MANAGEMENT'S DISCUSSION & ANALYSIS

ROCKY MOUNTAIN DEALERSHIPS INC.

FOR THE YEAR ENDED DECEMBER 31, 2008

This Management Discussion and Analysis ("**MD&A**"), of the financial results of Rocky Mountain Dealerships Inc. is prepared as of March 9, 2009 and should be read in conjunction with the consolidated financial statements and accompanying notes. The results reported herein have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and are presented in Canadian dollars. This discussion focuses on key statistics from the audited consolidated financial statements for the year ended December 31, 2008, which are available at www.sedar.com, and pertains to known risks and uncertainties in the construction and agricultural equipment dealership industry.

For the purposes of providing comparative for the twelve months of 2008, Management of RMDI combined the financial results from the twelve months of 2007 from operations of the entities acquired pursuant to the Acquisitions.

SELECTED FINANCIAL INFORMATION

	12 months ended December 31, 2008 (unaudited)	Twelve Days ended December 31, 2007 (unaudited)	12 months ended December 31, 2007 (unaudited)
Revenue:	**$**	**$**	**$**
New equipment sales	240,363,421	8,721,193	200,354,290
Used equipment sales	79,908,250	1,175,807	43,720,351
Product support	75,726,186	1,630,577	58,604,433
Finance and insurance (F&I)	2,404,048	144,252	2,729,507
Rental and Leasing	5,710,757	275,372	7,983,052
Total Revenue	404,112,662	11,947,201	313,391,633
Cost of sales	332,539,463	9,830,981	255,568,960
Gross profit	71,573,199	2,116,220	57,822,673
Expenses:			
Selling and administrative	45,272,917	1,198,729	34,777,170
Interest - short term debt	4,440,819	231,544	5,390,486
Interest - long term debt	1,388,980	57,180	1,832,337
Amortization of PPE	2,045,033	35,899	1,056,808
Earnings from operations	18,425,450	592,868	14,765,872
Amortization of intangibles	3,031,905	97,803	97,803
Goodwill impairment	84,836,364	-	-
Impairment of intangibles	17,950,292	-	-
Income taxes	301,108	167,115	3,935,506
Net (loss) earnings	(87,694,219)	327,950	10,732,563
Net (loss) earnings per share			
Basic	$ (6.88)	$ 0.03	
Diluted	$ (6.88)	$ 0.03	

	December 31, 2008 (unaudited)	December 31, 2007 (unaudited)
Current assets	248,965,414	176,407,816
Property, plant and equipment	21,457,648	26,721,740
Intangible assets	-	20,982,197
Goodwill	-	71,774,483
Total assets	270,423,062	295,886,236
Current liabilities	204,982,225	154,814,835
Long-term debt	17,803,096	18,628,634
Obligations under capital lease	343,117	29,652
Future income taxes	1,126,555	6,858,097
Total liabilities	224,254,993	180,331,218
Shareholders' equity	46,168,069	115,555,018
Total liabilties and shareholders' equity	270,423,062	295,886,236

RECONCILIATION OF NET EARNINGS TO EBITDA

EBITDA	3 Months ended December 31, 2008 (unaudited) $	3 Months ended December 31, 2007 (unaudited) $	12 Months ended December 31, 2008 (unaudited) $	12 Months ended December 31, 2007 (unaudited) $
Net (Loss)/Earnings	(93,455,730)	3,079,371	(87,694,219)	10,732,563
Long-term interest	343,534	516,458	1,388,980	1,832,337
Depreciation	680,575	325,125	2,045,033	1,056,808
Amortization of intangibles	757,978	97,803	3,031,905	97,803
Goodwill impairment	84,836,364	-	84,836,364	-
Impairment of intangibles	17,950,292	-	17,950,292	-
Income taxes	(2,542,294)	1,812,106	301,108	3,935,506
Rental depreciation	466,189	426,016	2,347,341	2,883,231
Lease depreciation	341,481	768,400	2,016,019	3,063,696
EBITDA	9,378,389	7,025,279	26,222,823	23,601,944

Non GAAP Measures

This MD&A contains discussions referring to Overhead Absorption and EBITDA. These non-GAAP financial measures do not have any standardized meaning prescribed by GAAP and it is therefore unlikely to compare these measures to similar measures presented by other issuers.

