost of sales was presented as a separate line on the Consolidated Statement of Net Earnings and Comprehensive Income.

Under IFRS – The Company has elected to present its Consolidated Statement of Net Earnings and Comprehensive Income under the functional method which requires expenses to be presented according to their function. As such, depreciation expense not included in cost of sales has been aggregated with selling, general and administrative expenses.

(vii) Recognition of deferred tax liability on acquired goodwill

Under GAAP – any portion of the tax basis of an asset acquired pursuant to a business combination which is not deductible for tax purposes, does not give rise to a deferred tax liability.

Under IFRS – the tax base of an asset equals the amount which will be deductible for tax purposes against any economic benefit that will flow to an entity when it recovers the carrying amount of the asset. Goodwill acquired pursuant to the Wardale Acquisition is not fully deductible for tax purposes. Under IFRS, the non-deductible portion gives rise to a deferred tax liability with a corresponding increase to goodwill.

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011

GENERAL

This Management Discussion and Analysis ("**MD&A**") was prepared as of August 9, 2011 and is provided to assist readers in understanding Rocky Mountain Dealerships Inc.'s financial performance for the three and six months ended June 30, 2011. It should be read in conjunction with the unaudited Condensed Consolidated Interim Financial Statements for the three and six months ended June 30, 2011 and the audited Consolidated Financial Statements for the year ended December 31, 2010 and the notes contained therein. Unless otherwise indicated, the results reported herein have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board and are presented in Canadian dollars.

Unless the context otherwise requires, use in this MD&A of "**RMDI**", "**the Company**", "**we**", "**us**", or "**our**" means Rocky Mountain Dealerships Inc. and its direct and indirect wholly owned subsidiaries including Hammer Equipment Ltd., Hi-Way Service Ltd., Miller Equipment Ltd., and Rocky Mountain Dealer Group Partnership, collectively.

Effective January 1, 2011, RMDI has adopted IFRS as its basis of financial reporting using January 1, 2010 as our transition date. While the adoption of IFRS has not had an impact on the Company's reported net cash flows, there have been material impacts on its consolidated balance sheets and statements of net earnings and comprehensive income, which are discussed in this MD&A.

The common shares of RMDI trade on the Toronto Stock Exchange under the symbol 'RME'. Additional information relating to RMDI, including the Company's Annual Information Form, is available on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") web site at www.sedar.com.

This MD&A contains forward-looking statements. Please see the section "Caution Regarding Forward-Looking Information and Statements" for a discussion of the risks, uncertainties and assumptions relating to those statements.

NON-IFRS MEASURES

Throughout this MD&A, we use the following terms which do not have standardized meanings under IFRS. Our definition for each term is as follows:

- **"Overhead Absorption"** is a commonly used metric in the equipment dealership industry, at the branch and organization levels. Overhead Absorption is calculated by dividing gross profit from parts and service revenues (also referred to as product support), by total expenses, less variable equipment selling expenses, intangible amortization or impairment, share-based payment expense, non-recurring charges, and non-cash finance charges on the convertible debentures and long-term debt. It is our belief that Overhead Absorption is a useful measurement tool because it indicates a dealership's ability to maintain profitable operations particularly during periods of reduced equipment sales.

- **"EBITDA" and "EBITDA before floor plan interest"** are other commonly used metrics in the dealership industry. EBITDA is calculated by adding long-term interest, income taxes, depreciation and amortization to net earnings. Adding back non-operating expenses allows management to consistently compare periods by removing changes in tax rates, long-term assets and financing costs.

- **"Cash Flow from Net Earnings"** is calculated by adding back non-cash items such as depreciation of property, plant and equipment, non-cash finance charges on the convertible debentures and long-term debt, deferred income taxes, share-based payment expense, and losses (gains) on the disposal of property, plant and equipment to net earnings. Adding back these non-cash items allows management to isolate and analyze the operating cash flows generated through earnings, prior to any consideration of changes in working capital balances and the impact of acquisitions.

- **"Operating SG&A"** is calculated by adding back depreciation of property, plant and equipment and any non-recurring charges incurred during the period. Adding back these items allows management to assess the discretionary expenses from ongoing operations. We target a sub-10% Operating SG&A as a percentage of total sales on an annual basis.

OVERVIEW OF BUSINESS AND STRATEGY

Our Business

RMDI is one of Western Canada's largest equipment dealers with a network of 37 full-service agriculture and construction equipment stores across the Canadian Prairie provinces. Our network currently includes 25 branches in Alberta, 7 in Manitoba, and 5 in Saskatchewan.

We are Canada's largest retail dealer of CNH Global N.V. ("**CNH**") equipment which includes Case IH Agriculture equipment, New Holland Agriculture equipment and Case Construction equipment. We are a major independent dealer of equipment from a number of other manufacturers, including but not limited to, Terex, Dynapac, Doosan, Takeuchi, Leeboy, Kawasaki, Metso, Bourgault, Claas and Kuhn-Knight.

We offer our customers a one-stop solution for their equipment needs through new and used equipment sales, parts sales, repair and maintenance services, and third-party equipment financing and insurance services. In addition, we provide other ancillary services such as equipment transportation and global positioning satellite (GPS) signal subscriptions.

Headquartered in Calgary, Alberta, our business is carried on through two business units consisting of three brands; Hammer Equipment, primarily represents New Holland, Terex, Dynapac, Doosan, Metso, and Kawasaki. Rocky Mountain Dealer Group Partnership (the **"Partnership"**) operates as Hi-Way Service Ltd., which mainly represents Case Construction and Case IH Agriculture products in Alberta, and Miller Equipment representing Case IH Agriculture in Manitoba and Saskatchewan.

Our Strategy

Offer an Attractive Portfolio of High-Quality, Proprietary Equipment: By representing a wide selection of high-quality equipment from well-respected and recognized manufacturers, we attract a strong customer following and are able to meet their needs. We have a long-term relationship with CNH with proprietary distribution rights to Case IH Agriculture and Case Construction equipment in our selling regions. In 2010, we gained distribution rights for New Holland Agriculture equipment and expanded our New Holland presence through the addition of one new store opening and two separate acquisitions. Case IH Agriculture, New Holland Agriculture and Case Construction represent our principal brands, currently accounting for approximately 79% of new equipment sales year to date.

We have further diversified our equipment portfolio with premier construction brands like Terex, Dynapac, Kawasaki and Metso, which have helped to build our strength in niche markets such as paving, crushing and screening. Our multi-line approach creates further diversification, allowing us to cover more end-markets than a single brand supplier.

Build a Diverse Customer Base: Our customers are broadly distributed from Alberta to Manitoba and vary in size. On the agriculture side, we serve grain and oil seed farmers ranging in size from small family farmers to large corporate farms, some with operations exceeding 100,000 acres. We also serve construction customers ranging from small owner operators to large contractors.

We currently have in excess of 10,000 active customers and we expect our customer base will continue to grow as we expand our network geographically, while continuing to add new equipment brands.

Pursue Growth Through Consolidation: Canada's equipment dealership business is highly fragmented with significant opportunities for consolidation. With our size and established original equipment manufacturer ("**OEM**") relationships, we are a natural industry

consolidator. Since our initial public offering ("**IPO**") in December 2007, we have completed 13 acquisitions and opened 2 new locations.

Our strategy for future expansion is focused on the heavy equipment market on the east side of the Rocky Mountain corridor. Our long-term growth areas include Alberta, Saskatchewan and Manitoba, as well as the U.S. states south of the Canadian Prairie provinces through to the Gulf of Mexico. To date, our growth has been exclusively in Canada and we expect we will continue to focus on this market in the near term. With approximately 60 New Holland dealer locations in Western Canada and another 30 Case IH Agriculture locations owned by dealers other than us, there are numerous opportunities in the Western Canadian market.

Successfully Integrate Acquisitions and Achieve Performance Improvements: We have a proven track record of successfully integrating acquired stores and quickly capitalizing on the business combination synergies to achieve greater cost efficiencies and improved margins. Upon taking ownership of a new location, we immediately put the new store onto our management information system. We then take advantage of our shared inventories, best practices and ability to develop the management team to improve performance.

Typically, acquired stores have gross profit as a percentage of total revenue between 8-12% at the time of acquisition. We seek to increase gross profit percentages to 14-15% within a year of acquisition, and to achieve our target range of 15-17% over the longer term.