The Overhead Absorption is regularly monitored, which is a commonly used metric in the equipment dealership industry, at the branch and organization level. It is Management's belief that Overhead Absorption is a useful measurement tool because it indicates an equipment dealership's ability to maintain profitable operations particularly during periods of reduced equipment sales. The Company has found that product support revenues grow during economic downturns as a percentage of total sales due to customers tending to repair their equipment rather than replace it. The Overhead Absorption is calculated by dividing the gross margin from product support, by total overhead expenses, including interest, less variable equipment selling expenses, intangible amortization or impairment, and stock-based compensation. This calculation has been modified from previous disclosures to conform with industry standards. The March 31, 2008 calculation has been modified to conform to the new calculation and was recalculated at 65% for the first quarter of 2008. Management's target for Overhead Absorption for the 2008 fiscal year was between 78%-82%. This metric suggests that the Company could cover 78% to 82% of the total expenses from the gross margin of product support if the market experienced a period of reduced equipment sales.

The EBITDA is another commonly used metric in the dealership industry. This metric is calculated by adding the long-term interest, income tax and depreciation to the net income. Management believes this is a useful tool to monitor profitability and operating performance consistently to prior periods. Management is able to compare periods consistently because adding back non-operating expenses avoids circumstances such as changes in tax rates, changes in long-term assets and financing costs.

Corporate Profile

The Company was formed on September 17, 2007 but did not carry on any business until it acquired all of the shares of each of Hammer Equipment Sales Limited and Hi-Way Service (Medicine Hat) Inc. and Hi-Way Service (Medicine Hat) Inc. purchased all of the shares of Central Alberta Tractor Sales Ltd. on December 20, 2007 (the "**Initial Acquisitions**"). Central Alberta Tractor Sales Ltd. carried on no active business but held 50% of the shares of a 50% subsidiary of Hi-Way Service (Medicine Hat) Inc.

Also on December 20, 2007, the Company, pursuant to a long form Prospectus (the "**Prospectus**"), completed its initial public offering (the "**Offering**") of 6,500,000 common shares of the Company (the "**Common Shares**") at $10.00 per Common Share for gross proceeds of $65,000,000. The Prospectus has been filed on SEDAR which can be accessed on the internet at www.sedar.com. The Offering was underwritten by a syndicate of underwriters led by RBC Capital Markets and included BMO Capital Markets, Scotia Capital Inc., Blackmont Capital Inc. and HSBC Securities (Canada) Inc. (collectively, the "**Underwriters**"). The Company also granted to the Underwriters an over-allotment option (the "**Over-Allotment Option**") to purchase up to an additional 975,000 Common Shares at $10.00 per Common Share for gross proceeds of $9,750,000, which option was exercised and closed January 11, 2008. The cash raised pursuant to the Offering and the Over-Allotment Option was used to finance the cash portion of the Initial Acquisitions, pay costs of the Offering and provide working capital to the Company. A further 5,085,000 Common Shares were issued as the share consideration portion of the Initial Acquisitions, for a total purchase price of $111,174,000.

The Common Shares commenced trading on the Toronto Stock Exchange under the symbol RME on December 20, 2007.

On June 9, 2008 the Company acquired all the shares of Roydale International Ltd. (the "**Roydale Acquisition**") and as part of that transaction, 54,439 shares were issued at a price of $11.94 per share, for a total purchase price of $1,794,779. On August 27, 2008 the Company acquired all the shares of the Miller Farm Equipment (2005) Inc. ("**Miller**"), including three holding companies, (the "**Miller Acquisition**") and as part of this transaction 549,020 shares were issued at a price of $14.09 per share, for a total purchase price of $17,619,344. On October 9, 2008 the Company also acquired all the shares of

Lakeland Implements Ltd. (the "**Lakeland Acquisition**") and as part of that transaction 5,000 shares, at $8.34 per share, were issued, for a total purchase price of $1,945,940.

On December 20, 2008 the Company issued 51,900 Common Shares, (the "**Matching Shares**"), at $10.00 per share, which were held as part of the matching share program as discussed in the Prospectus. These shares had been held as part of the Initial Acquisitions and was the last remaining component.

As a result of the issuance of the Common Shares pursuant to the Offering, the Over-Allotment Option the Acquisitions, and the Matching Shares, 13,220,359 Common Shares were issued and outstanding as at December 31, 2008 and March 9, 2009.

The majority of revenues from combined sales of new equipment have been with respect to Case IH Agriculture Equipment and Case Construction Equipment both of which are divisions of CNH Global N.V. ("**CNH**"). CNH is one of the largest manufacturers of construction and agriculture equipment in the world and ranks as the second largest manufacturer of agriculture equipment and sixth largest manufacturer of construction equipment on a global basis. As such, the CNH brand has a loyal following and brand recognition which draws repeat customer for both equipment sales and customer support.

The Company is a major independent dealer of CNH equipment and also distributes equipment of a number of other manufacturers, including but not limited to Terex, Dynapac, Takeuchi, Leeboy, Bourgault, Claas and Kuhn-Knight.

The Company operates through 21 dealership branches located across the prairies through which the Company sells and rents new and used construction and agriculture equipment. For a more complete description of the original 13 locations please refer to pages 40 and 41 of the Prospectus. Since the date of the Prospectus the Company added two more locations in Alberta, arising from the Roydale and Lakeland Acquisitions, and six more locations as part of the Miller Acquisition with one branch being in Saskatchewan and five in Manitoba.

The Company also offers full product support to its customers by selling parts and providing in-branch and on-site repair and maintenance services. The Company supports its sales and leasing departments by providing third party financing and insurance services.

In addition, the Company provides other ancillary services such as equipment transportation and global positioning satellite (GPS) signal subscriptions. The Company's right to sell, rent and support the various brands carried extend, depending on the particular brand, throughout Alberta and Eastern British Columbia, Saskatchewan, Manitoba, Northwest Territories and Nunavut.

As a result of the Acquisitions the Company believes that it has a number of competitive strengths which are more particularly set forth and described under "Competitive Strengths" commencing on page 35 of the Prospectus.

RESULTS OF OPERATIONS

In 000's	2008							
	Q1		Q2		Q3		Q4	
Revenue:	$	%	$	%	$	%	$	%
New equipment sales	41,624	59.8	61,692	65.4	46,535	50.0	90,513	61.6
Used equipment sales	12,570	18.0	13,470	14.3	21,110	22.6	32,758	22.3
Product support	13,672	19.6	16,828	17.9	23,213	24.9	22,013	15.0
Finance and insurance (F&I)	427	0.6	759	0.8	785	0.8	432	0.3
Rental and Leasing	1,421	2.0	1,502	1.6	1,598	1.7	1,190	0.8
Total Revenue	69,714	100.0	94,251	100.0	93,241	100.0	146,906	100.0
Cost of sales	57,080	81.9	78,110	82.9	75,053	80.5	122,296	83.2
Gross profit	12,634	18.1	16,141	17.1	18,188	19.5	24,610	16.8
Expenses:								
Selling and administrative	9,083	13.0	9,760	10.4	11,650	12.5	14,780	10.1
Interest - short term debt	1,083	1.6	1,065	1.1	1,034	1.1	1,259	0.9
Interest - long term debt	378	0.5	328	0.3	339	0.4	344	0.2
Amortization of PPE	390	0.6	396	0.4	579	0.6	681	0.5
Earnings from operations	1,701	2.4	4,592	4.9	4,586	4.9	7,547	5.1
Amortization of intangibles	758	1.1	758	0.8	758	0.8	758	0.5
Goodwill impairment	-		-		-		84,836	57.7
Impairment of intangibles	-		-		-		17,950	12.2
Income taxes	355	0.5	1,150	1.2	1,338	1.4	(2,542)	(1.7)
Net earnings/(loss)	588	0.8	2,684	2.9	2,490	2.7	(93,456)	(63.6)

The fourth quarter is traditionally the strongest for both the construction and agriculture equipment markets. Results are normally stronger than any other quarter as a result of conversions of equipment on rent with purchase options. Although some areas of the market slowed in the second half of 2008, including the oilfield and residential construction sectors, favorable market conditions continued to exist with our infrastructure and paving business as a result of the strong infrastructure workload during 2008. The agriculture market continued to show strength throughout 2008 as sales for agricultural products remained strong. The demand has remained strong notwithstanding the reduction in commodity prices during the second half of the year.

The results of operation discussed below are for the twelve months ended December 31, 2008 and are compared to the twelve months ended December 31, 2007. The first 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.

New and used equipment sales increased from approximately $244.1 million to $320.3 million during the year ended December 31, 2008 respectively as a result of the factors outlined above.