We believe we are well capitalized and have the management system and people in place to achieve growth without significant additional administration costs. Each of our divisions has experienced teams in place that can provide exceptional results with little assistance from corporate management. This provides an extremely scalable model for growth with minimal overhead. In most acquisitions, the previous owners of the dealerships join the RMDI team, providing continuity for our customers and adding management depth to the Company.

Having completed a significant number of acquisitions in 2010 and early 2011, our focus through the balance of 2011 will be on integrating these new stores and achieving targeted margin increases.

Pursue Organic Growth: We pursue organic growth across our network through increases to the installed equipment base, brand expansions and same-store sales growth. As the installed equipment base grows and ages, it drives higher-margin revenue streams such as parts and service, increasing our profitability over time. Product support revenues typically increase three-to-five years after the initial sale.

Brand expansions are another source of organic growth. Since 2007, we have added several new brands to our product portfolio, which have helped drive increased revenues, while providing greater diversification. In 2010, we added New Holland Agriculture, Doosan, and Metso to our high-quality portfolio of products. Going forward, we will continue to assess brand expansion opportunities that complement our current business lines.

Same-store growth comes from a combination of increased market share, additional parts and service revenue from expansion of the installed base, and new product introductions.

Agriculture is a mature business. The same amount of land is put into production each year, with little variance for world economic conditions or commodity prices. The farmer may choose a different crop or decide to leave some land fallow in a particular year, but the land still needs to be worked to prevent unwanted growth. Our legacy stores that have high market share produce consistent top-line revenue year after year, but have the opportunity to increase net earnings as the mix of sales trends towards higher-profit parts and service sales. Acquired stores, that have lower initial market share, have greater opportunity for revenue growth in the first few years as we provide the capital and expertise to help them grow whole goods sales. Over time, as the installed base grows, the acquired stores develop increased product support revenue as the previously-sold equipment ages.

The construction equipment business is more cyclical. As GDP grows, the need for additional housing and infrastructure also increases. During the recession of 2009, construction equipment spending dropped by as much as 70% in some regions as the need for development decreased. As construction spending increases, demand for construction equipment and product support increases with it. The profit potential per unit sold is higher at the peak of the construction cycle than it is at any point in the agricultural cycle. This is because many construction units are in use for far more hours in a year, with a corresponding increase in need for maintenance and repair. In the past two years we have added additional product lines to our construction equipment locations: Metso crushing and screening equipment, Doosan construction equipment, and Scania engines.

Our access to both the agriculture and construction markets gives us important diversification and stability, as demonstrated by our positive results through the last recession.

Support and Invest in our People: Our people are a key factor in our ability to achieve growth and profitability. As such, we continually assess the needs of our team members. During 2010, we initiated an employee share ownership plan which allows employees to share in the ownership and success of Rocky Mountain Dealerships, while also saving for retirement.

With approximately 800 employees, our staff levels have more than doubled since our IPO. We are continually monitoring, assessing, and implementing team strategies in order to recruit, retain, and develop strong employees. We work to assess the development needs of our managers and then structure the training necessary to ensure we have management for the future. We firmly believe the best managers are developed internally.

Acquisition History

During the second quarter of 2011, we consolidated our two Grande Prairie locations and now serve the region through one full-service branch. This provides us with a centralized location from which to serve our customers, while also driving greater cost efficiencies.

On April 1, 2011, the Company acquired 100% the outstanding shares of J&B Equipment Ltd. ("**J&B**" or the "**J&B Acquisition**"), a Case IH Agriculture dealership located in Kindersley, Saskatchewan. The preliminary purchase price before working capital adjustments was approximately $4 million and was funded with cash and approximately 84 thousand common shares of the Company valued at $10.26 per share. In its most recent fiscal year ended October 31, 2010, J&B reported revenues of approximately $18 million. The integration of the business system has been completed for this location.

On January 1, 2011, the Company acquired certain dealership assets of Agritrac Equipment Ltd. ("**Agritrac**" or the "**Agritrac Acquisition**"), a Case IH Agriculture dealership, with locations in Westlock, Barrhead, and Vegreville, Alberta. The preliminary purchase price before working capital adjustments was approximately $5 million and was funded with cash and approximately 55 thousand common shares of the Company valued at $8.90 per share. In its most recent fiscal year ended October 31, 2010, Agritrac reported revenues of approximately $47 million. The integration of the business system has been completed for these locations.

On October 15, 2010, the Company acquired 100% of the outstanding shares of K&M Farm Equipment Ltd. ("**K&M**" or the "**K&M Acquisition**"), a New Holland Agriculture dealership, with three branches including two in Westlock and one in Barrhead, Alberta. The purchase price was $3.7 million and was funded with cash and approximately 96 thousand common shares of the Company, at a price of $7.97 per share. In its most recent fiscal year ended November 30, 2009, K&M reported revenues of approximately $16.9 million. The integration of the business system has been completed for these locations.

On September 1, 2010, the Company acquired 100% of the outstanding common shares of Gateway Farm Equipment Ltd. ("**Gateway**" or the "**Gateway Acquisition**"), a Case IH Agriculture dealership located in Grande Prairie, Alberta. The purchase price was $2.0 million and was funded with cash and 55 thousand common shares of the Company, at a price of $8.42 per share. In its most recent fiscal year ended March, 31, 2010, Gateway reported revenues of approximately $12.3 million. The integration of the business system has been completed for this location.

On September 1, 2010, the Company also acquired 100% of the outstanding common shares of the holding company that owned 100% of Allen's Agrocentre Ltd. ("**Allen's**" or the "**Allen's Acquisition**"), a Case IH Agriculture dealership located in Oyen, Alberta. The purchase price was $2.8 million and was funded with cash and 20 thousand common shares of the Company issued at a price of $8.42 per share. In its most recent fiscal year ended October 31, 2009, Allen's reported revenues of approximately $5.8 million. The integration of the business system has been completed for this location.

Effective June 1, 2010, the Company acquired certain dealership assets of Wardale Equipment (1998) Ltd. ("**Wardale**" or the "**Wardale Acquisition**"), a Case IH Agriculture dealership, with locations in Yorkton, Langenburg, and Preeceville, Saskatchewan. The purchase price was $5.7 million and was funded with cash and approximately 293 thousand common shares of the Company issued at a price of $8.90 per share. In its most recent fiscal year ended November 30, 2009, Wardale reported revenues of approximately $39.0 million. The integration of the business system has been completed for these locations.

On March 1, 2010, the Company acquired 100% of the outstanding common shares of Roydale New Holland Inc. ("**Roydale NH**" or the "**Roydale NH Acquisition**"), a New Holland Agriculture dealership, located in Red Deer, Alberta. The purchase price was $3.0 million which and was funded with cash and approximately 149 thousand common shares of the Company issued at a price of $10.06

per share. In its most recent fiscal year ended November 30, 2009, Roydale NH reported revenues of approximately $22.0 million. The integration of the business system has been completed for this location.

INDUSTRY AND ECONOMIC FACTORS AFFECTING PERFORMANCE

Our financial performance is subject to a number of external factors that affect our business, including seasonality and cyclicality, currency fluctuations, inflation, and interest rate fluctuations.

Seasonality and Cyclicality

Our customers operate in industries that are affected by seasonality, which affects the timing of demand for the equipment and services we provide. We generally experience a lower volume of equipment sales during the first quarter of the calendar year, when winter weather makes certain types of construction and agriculture work difficult to perform. We have mitigated the effects of seasonality to some extent by also carrying lines of equipment for which peak operating periods occur during the winter months. Examples include equipment used for aggregate crushing, mulching and clearing.

Currency Fluctuations and Foreign Exchange

The OEM we do business with are geographically diversified, requiring us to conduct business in two currencies: U.S. dollars and Canadian dollars. As a result, we have foreign currency exposure with respect to purchases of U.S. dollar denominated products (inventory) and we experience foreign currency translation gains and losses thereon. These adjustments arise as a result of fluctuations in foreign currency exchange rates at the period end. The nature of exposure to foreign exchange fluctuations differs between equipment manufacturers and the various dealer agreements with them.