Product support revenues increased from approximately $58.6 million to $75.7 million due to the larger installed equipment base resulting in demand for RMDI's trained technicians and OEM parts.
Finance and insurance revenues decreased from $2.7 million to $2.4 million due to the tighter credit markets in the latter half of the year.

Rental and Leasing decreased from $8.0 million to $5.7 million as a result of management's intentions of reducing this portion of our business over the next few years.

The $13.8 million increase in gross profit from approximately $57.8 million to $71.6 million resulted from improved sales. As a percentage the margin has decreased year over year resulting from the sales mix, increasing agriculture sales which require less product support as a percentage of total sales, and some lower margin highly competitive unit sales.

The increase in selling and administration expenses from approximately $34.8 million to $45.2 million resulted primarily from improved sales of new and used equipment, which increased commission expense, and additional expenses due to the acquisition of 8 new branch locations, as well as a general increase in expenses to establish the new branches for the two Calgary, Alberta locations (Calgary North and Calgary Lite) and Fort McMurray. These costs have been invested during the period to continue working towards the long term growth plan as discussed in the Prospectus.

The decrease in short-term interest expense from approximately $5.4 million to $4.4 million is mainly attributable to a decrease in interest rates from the comparable period in the previous year. The decrease in long-term interest expense from approximately $1.8 million to $1.4 million is attributable to the reduced size of the rental and lease fleets, as well as the decrease in interest rates. The Company does not expect a similar decrease in the next year as a result of the larger spreads the financial institutions are demanding.

The Overhead Absorption for the three and twelve month periods ended was 81% and 79%, respectively. This would suggest that approximately 80% of the Company's expenses would be covered if there were no sales of whole goods. The Overhead absorption for the year is consistent with the expectations of management as the target for the annual Overhead Absorption is between 78% and 82%.

CASH FLOW

During the year ended December 31, 2008 the Company's operating activities provided $1.1 million of cash. RMDI's cash inflows were generated by net earnings of, $15.1 million, (net of the goodwill and intangible impairment of $84.8 million and $18.0 million, respectively). The operating cash flow was tempered by the use of cash in the addition of working capital items during the year of $17.9 million.

The $1.1 million provided in operating activities were offset by repayment of related party amounts, debt repayments, net of advances, and dividends in the amount of $20.1 million, $1.3 million and $1.8 million respectively. The Company also generated cash from the issuance of share capital, net of costs, of $10.3 million.

The additional cash was utilized as part of investing activities through net purchases of capital assets and equipment dealerships of $2.8 million and $8.0 million, respectively.

RMDI has available credit facilities with its bank lender for purposes of general day-to-day cash requirements of its operations. In addition, RMDI has floor plan facilities from various lending institutions for the purpose of financing inventory with sufficient availability to meet its needs through 2009.

Liquidity and Capital Resources

RMDI has two credit facilities, (the **"Credit Facility"**), with the "Bank", one of which consists of a revolving facility providing up to $10 million for working capital (the "**working capital facility**") and another facility of up to $10 million for acquisitions of additional equipment dealerships (the "**acquisition facility**"). The indebtedness under the Credit Facility is secured in favour of the Bank by the Company's receivables and the non-CNH parts inventory. Amounts drawn under the working capital facility will bear interest between the Bank's prime rate and prime plus 0.50% and amounts drawn under the acquisition facility will bear interest at the Bank's prime rate plus between 0.375% and 1.25%, in each case depending on certain financial ratios. At December 31, 2008, there were no amounts outstanding on the working capital facility and approximately $7,904,000 outstanding on the acquisition facility. RMDI pays a standby fee of 0.25% per annum on any undrawn portion of the acquisition facility. The Bank has also provided financing terms for the lease fleet 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. In addition to these items as part of the Miller Acquisition an additional working capital line of $4,000,000 has become available through Vanguard Credit Union, (the **"Vanguard Facility"**). The indebtedness under this Vanguard Facility is secured in favour of the credit union by the Miller receivables and the Miller non-CNH parts inventory. Amounts drawn under the Vanguard Facility bear interest at the credit unions prime rate plus 0.75% and as at December 31, 2008 $1,380,046 was drawn on this line.