The last several years have seen a weakening of the U.S. dollar in comparison to the Canadian dollar. This has generally had a positive effect on our performance by lowering our cost of goods sold. However, as the markets in which we operate are highly competitive, a declining U.S. dollar also has the effect of reducing sales prices in Canadian dollars and, as a consequence, we cannot capture the entire potential benefit of a declining U.S. dollar environment. If the U.S. dollar strengthens in comparison to the Canadian dollar, and we are unable to offset the increase in cost of goods through price increases, our financial results may be negatively affected. We mitigate some of this risk by occasionally purchasing forward contracts for U.S. dollars on large transactions to cover the period from the time the equipment is ordered from the manufacturer to the delivery date.

Inflation

To date, inflation has not had a material effect on our operating results, and we do not expect this to change in the near term. We have experienced cost increases that are similar to the cost escalations being experienced throughout the Alberta, Manitoba and Saskatchewan economies, but we have been able to increase selling prices to offset such increases. Items that are susceptible to localized inflation in the above-mentioned areas, such as labour and rent, are a relatively small component of our overall cost structure as compared to the cost of goods sold, which is affected by numerous factors. There is no assurance, however, that inflation will not affect us in the longer term or that we will be continually able to increase selling prices as a means to offset the effect of increases on our cost structure (including, without limitation, cost of goods sold) while remaining competitive.

Interest Rate Fluctuations

We finance our purchases of new and, to a lesser extent, used equipment inventory through floor plan borrowing arrangements, under which we are charged interest at floating rates. As a result, rising interest rates have the effect of increasing our costs, particularly with respect to interest on debt financing, including floor plan financing. To the extent that we cannot pass on such increased costs to our customers, our net earnings or cash flow may decrease. In addition, some of our customers finance the equipment they purchase through us. A customer's decision to purchase may be affected by interest rates available to finance the purchase.

MARKET FUNDAMENTALS AND OUTLOOK

Agriculture Market

Our agriculture equipment sales are made primarily to grain and oilseed crop farmers in Western Canada. Commodity prices, input costs and weather are the key demand drivers for equipment among these customers. Grain and oilseed prices have been strong for several years now, and prices are expected to remain well above historical levels due to a growing supply and demand imbalance.

Global food demand is expected to increase 50% over the next 25 years in response to a growing world population and a decrease in arable land per capita. The United Nations' Food and Agriculture Organization (FAO) predicts that rising demand for agriculture commodities and insufficient investment in productive capacity and infrastructure, especially in developing countries, will keep prices above historical levels for years to come, encouraging farmers to continue improving productivity.

Lower input costs have also improved farmer margins and are encouraging farmer efforts to maximize yields through technology and productivity investments.

Within the Canadian agriculture sector, the trend towards larger farms is further benefiting farm equipment sales. According to Statistics Canada, about 5.5% of Canadian farms are managing operations with crop receipts in excess of $1 million. These operators need larger, more productive equipment and they tend to replace their equipment more frequently to capitalize on the latest equipment efficiencies. Overall, the fundamentals underpinning agriculture equipment demand are excellent.

In the near term, we anticipate that grain and oilseed crop prices will remain at historically high levels. Demand from China and India, crop land dedicated to bio-fuel production, and general GDP growth are all putting pressure on worldwide production. Parts and service demand is also expected to remain healthy due to the increased machine population that RMDI has installed over the past three and a half years.

Construction Market

Our construction equipment sales are balanced through residential construction, roadwork (including paving and aggregate production), and commercial, industrial, and municipal construction in the Alberta market. Increases in housing starts, oil rig count, vehicle sales, and GDP growth are all factors that influence construction equipment purchases in Alberta, and these indicators all point to growth in the short and mid-terms.

Fueled by a renewed resource industry and agriculture and mining industry investment in the province, Alberta's GDP and population are growing and driving general construction and infrastructure spending. According to the government of Alberta, the province enjoyed average annual GDP growth of 3.1% between 1989 and 2009, compared to 2.3% for Canada as a whole.

In its 2011 forecast for Canadian construction equipment sales, the Association of Equipment Manufacturers predicts that equipment sales into the Canadian market will grow 12.0% in 2011, 14.8% in 2012 and 12.7% in 2013. Given Alberta's faster rate of economic growth, forecasters are calling for construction equipment sales growth of between 20 and 30% for Alberta in 2011.

In addition, we anticipate strong parts and service demand from the construction market in 2011. Contractors that delayed maintenance during the recession are now investing in parts and service to ensure their equipment is ready to meet increased demand. Accordingly, the outlook for construction related sales is positive for 2011.

Overall

We believe high levels of activity in our end-markets, combined with the significant acquisition activity we undertook in 2010 and early 2011, will support continued growth in our revenues in 2011. These acquisitions should also deliver gradual improvements in gross profit throughout 2011 and 2012. In the period immediately following any significant acquisition activity, our gross profit margins are typically lower due to the addition of new dealerships with lower gross profits. As we complete the integration process, margins from the acquired dealers improve and RMDI's consolidated margins return to more typical levels.

Cost control continues to be a key focus in 2011 as we work to lower SG&A costs and improve profitability across our operations. With our 2011 acquisitions completed, we intend to devote our management time to improving the results of our acquired stores and ensuring our legacy stores have the resources they need to grow with the market.

The positive outlooks for both the agriculture and construction end-markets, the growing installed base of equipment, and the valuable acquisitions made in 2010 and early 2011, leave us in a good position for revenue and earnings growth.

HIGHLIGHTS FOR THE SIX MONTHS ENDED JUNE 30, 2011

- Added four branches, expanding our presence in Central Alberta and Western Saskatchewan.
- Increased revenues by 40.8% to $375.5 million.
- Increased EBITDA by 47.2% to $17.4 million.
- Achieved net earnings of $7.1 million and diluted earnings per share of $0.37, up from $4.9 million and diluted earnings per share of $0.27.
- Paid dividends of $0.09 per share.
- Entered into a credit agreement with a syndicated group of lenders on May 31, 2011, increasing our aggregate available credit by $78M and providing additional carrying cost management opportunities.
- Consolidated our Grande Prairie stores to achieve increased cost efficiencies.

SELECTED FINANCIAL INFORMATION (unaudited)

$ In thousands (other than per share amounts and gross profit and Overhead Absorption percentages)

	For the three months ended June 30,				For the six months ended June 30,			
	2011	2010	Change	Change	**2011**	2010	Change	Change
	$	$	$	%	**$**	$	$	%
Sales								
New equipment	**115,974**	82,065	33,909	41.3	**200,698**	144,003	56,695	39.4
Used equipment	**62,481**	36,981	25,500	69.0	**109,023**	75,068	33,955	45.2
Parts	**25,065**	15,763	9,302	59.0	**39,758**	26,501	13,257	50.0
Service	**12,961**	10,185	2,776	27.3	**23,575**	19,314	4,261	22.1
Other	**1,438**	1,175	263	22.4	**2,444**	1,758	686	39.0
Total sales	**217,919**	146,169	71,750	49.1	**375,498**	266,644	108,854	40.8
Cost of sales	**184,698**	123,213	61,485	49.9	**316,576**	224,456	92,120	41.0
Gross profit	**33,221**	22,956	10,265	44.7	**58,922**	42,188	16,734	39.7
Gross profit percentage	**15.2%**	15.7 %		(0.5)	**15.7%**	15.8%		(0.1)
Expenses								
SG&A	**23,433**	16,927	6,506	38.4	**43,120**	31,989	11,131	34.8
Interest on short-term debt	**2,641**	1,506	1,135	75.4	**4,185**	2,869	1,316	45.9
Interest on long-term debt	**933**	231	702	303.9	**1,800**	459	1,341	292.2
Earnings from operations	**6,214**	4,292	1,922	44.8	**9,817**	6,871	2,946	42.9
Income taxes	**1,750**	1,196	554	46.3	**2,690**	2,018	672	33.3
Net earnings	**4,464**	3,096	1,368	44.2	**7,127**	4,853	2,274	46.9
Net earnings per share								
Basic	**0.24**	0.17	0.07	41.2	**0.38**	0.27	0.11	40.7
Diluted	**0.23**	0.17	0.06	35.3	**0.37**	0.27	0.10	37.0
Dividends per share	**0.045**	0.045	-	-	**0.09**	0.09	-	-
EBITDA before floor plan interest	**8,810**	5,758	3,052	53.0	**14,642**	9,625	5,017	52.1
EBITDA	**10,301**	6,916	3,385	48.9	**17,442**	11,852	5,590	47.2
Overhead absorption	**86%**	78%		8.0	**70%**	74%		(4.0)

Sales

The Company uses the terms "acquired" versus "same store" in assessing its sales results. Each acquired store has an average historical level of sales generated prior to being acquired by RMDI. When the Company discusses "acquired" sales, it is referring to the average historical sales level realized by each acquired store prior to acquisition. This base level of sales continues to be classified as 'acquired' until such time as the acquired store has been included in four complete calendar quarters after which point, all additional sales are classified as same store.

$ In thousands

	For the three months ended June 30,					For the six months ended June 30,				
			Change					Change		
	2011	2010	Same Store	Acquired	Total	**2011**	2010	Same Store	Acquired	Total
Sales										
New equipment	**115,974**	82,065	15,699	18,210	33,909	**200,698**	144,003	24,198	32,497	56,695
Used equipment	**62,481**	36,981	17,880	7,620	25,500	**109,023**	75,068	19,254	14,701	33,955
Parts	**25,065**	15,763	4,374	4,928	9,302	**39,758**	26,501	4,673	8,584	13,257
Service	**12,961**	10,185	916	1,860	2,776	**23,575**	19,314	930	3,331	4,261
Other	**1,438**	1,175	52	211	263	**2,444**	1,758	326	360	686
Total sales	**217,919**	146,169	38,921	32,829	71,750	**375,498**	266,644	49,381	59,473	108,854

For the three months ended June 30, 2011, sales increased by $71.8 million (six months ended – $108.9 million) as a result of higher same store and acquired sales. Second quarter same store sales increased by $38.9 million year-over-year (six months ended – $49.4 million), reflecting increased demand and higher agricultural whole goods revenue in Alberta, as well as strong performance from our integrated stores. The remaining $32.8 million of revenue increase was driven by acquired stores (six months ended – $59.5 million). The significant growth in total sales was achieved despite lower same store sales from our Manitoba locations. For the six months ended June 30, 2011, same store sales from our Manitoba stores decreased by $20.1 million as a result of higher-than-normal snow load, a late spring, and the threat of floods, all of which hampered customer confidence. By comparison, same store sales from our Alberta and Saskatchewan stores increased by $69.5 million or approximately 22% during this same period.

For the three months ended June 30, 2011, new equipment sales increased by $33.9 million (six months ended – $56.7 million), compared to the same period in 2010. This included an $18.2 million increase in acquired new equipment sales (six months ended – $32.5 million) and a $15.7 million increase in same store new equipment sales (six months ended – $24.2 million). Agriculture equipment demand in Alberta year-to-date has been strong and we continue to see improvements in the construction equipment market, both of which contributed to our same store sales growth for the period. Again, the weather in Manitoba was a challenge for us, negatively impacting our new equipment sales and offsetting some of the growth generated by our Alberta branches.

For the three months ended June 30, 2011, our used equipment sales increased by $25.5 million (six months ended – $34.0 million) compared to the same period last year. Same store sales growth accounted for $17.9 million of this improvement (six months ended – $19.3 million), while acquired sales accounted for the remaining $7.6 million (six months ended – $14.7 million). The increase in same store used equipment sales is mostly attributed to the strength in the Alberta market, and was partially driven by extensive moisture as many farmers purchased additional tracked 4 wheel drive tractors to ensure they were able to seed crops.

Parts sales for the three months ended June 30, 2011 increased by $9.3 million (six months ended – $13.3 million), driven by acquired parts sales growth of $4.9 million (six months ended – $8.6 million) and same store sales growth of $4.4 million (six months ended – $4.7 million). Second quarter service sales grew by $2.8 million (six months ended – $4.3 million), with acquired sales contributing $1.9 million (six months ended – $3.3 million) and same stores accounting for $0.9 million (six months ended – $0.9 million) of the year-over-year increase. Demand for agricultural parts and service was stronger than normal during the three months ended June 30, 2011 as equipment maintenance work that was delayed by inclement weather in the first quarter was carried forward into the second quarter. On the construction side, contractors that deferred maintenance as a result of the recent recession are now investing in parts and service to ensure their equipment is ready to meet increased demand. The increase in parts and service revenues was partially offset by weaker results from our Manitoba operations. As a result of the weather conditions noted above, farmers in various parts of Manitoba had difficulty seeding their fields as evidenced by the reduction in seeded acreage in some areas.

Other sales comprise rental, lease, and finance and insurance revenues. For the three months ended June 30, 2011, same store other sales increased by $0.1 million year-over-year (six months ended – $0.3 million), while acquired other sales increased by $0.2 million

(six months ended – $0.4 million). This growth was tempered by our stated objective of reducing both our rental and lease fleet over the past and coming years.

Gross Profit

We target a gross profit margin range of 15% to 17%, but we typically experience margins at the lower side of this range following a period of intense acquisition activity, such as that experienced in 2010 and early 2011. Our newly acquired stores tend to have lower gross profits than our integrated stores, but margins gradually increase as integration is completed and efficiencies are realized.

As a result of our recent acquisition activity, gross profit percentage for the three months ended June 30, 2011 was 15.2% (six months ended – 15.7%) compared to 15.7% (six months ended – 15.8%) during the same period last year. The change in margin also reflects increased sales of new and used equipment as many of our newer locations successfully increased the installed base in our territories. Over the mid-to-longer term, a larger installed base should provide additional higher-margin product support business as these units need repairs.

Selling, General and Administrative

Selling, general and administrative (**"SG&A"**) expenses for the three and six-month periods ended June 30, 2011 and 2010 consist of the following charges:

	For the three months ended June 30,				**For the six months ended June 30,**			
	2011		2010		**2011**		2010	
	$	**%[1]**	$	%[1]	**$**	**%[1]**	$	%[1]
Operating SG&A	**19,431**	**8.9**	15,867	10.9	**37,775**	**10.1**	29,917	11.2
Depreciation	**1,259**	**0.6**	1,059	0.7	**2,534**	**0.7**	2,035	0.8
Non-recurring charges								
Syndication charges	**1,083**	**0.5**	-	-	**1,083**	**0.3**	-	-
Severance charges	**1,634**	**0.8**	-	-	**1,634**	**0.4**	-	-
Acquisition transaction charges	**26**	**0.0**	1	0.0	**94**	**0.0**	37	0.0
SG&A	**23,433**	**10.8**	16,927	11.6	**43,120**	**11.5**	31,989	12.0

(1) – As a percentage of total sales for the applicable period.

The year-over-year increases in SG&A reflect higher depreciation from property, plant and equipment as a result of our acquisition of 11 new locations over the past 18 months. We also incurred $1.1 million in expenses related to closing a new credit agreement with a syndicated group of lenders. The new credit facility provides for our continuing financing needs as we execute on our long-term growth strategy.

The increase in SG&A also reflects $1.6 million in severance arrangements pursuant to the departure of a member of senior management during the second quarter of 2011.

Acquisition transactions costs incurred to facilitate acquisitions amounted to $26 thousand and $94 thousand for the three and six months ended June 30, 2011 respectively (2010 – $1 thousand and $37 thousand respectively).

Operating SG&A as a percentage of sales were 8.9% and 10.1% for the respective three and six-month periods ended June 30, 2011 (2010 – 10.9% and 11.2% respectively), within or slightly above our sub-10% target range (2010 – outside of our target range for the respective periods as a result of depressed sales due to the inclement weather).

Overhead Absorption

Overhead Absorption for the last twelve months was 77% (2010 – 80%), within management's target of between 77% and 82% for an annual period.

Interest

Long-term interest expense increased to $0.9 million and $1.8 million for the respective three and six-months periods ended June 30, 2011, from $0.2 million and $0.5 million during the respective periods last year. The additional long-term interest is primarily attributable to the interest from the convertible debentures issued in July 2010.