The Company has existing floor plan facilities from various lending institutions for the purpose of financing inventory in sufficient approved limits to meet its 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 manufacturer's captive finance companies or divisions (such as CNH Capital), as well as banks and specialty lenders. As an extension to the CNH floor plan facility described above, the Company also has financing provided by GE Capital, terms which are substantially the same but qualify as long-term debt and are used to finance the rental fleet. In addition, HSBC has provided financing for the lease fleet as discussed above. The interest rates on these facilities are based on prime rate plus a percentage currently ranging from 0.0% to prime plus 6.0%.

The Company is in compliance with all externally imposed capital requirements; please see additional comments under the *"OUTLOOK"* heading.

ADEQUACY OF CAPITAL RESOURCES

RMDI has primarily used its cash flow from operations to purchase its fleet of lease and rental assets, finance the purchase of inventory, service its debt requirements, and fund its operating activities, including working capital, both operating and capital leases and floor plan payable. Currently, with the great level of uncertainty in the market the Company is evaluating the strategic benefit of both the lease and rental fleets. RMDI currently anticipates that it will be able to finance its current fleet needs through its existing credit facilities and cash flow from operations. RMDI's ability to service its debt will depend upon its ability to generate cash, which depends on its future operating performance, general economic conditions, as well as other factors, of which some are beyond its control. Based on its current operational performance, RMDI believes that cash flow from operations along with existing credit facilities will provide for its liquidity needs in the next 12 months.

GOODWILL AND INTANGIBLE ASSETS

At least annually the Company tests goodwill and intangibles for impairment by comparing the carrying amount of these assets to the fair value on a reporting entity basis. At December 31, 2008 the Company performed an impairment test of goodwill to compare its carrying value to fair value. The impairment test is based on a two step process. In step one a fair value was determined using two different valuation methods, a market based approach and discounted cash flow approach. The market based approach derives a fair value based on the market capitalization of the Company. The discounted cash flow approach analyzes future cash flows based on internally developed forecasts. Step one showed a carrying value that exceeded fair value and as a result the Company proceeded to step two to assess the impact of the impairment.

The second step required the fair value determined in step one to be allocated to each individual asset and liability as it would be in a business acquisition. After performing this allocation, it was determined there was no value left to assign to goodwill. As a result, the amount of $84,836,364 was recorded as an impairment loss to the incomes statement as non-operating expenses.

The circumstances that led to the impairment of goodwill relate to the change in the global economic condition and uncertainty in the Company's industry, in the fourth quarter of 2008. The tightening of capital markets related to the global changes negatively impacted the industry as its cost of borrowing increased, as well as created difficulty for certain customers to acquire financing to purchase the Company's products.

At December 31, 2008, the Company performed an impairment test of Intangible assets to compare their carrying value to their fair value. This is performed by analyzes identifiable future undiscounted future cash flows related to the Intangible assets, (the **"Intangibles"**). The Company had identified the following as potential Intangibles: customer relationships, trade names and dealership agreements. Based on the Company's assessment related to the decline in the global economy, in the fourth quarter of 2008, the Company was not able to identify cash flows related to these Intangibles. As a result all of the Intangibles are considered significantly impaired and a write down of $17,950,292 was required as of December 31, 2008.

In determining fair value, management relies on a number of factors including operating results, economic projections, anticipated future cash flows and marketplace data. There are inherent uncertainties related to these factors and judgments are required to be made in applying them to the analysis of goodwill and intangibles impairment.

OUTLOOK

The strength that has been experienced in the past couple of years in the agriculture industry is expected to normalize as a result of the global credit market uncertainty, even with the ongoing demand for oil seeds and cereal crop products. Prices for those commodities are expected to be stable in 2009 which should result in both strong farm cash receipts for the year and moderate demand for agriculture equipment. Although there has been increased demand for agricultural equipment over the last few years, equipment delivery lead times have increased due to production constraints. Consequently, sales volume increases may be tempered based on the ability of the equipment manufacturers to meet that demand. An underlying risk that is prevalent every year is the potential loss of crop due to early frost, drought, and other weather related events.

The construction equipment side of the business has been strong over the past few years as the various levels of government in Alberta have been trying to deal with the infrastructure shortage throughout the province. This increase in infrastructure development is expected to continue throughout the 2009 fiscal year which should partially offset the slow-down in residential and commercial building as well as reduced oil field activities in the province.

Although a great deal of effort has been focused on successfully integrating the entities acquired in the Initial Acquisitions, the three acquisitions made during 2008, will continue to require the Company to focus on integration in 2009.