Net Earnings

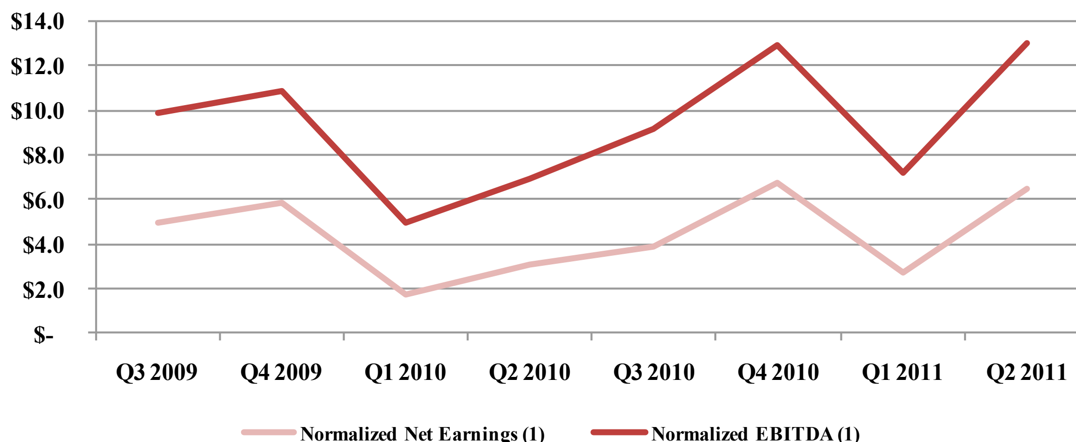
For the three and six months ended June 30, 2011, we achieved net earnings of $4.5 million and $7.1 million, or diluted earnings per share of $0.23 and $0.37. This compares favourably to net earnings of $3.1 million and $4.9 million, or diluted earnings per share of $0.17 and $0.27 in the same periods in 2010. The increase in earnings is primarily attributable to an increase in gross profit dollars generated from an overall increase in sales activity as discussed above. Excluding the after-tax effect of the non-recurring severance, syndication and acquisition transaction costs, the Company's net earnings increase to $6.5 million and $9.2 million for the three and six months ended June 30, 2011 respectively.

SUMMARY OF QUARTERLY RESULTS (unaudited)

$ In Thousands (other than per share amounts and Overhead Absorption percentages)

	IFRS						**GAAP**	
	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009
Revenue	**217,919**	157,579	196,297	170,478	146,169	120,475	147,673	145,805
Net earnings	**4,464**	2,663	6,736	3,709	3,096	1,756	5,724	4,941
EPS - basic	**0.24**	0.14	0.37	0.21	0.17	0.10	0.35	0.34
EPS - diluted	**0.23**	0.14	0.34	0.20	0.17	0.10	0.35	0.34
EBITDA	**10,301**	7,141	12,892	8,944	6,916	4,936	10,664	9,865
Non-recurring charges	**2,743**	68	39	201	1	36	185	15
Overhead Absorption	**86%**	64%	79%	76%	78%	70%	68%	105%

Fluctuating seasonal revenue cycles are common in both the agriculture and construction industries as a result of weather conditions and the timing of crop receipts. As a result, our financial results vary between quarters. The first calendar quarter is typically the weakest due to winter shutdowns, while the fourth quarter is the strongest due to conversions of equipment on rent with purchase options and the post-harvest buying that is typical in the agriculture sector.



(1) – normalized to remove the impact of non-recurring syndication, severance and acquisition transaction costs.

BALANCE SHEET (unaudited)

$ and debenture amounts expressed in thousands

	June 30, 2011	December 31, 2010	June 30, 2010
Current assets	**409,904**	373,998	319,227
Property, plant and equipment	**22,138**	20,600	20,389
Goodwill	**10,050**	8,574	7,141
Total assets	**442,092**	403,172	346,757
Current liabilities	**281,337**	247,641	233,908
Long-term debt	**12,861**	13,058	13,629
Obligations under finance leases	**1,856**	1,387	1,677
Convertible debenture	**28,582**	28,411	-
Deferred income taxes	**3,770**	6,851	3,224
Total liabilities	**328,406**	297,348	252,438
Shareholders' equity	**113,686**	105,824	94,319
Total liabilities and equity	**442,092**	403,172	346,757

Current assets consisted primarily of new and used equipment inventory of approximately $325 million, $300 million and $263 million, as of June 30, 2011, December 31, 2010, and June 30, 2010, respectively. The increase from June 30, 2010 primarily related to the acquisitions completed over the past 12 months. The increase in goodwill since June 30, 2010 is primarily attributable to the acquisitions of K&M ($875) and J&B ($1,320).

The current liabilities consisted primarily of floor plan payable for inventory financed of approximately $236 million, $210 million and $179 million, as of June 30, 2011, December 31, 2010, and June 30, 2010, respectively.

During 2010, the Company completed a $31.5 million bought deal financing arrangement where a syndicate of underwriters agreed to buy 30,000 (in addition to a full over-allotment exercise of 1,500) convertible unsecured subordinated debentures.

LIQUIDITY AND CAPITAL RESOURCES

We assess liquidity in terms of our ability to generate sufficient Cash Flow from Net Earnings, along with other sources of liquidity, including cash and borrowings, to fund our operations and growth in operations. Net cash flow is affected by the following items:

- Operating activities, including the level of accounts receivable, inventories, accounts payable, rental equipment and financing provided to customers;
- Investing activities, including capital expenditures, acquisitions of complementary businesses and divestitures of non-core businesses; and,
- Financing activities, including bank credit facilities, commercial paper, long-term debt and other capital market activities providing both short and long-term financing.

Working Capital Requirements

Through credit and financing facilities, the Company is required to maintain minimum working capital requirements. The definitions and calculations for minimum working capital requirements vary between lenders. As at June 30, 2011, the Company was in compliance with all working capital requirements as defined by its various lenders.

Summary of cash flows	**For the three months ended June 30,**		**For the six months ended June 30,**	
$ in thousands	**2011**	2010	**2011**	2010
Net earnings and comprehensive income	**4,464**	3,096	**7,127**	4,853
Effect of non-cash items in net earnings and comprehensive income	**3,448**	3,815	**505**	4,998
Cash flow from net earnings	**7,912**	6,911	**7,632**	9,851
Effect of non-cash working capital items	**3,498**	(10,062)	**7,516**	(19,499)
Cash flows from operating activities	**11,410**	(3,151)	**15,148**	(9,648)
Cash flows from financing activities	**(1,732)**	363	**153**	(991)
Cash flows from investing activities	**(3,173)**	(1,874)	**(10,714)**	(3,634)
Net increase (decrease) in cash and cash equivalents	**6,505**	(4,662)	**4,587**	(14,273)
Cash and cash equivalents, beginning of period	**15,221**	(2,646)	**17,139**	6,965
Cash and cash equivalents, end of period	**21,726**	(7,308)	**21,726**	(7,308)

Cash Flows from Operating Activities

For the three and six months ended June 30, 2011, we generated Cash Flow from Net Earnings of $7.9 million and $7.6 million, compared to $6.9 million and $9.9 million in the same periods in 2010. Non-cash items affecting net earnings increased cash flows from operating activities by $3.4 million and $0.5 million during the three and six months ended June 30, 2011 (2010 – increased cash flows by $3.8 million and $5.0 million respectively).

Cash generated from working capital amounted to $3.5 million and $7.5 million during the three and six months ended June 30, 2011, compared to cash utilized of $10.1 million and $19.5 million in the same periods last year.

Net cash inflows from operations were $11.4 million and $15.1 million for the respective three and six months ended June 30, 2011 compared to outflows of $3.2 million and $9.6 million for the same periods last year.

Cash Flows from Investing Activities

For the three and six months ended June 30, 2011, we utilized $3.2 million and $10.7 million in cash for investing activities compared to $1.9 million and $3.6 million for the same periods last year, primarily for the acquisitions of new equipment dealerships.

Cash Flows from Financing Activities

During the three months ended June 30, 2011, we utilized $1.7 million of cash primarily to repay long-term debt, compared to cash generated of $0.4 million in the same period last year where the cash generated related mainly to net proceeds from the issuance of new

debt of $1.3 million. For the six months ended June 30, 2011, we generated $0.2 million in cash flow from financing activities, compared to a cash outlay of $1.0 million during the same period last year. Cash generated in the current year-to-date period relates to net proceeds received on the issuance of new long-term debt and obligations under finance leases of $1.3 million as well as $0.6 million in proceeds from the issuance of common shares, partially offset by dividends paid of $1.7 million. Cash utilized during the same period last year pertained to net cash received from new debt and finance leases totaling $0.6 million, offset by $1.6 million in dividends paid.

Finance Facilities

We have secured credit facilities with our bank to help finance the general day-to-day cash requirements of our operations and to make acquisitions. In addition, we have floor plan facilities from various lending institutions for the purpose of financing inventory.

During the second quarter of 2011, we entered into a Credit Agreement (the **"Agreement"**) with a syndicated group of lenders (the **"Syndicate"**). Under the Agreement, the Syndicate has granted us an aggregate $160 million financing commitment consisting of an operating facility (the **"Operating Facility"**), an acquisition facility (the **"Acquisition Facility"**) and a flooring facility (the **"Flooring Facility"**) collectively (the **"Syndicated Facility"**) which provides us greater carrying cost management opportunities and increases our previously available credit limit by $78 million as follows:

$ In Millions

Facility	**Previously Available**	**Syndicated Facility Availability**	**Increase**
Operating Facility	22.0	30.0	8.0
Acquisition Facility	20.0	30.0	10.0
Flooring Facility	40.0	100.0	60.0
	82.0	160.0	78.0

The Syndicated Facility is a revolving facility secured in favour of the Syndicate by a general security agreement. Advances under the Syndicated Facility may be made based on our lender's prime rate or the US base rate plus 1.25% - 2.75% or based on the banker's acceptance rate plus 2.50% - 4.00%. The Company pays standby fees of between 0.6% and 1.0% per annum on any undrawn portion of the Syndicated Facility.

The Operating Facility may be utilized to advance up to the greater of 50% eligible inventory plus 75% of eligible accounts receivable or $30 million and may be used to finance our general corporate operating requirements. The Acquisition Facility may be used to finance future acquisitions. The Flooring Facility may be used to finance up to 75% of the value of eligible equipment inventory. The interest rate on the Syndicated Facility as at June 30, 2011 is 4.25% based on the prime rate at June 30, 2011 of 3.0%.

In addition to the Syndicated Facility, we have further floor plan facilities of approximately $300.0 million from various lending institutions for the purpose of financing inventory in sufficient approved limits to meet our needs for the foreseeable future. The new equipment inventory (and, in some cases, a portion of the used equipment inventory) is financed by way of floor plan financing, which is made available to RMDI by the equipment manufacturers' captive finance companies or divisions (such as CNH Capital), as well as banks and specialty lenders.

In March of 2011, the Company negotiated a $45 million increase to its floor plan facility with DeLage Landen increasing the total to $80 million. In addition to the floor plan facilities described above, we also have financing provided by GE Capital. This facility carries terms which are substantially the same as for floor plan financing, but qualifies as long-term debt as it is used to finance the rental fleet. The interest rates on these facilities range from 0% to prime plus 4.9%. Floor plan facilities are used to finance our new equipment inventory which is generally sold within the year. These facilities generally include an interest-free period of between four and twelve months. As such, we include the floor plan lines under short-term obligations and the interest is expensed each month.

In addition to our available cash balance of $21.7 million as at June 30, 2011, we have approximately $207.9 million available on our various credit facilities.

$ In Millions

Facility	As at June 30, 2011 Amount Available	Amount Drawn
Working Capital Facility	30.0	-
Acquisition Facility	30.0	16.4
Various Floor Plan Facilities	400.0	235.7
	460.0	252.1

On August 8, 2011, the Board of Directors of RMDI declared a quarterly dividend of $0.045 per common share on the Company's outstanding common shares. The common share dividend is payable on September 30, 2011, to shareholders of record at close of business on August 31, 2011. The Company is in compliance with all externally imposed capital requirements on all of its lending facilities.

Management believes there is sufficient liquidity available to meet its needs for the foreseeable future.

ADEQUACY OF CAPITAL RESOURCES

We use cash flow from operations to finance the purchase of inventory, service our debt requirements, and fund our operating activities, including working capital, both operating and finance leases and floor plan payable. In recent years, we have rationalized our lease and rental fleets. Leasing is not our core business and we believe it is better suited to third-party providers. Rental fleets primarily serve construction equipment customers and therefore need to be sized to suit the anticipated market. We anticipate we will be able to finance our current fleet needs through our existing credit facilities and cash flow from operations. Our ability to service our debt will depend upon our ability to generate cash, which depends on our future operating performance, general economic conditions, as well as other factors, some of which are beyond our control. Based on our current operational performance, we believe that cash flow from operations, along with existing credit facilities, will provide for our capital needs in the next 12 months.

SHARE CAPITAL – OUTSTANDING SHARES

Share amounts in table expressed in thousands

	For the six months ended June 30, 2011	For the year ended December 31, 2010
Opening balance	**18,427**	17,807
Roydale NH Acquisition	**-**	149
Wardale Acquisition	**-**	293
Allen's Acquisition	**-**	20
Gateway Acquisition	**-**	55
K&M Acquisition	**-**	96
Agritrac Acquisition	**55**	-
J&B	**84**	-
Exercised stock options	**212**	9
Normal course issuer bid	**(5)**	(2)
Closing balance	**18,773**	18,427

As at August 9, 2011, there were 18,773,399 shares outstanding.

There were 122 thousand shares under a restricted share unit plan outstanding as at June 30, 2011 (December 31, 2010 – 129 thousand). Under this plan, certain key employees will receive treasury shares of the Company on December 20, 2012, should they remain with the Company at that time.

The options outstanding at June 30, 2011 are as follows:

Date Issued	Number of Options Outstanding (000's)	Number of Options Exercisable (000's)	Weighted Average Exercise Price $	Expiry Date	Weighted Average Contractual Life
December 20, 2007	56	56	10.00	December 20, 2012	1.5
February 29, 2008	387	387	12.40	February 28, 2013	1.7
March 12, 2009	41	21	4.15	March 12, 2014	2.7
December 29, 2009	191	53	9.22	December 29, 2014	3.5
March 11, 2011	75	-	10.39	March 11, 2016	4.7
	750	517	11.42		2.5

GOODWILL AND INTANGIBLE ASSETS

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units ("**CGUs**") (or groups of CGUs) which are expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the CGU may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized in the Consolidated Statement of Net Earnings and Comprehensive Income. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

The Company performed goodwill impairment tests upon conversion to IFRS on January 1, 2010 and again on December 31, 2010. On both dates, the Company determined that the recoverable amounts of all CGUs exceeded their carrying amounts. Consequently, no impairment charges were made against goodwill. As at June 30, 2011, there was no indication that the CGUs to which goodwill has been allocated may be impaired thus no impairment test was required.

CONTRACTUAL OBLIGATIONS

The following table provides an overview of the contractual obligations of RMDI as of June 30, 2011.

$ In Thousands

	Total	Remainder of 2011	2012-2013	2014-2015	Thereafter
Long-term debt	20,208	4,091	11,540	4,241	336
Convertible debentures	28,582	-	-	-	28,582
Obligations under finance leases	2,886	539	1,517	824	6
Operating lease obligations	27,026	3,759	12,077	7,487	3,703
Total contractual obligations	78,702	8,389	25,134	12,552	32,627

RELATED PARTY TRANSACTIONS

$ In Thousands

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

	Three months ended		Six months ended	
	2011	2010	**2011**	2010
	$	$	**$**	$
Management fees expensed	**88**	88	**178**	175
Performance bonuses expensed	**-**	-	**131**	142
Flight costs expensed	**111**	74	**146**	110
Rental payments on Company facilities expensed	**872**	862	**1,735**	1,724
Equipment sales	**765**	234	**1,427**	327
Equipment purchases	**837**	47	**1,307**	47

All related parties disclosed above 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. For the three and six-month periods ended June 30, 2010 and 2011, the Company did not have any related party transactions that were not in the normal course of operations.

Amounts due from (to) related parties are included in the Consolidated Balance Sheet under trade receivables and other (trade payables, accruals and other) and are as follows:

	June 30, 2011	December 31, 2010
	$	$
Due from related parties	**148**	-
Due to related parties	**-**	-

These amounts due from related parties are not secured and are to be settled in cash. As at January 1, 2010, December 31, 2010 and June 30, 2011, 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, 2011, $Nil and $Nil has been recognized in bad debt expenses with respect to related party transactions (2010 - $Nil and $Nil).

The remuneration of directors and other members of key management for the three and six months ended June 30 is as follows:

	Three months ended		Six months ended	
	2011	2010	**2011**	2010
	$	$	**$**	$
Short-term benefits	**1,800**	306	**2,528**	1,093
Post retirement benefits	**7**	13	**25**	25
Share-based payments	**124**	189	**249**	502
	1,931	508	**2,802**	1,620

The remuneration of the directors and key management is determined by the Compensation, Governance and Nominating Committee of the Board of Directors based on performance and is consistent with market trends.

OFF-BALANCE SHEET ARRANGEMENTS

We use off-balance sheet financing in connection with numerous operating leases between RMDI and third parties. These leases relate to the Company's buildings and certain vehicles with lease terms of between three and ten years. All building leases contain five-year renewal options. We have paid monthly amounts under these operating leases ranging from $0.1 thousand to $58.3 thousand. The

current operating leases have terms of five years or less expiring between September 30, 2011 and December 31, 2020. We intend to replace or extend these operating leases when their terms expire.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company has identified financial assets and financial liabilities that qualify for recognition under IFRS. For more information on the Company's financial instruments and the related risk factors, see note 20 of the audited Consolidated Financial Statements for the year ended December 31, 2010 as well as note 22 of the unaudited Condensed Consolidated Interim Financial Statements for the three and six-month periods ended June 30, 2011.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

During the preparation of the financial statements, we are required to make estimates, assumptions and judgments that affect reporting amounts. Estimates, assumptions and judgments that affect the balance sheet include, but are not limited to: the allowance for doubtful accounts, inventory, property, plant and equipment, deferred revenue and deferred taxes. Estimates, assumptions and judgments that affect the statements of earnings and comprehensive income include, but are not limited to, the allowance for doubtful accounts, inventory and revenue recognition. The estimates, assumptions and judgments are updated when we consider appropriate, but we review them at least quarterly. The technical accounting knowledge, cumulative business experience, judgment and industry comparatives are all considered in selecting and applying accounting policies. While we believe the estimates, assumptions, and judgments used in the preparation of the financial statements are appropriate, they are subject to factors and uncertainties regarding their outcome and, therefore, actual results may differ materially from these estimates. We believe the following are the primary critical accounting policies and estimates:

Allowance for Doubtful Accounts

Outstanding receivables are reviewed on a weekly basis by the applicable managers at the branch level and daily by the credit manager. At the end of every quarter, all receivables are reviewed in detail to ensure there is sufficient coverage in the allowance for doubtful accounts.

Inventory

In the financial statements, the equipment inventory is recorded at the lower of cost and net realizable value, with cost being determined on a specific-item, actual-cost basis. We record parts inventory at the lower of cost and replacement cost, with cost being determined using average cost. Any work-in-progress is valued at actual cost.

Property, plant and equipment

Property, plant and equipment consists primarily of our equipment inventory, equipment rent-to-rent fleet and equipment lease fleet. In particular, the fleet of rent-to-rent equipment consists primarily of articulated trucks, each of which is replaced on a three-to-five-year cycle. To ensure that the rent-to-rent articulated trucks are accurately valued when they are replaced, they are depreciated either on a unit of usage basis at a rate of 80% of rental revenue generated or on a straight-line basis over three-to-five years. We record depreciation on leasing equipment using the declining balance method at a 30% rate.

Deferred Revenue

Deferred revenue comprises: 1) units sales in which cash has been received, but not all terms and conditions have been fulfilled to meet the requirements of revenue recognition; 2) maintenance plans sold to customers in which all services have not yet been provided and 3) manufacturer incentives received by the Company for certain equipment. Once title and all risk and rewards of ownership have transferred and/or the service has been provided, revenue will be recognized in the corresponding period.

Deferred Taxes

Deferred tax is recognized using the asset and liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, deferred tax is not recognized if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting net earnings nor taxable income. Deferred tax is determined using tax rates (and laws) that have

been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realized or deferred tax liability is settled.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Impact of Adoption of IFRS

IFRS are premised on a conceptual framework similar to GAAP, although significant differences exist in certain matters of recognition, measurement and disclosure. While the adoption of IFRS did not have an impact on our reported net cash flows, it did have a material impact on our Consolidated Balance Sheet and Statement of Net Earnings and Comprehensive Income.

IFRS 1 – First-Time Adoption of International Financial Reporting Standards

IFRS 1 provides elective exemptions to full retrospective application of IFRS. The impacts of optional exemptions, which had a significant effect are discussed below.

Share-based payment transactions

IFRS 1 provides an elective exemption whereby first-time adopters are not required to apply IFRS 2 “Share-based Payment” to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. We did not make this election since the application of IFRS 2 “Share-based Payment” retrospectively to all share-based payment transactions was not considered complex. The application of IFRS 2 retrospectively at transition resulted in an increase to contributed surplus and corresponding decrease in retained earnings of approximately $0.3 million.

Deemed cost

IFRS 1 permits first-time adopters to measure certain items of property, plant and equipment (“**PP&E**”) at fair value as at the date of transition or prior to transition where an event occurred requiring PP&E to be revalued at fair value. This provides relief to the Company from having to retrospectively recognize and measure previously recorded items of PP&E according to IAS 16 “Property, Plant and Equipment.” We have made this election using the revaluation of PP&E which occurred on December 20, 2007 as part of the purchase price accounting for the acquisitions of Hammer Equipment Sales Limited and Hi-Way Service (Medicine Hat) Ltd. This election did not have a material impact on the balances of PP&E at transition.

Business combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 “Business Combinations” retrospectively to business combinations that occurred before the date of transition to IFRS (January 1, 2010 for the Company). We made this election to apply IFRS 3 only to business combinations which occurred on or after the date of transitions as we feel users will not significantly benefit from the retrospective disclosure. With respect to the Company’s transactions that fall under the scope of IFRS 3 on or after January 1, 2010, the first business combination to which IFRS 3 was applied was the Roydale NH Acquisition, where the risks and rewards of ownership were transferred on March 1, 2010.

This exemption does not apply to assets or liabilities recognized or not recognized under GAAP that would have been recognized or not met recognition criteria under IFRS. We have identified a contingent consideration liability with respect a business combination from 2009 that was not recorded under GAAP as the amount was not reliably estimable at the time of the business combination. Under IFRS, we are required to make an estimate for this contingent consideration at the time of the business combination. Using information available at the time of the business combination, we have estimated this contingent consideration to be $0.2 million and recorded the transaction as an increase to goodwill of $0.2 million with a corresponding increase to trade payables, accruals and other.

Impact on Balance Sheet and Earnings

Share-based payment transactions

We issue certain share-based awards in the form of stock options that vest evenly over a three-year period. Under GAAP, we recognized the fair value of the awards, determined at the time of the grant, on a straight-line basis over the three-year vesting period. Under IFRS, the fair value of each installment of each award is considered a separate grant based on the vesting period with the fair value of each installment determined separately and recognized as share-based payment expense (included in selling, general and administrative) over the term of its respective vesting period (graded vesting). Accordingly, this resulted in the amount of each grant being recognized in income at a faster rate than under GAAP.

Under GAAP, we accounted for forfeited stock options in the period in which the forfeiture occurred. Under IFRS, we are required to estimate forfeitures at the grant date with revised estimates reflected in each subsequent reporting period. This resulted in the amounts of each grant being recognized in income at a slower rate than under GAAP, partially offsetting the impact of the graded vesting discussed above. For the year ended December 31, 2010, the above changes resulted in a net decrease in share-based payment expense of $0.1 million and corresponding decrease to contributed surplus. For the three and six months ended June 30, 2010, the above changes resulted in net decreases in share-based payment expense of $51 thousand and $32 thousand respectively with corresponding decreases to contributed surplus.

Income taxes

IAS 12 “Income Taxes” requires the recognition of deferred tax liabilities on compound financial instruments. GAAP does not require recognition of a deferred tax liability if the eventual settlement of the compound financial instrument can be done without the incidence of tax. We have identified our convertible debentures as compound financial instruments for which there is a deferred tax liability under IFRS. This created a $0.8 million deferred tax liability with a corresponding offset to the equity component of the convertible debentures. This difference will be eliminated as interest is accreted to the face value of the debentures. For the year ended December 31, 2010, this change resulted in a decrease in future income tax expenses of $27 thousand. As the debenture was issued in July of 2010, the above change did not impact net earnings for the three or six months ended June 30, 2010.

Furthermore, under GAAP, any portion of the tax basis of an asset acquired pursuant to a business combination which is not deductible for tax purposes, does not give rise to a deferred tax liability. Under IAS 12, the tax base of an asset equals the amount which will be deductible for tax purposes against any economic benefit that will flow to an entity when it recovers the carrying amount of the asset. Goodwill acquired pursuant to the Wardale Acquisition is not fully deductible for tax purposes. Under IFRS, the non-deductible portion gives rise to a deferred tax liability of $92 thousand at December 31, 2010 with a corresponding increase to goodwill.

Business combinations

GAAP requires that direct costs incurred to effect a business combination be included as part of the purchase consideration. IFRS does not permit the capitalization of such costs. As discussed above, the Company has elected to make use of the business combinations exemption available under IFRS 1, thereby eliminating the requirement for retrospective restatement of such costs on business combinations occurring prior to our conversion date of January 1, 2010. All transaction costs incurred to effect business combinations subsequent to conversion have been reclassified from goodwill to selling, general and administrative expenses. For the year ended December 31, 2010, the above change resulted in an increase in selling, general and administrative expenses of $277 with corresponding decreases to goodwill. For the three and six months ended June 30, 2010, the above change resulted in increases in selling, general and administrative expenses of $63 thousand and $99 thousand respectively with corresponding decreases to goodwill.

IFRS further requires that share consideration issued to effect a business combination be recorded at the acquisition date fair value, whereas GAAP required that share consideration be valued at the average market price over a reasonable period before and after the date the terms of the business combination are agreed to and announced. As indicated above, the Company elected to make use of the business combinations exemption available under IFRS 1 and as such, is not required to retrospectively restate the value of share consideration issued to effect business combinations prior to transition date of January 1, 2010. All shares issued as consideration for business combinations occurring during 2010 have however been restated under IFRS. As at December 31, 2010, the above change resulted in an increase in common shares of $231 thousand with a corresponding increase in goodwill.

KEY FINANCIAL STATEMENT COMPONENTS

Equipment Sales – Equipment revenues are derived from the sale of new and used construction and agriculture equipment. Revenue is

recognized when the customer has signed the sales agreement, has paid or is credit-approved, and title to and risk of loss for the piece of equipment have transferred, except in respect of deferred revenue, which is discussed above. New equipment sales also include rental revenues where customers purchase equipment following a period of "rent-to-own" payments.

Parts Sales – Revenue from parts sales is recognized when title of the product has transferred to the customer and collection is reasonably assured. This is evidenced by the goods being shipped or physically taken by the customer, or in the case of parts drawn to complete service work, when the service work order is completed.

Service Revenue – Revenue from service is recognized by reference to the stage of completion of the contract when the outcome can be estimated reliably.

Other Revenue – Other revenue consists of commission revenue from finance and insurance recognized when the finance contract is signed; revenue from rentals recognized on the first day of each month specified in the rental contract on a straight-line basis over the term of the contract; and lease revenue recognized on a straight-line basis over the term of the lease independent of the timing of the payments received. Prepayment of any lease is initially set up as a deposit and this deposit is reduced on a monthly basis at a rate reflective of the lease contract.

Cost of Sales – Cost of sales is the accumulation of the costs of sales attributable to the sources of revenue set forth in the financial statements. Revenues are matched to cost of sales attributable to specific revenue sources. The cost of equipment sales is determined based on the actual cost of the equipment. The cost of parts sales is determined based on the average actual cost for those parts. The cost of service revenues is determined based on actual costs to complete the service job, which include, without limitation, wages paid to service technicians and the actual cost of externally sourced labour.

Selling, General and Administrative Expenses – Selling, general and administrative expenses include sales and marketing expenses, sales commissions, payroll, and related benefit costs, insurance expenses, professional fees, rent, and other facility costs and administration overhead including depreciation of property, plant and equipment.

Interest Expense – Short-term interest includes the aggregate expense for interest under the current floor plan financing programs associated with financing inventory through numerous creditors, and existing credit facilities. Short-term interest also includes charges related to credit and financing. Long-term interest includes the aggregate expense for interest under long-term indebtedness associated with the equipment rental inventory, long-term indebtedness, interest on the convertible debentures and various finance leases.

RISKS AND UNCERTAINTIES

Risk factors faced by RMDI include industry risks associated with construction and agriculture equipment dealerships and others, including but not limited to: dependence on equipment manufacturers; nature of dealership agreements; consolidations within the equipment manufacturing industry; non-exclusive nature of key geographic markets; inventory management risks; floor plan financing risks; dependence on credit facilities; changing economic conditions; fluctuations in commodity prices; seasonality and cyclicality in our customers' businesses; competition; fluctuations in interest rates; customer credit risks; import product restrictions; foreign trade; foreign exchange exposure; insurance risks; dependence on leasing branch premises and key personnel; labour costs and shortages; labour relations; freight costs; reliance on information systems; government regulation; industry oversupply; future warranty claims; product liability risks; manufacturers' restrictions on dealership acquisitions; growth risks, dividend policy risks; future sales of common shares by existing shareholders; dilution of common shares due to future distributions; conflicts of interest; income tax matters; dependence on subsidiaries; potential unknown liabilities; unpredictability and volatility of common share price.

Our success largely depends on the abilities and experience of our senior management team and other key personnel. These employees carry a significant amount of the management responsibility of our business and are important for setting strategic direction and dealing with certain significant customers.

Our future performance will also depend on our ability to attract, develop, and retain highly qualified employees in all areas of our business. We face significant competition for individuals with the skills required to develop, market and support our products and services. If we fail to recruit and retain sufficient numbers of these highly skilled employees, we may not be able to achieve our growth objectives and our business may be adversely affected.

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer (“**CEO**”) and the Chief Financial Officer (“**CFO**”) are responsible for establishing and maintaining the Company’s disclosure controls and procedures, (“**DC&P**”), to provide reasonable assurance that material information related to the Company is made known. In addition, internal controls over financial reporting have been designed by or have been caused to be designed under the supervision of the CEO and CFO to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with Canadian GAAP.

The CEO and CFO have evaluated the effectiveness of our DC&P and assessed the design of our internal control over financial reporting, (“**ICFR**”), as of June 30, 2011, pursuant to the requirements of National Instrument 52-109, and have concluded that:

(i) The DC&P are effective to provide reasonable assurance that all material or potentially material information about activities of the Company are made known to them; and

(ii) Information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Management has concluded that, as of June 30, 2011, the Company has sufficiently documented and tested the effectiveness of the internal controls over financial reporting for the Company and can conclude that these controls are working effectively.

CAUTION REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

Certain statements contained in this Management Discussion and Analysis constitute forward-looking statements or information. These statements relate to future events or future performance of RMDI. All statements other than statements of historical fact are forward-looking statements. The use of any of the words “anticipate”, “plan” “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “should”, “believe” and similar expressions are intended to identify forward-looking statements.

In particular such forward-looking statements include under the heading “Market Fundamentals and Outlook” the statements that: “Grain and oilseed prices have been strong for several years now, and prices are expected to remain well above historical levels due to a growing supply and demand imbalance.” and “Global food demand is expected to increase 50% over the next 25 years in response to a growing world population and a decrease in arable land per capita. The United Nations’ Food and Agriculture Organization (FAO) predicts that rising demand for agriculture commodities and insufficient investment in productive capacity and infrastructure, especially in developing countries, will keep prices above historical levels for years to come, encouraging farmers to continue improving productivity.” and “In the near term, we anticipate that grain and oilseed crop prices will remain at historically high levels. Demand from China and India, crop land dedicated to bio-fuel production, and general GDP growth are all putting pressure on worldwide production. Parts and service demand is also expected to remain healthy due to the increased machine population that RMDI has install over the past three and a half years.” and “We believe high levels of activity in our end-markets, combined with the significant acquisition activity undertaken in 2010 and early 2011, will support continued growth in our revenues in 2011. These acquisitions should also deliver gradual improvements in gross profit throughout 2011 and 2012.”

The foregoing statements are based on the assumption that prices for grain, oilseed and other crops will stay high enough to support ongoing high levels of cross-agricultural equipment sales including sales by RMDI.

In addition, the foregoing assumes that the improvement in the Alberta economy should result in improved construction equipment sales for RMDI.

There are a number of risks which could impact the relatively high levels of agriculture seed crop prices and to the improved economic indicators that could negatively impact the Corporation’s business. As such, many factors could cause the performance or achievements of the Corporation to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.