OUTLOOK - MARKET CONDITIONS

The global markets have continued to show uncertainty over the last six months with the governments of the world trying to devise a plan to assist liquidity and growth. The Canadian and US governments have announced and implemented various stimulus plans, components of which have focused on infrastructure which should be a positive to the Company. With that being said, there are a number of factors that will affect the Company in the coming months and years.

The ability to raise capital for expansion has softened considerably as the markets digest the changing environment. Consequently, the Company will continue to have significant reliance on debt financing, and the ability of the Company to raise additional debt will impact its acquisition opportunities. Subsequent to year end, the Company negotiated a $5 million dollar increase to both its acquisition facility and working capital facility with the HSBC; new limits are $15 million for each line. With this increase the interest rate on the acquisition facility has been increased to Bank's Prime Rate plus 1.5% and the working capital facility increased to the Bank's Prime Rate plus 0.5%, effective current rates of 4.5% and 3.5%, respectively. This positions the Company positively to continue with its growth strategy.

Inventory financing is an item that has been negatively affected over the past few months as the credit markets continue to search for certainty. In general the Company's floor plan lines have not been reduced or changed in a material way except for interest rate changes. There have been numerous changes to the Company's major floor plan providers as they changed their rate structures, and consequently, increased the effective interest rates. As a result of this, the Company is continuing to explore additional opportunities for inventory financing and rationalizing inventories. The Company feels that at this time sufficient floor plan lines exist but will continue to explore other opportunities to help mitigate the exposure to any one provider. Another potential impact from the credit crunch could arise from the ability of the Company's customers to get the units financed. There is some insulation on this issue as a result of the manufacturer's ability to provide financing on new purchases. In addition, on the agricultural side of the business, there are a number of government agencies that exist to help farmer's access credit.

The large amount of uncertainty that has gripped the markets over the past few months may have an impact on the growth strategy of the Company as there is a significant reliance on debt financing for its acquisitions. In addition the majority of the Company's inventory is financed with various floor plan providers and their ability to fund the inventory may become strained as a result of the current market conditions. The Company has begun to see a shift by these lenders away from prime based lending and moving towards Bankers Acceptance or LIBOR based lending. In the current market conditions this will increase our interest expense on our inventory, but has at least partially been mitigated with both prime and Bankers Acceptance rates declining over the past year.

Due to the current market conditions, the Company has been reviewing its credit policies for customers and monitor customer exposures on a daily basis. During the fourth quarter of 2008 the Company has increased the Allowance for Doubtful Accounts to $1.1 million, an increase from the previous year of $0.6 million. The Company feels that this was required as a result of the increasing uncertainty in the market over the past months.

CONTRACTUAL OBLIGATIONS

The following table provides an overview of the contractual obligations of RMDI as of December 31, 2008.

	Total	2009	2010-2011	2012-2013	Thereafter
Long-term Debt	$ 23,713,094	$ 5,229,278	$ 10,067,897	$ 6,178,027	$ 2,237,892
Capital Lease Obligations	$ 643,044	$ 299,927	$ 228,942	$ 114,175	
Operating Lease Obligations	$ 23,031,637	$ 5,299,523	$ 9,425,748	$ 6,047,179	$ 2,259,187
Total Contractual Obligations	$ 47,387,775	$ 10,828,728	$ 19,722,587	$ 12,339,381	$ 4,497,079

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2008, RMDI and its subsidiaries entered into the following transactions or arrangements with or involving related parties, which are accounted for at their exchange amount, (fair value):

1. The premises and facilities for four of its branches are leased from companies in which Mr. Campbell, Mr. Taschuk and/or Mr. Ganden or their associates are shareholders. The Company paid a total of $238,220 and $952,880 in lease payments to these companies during the three and twelve month periods ended December 31, 2008. It is anticipated that the Company will continue to operate from these branch premises and facilities. At December 31, 2008, $139,895 was payable to a company owned by related parties.

2. The premises and facilities for six of its branches are leased from a Company beneficially owned or controlled, indirectly by Mr. Derek Stimson, the President and one of the directors of RMDI. The Company paid a total of $600,000 and $2,400,000 in lease payments during the three and twelve month periods ended December 31, 2008. It is anticipated that the Company will continue to operate from these branch premises and facilities.

3. During the three and twelve month periods ended December 31, 2008, the Company paid management fees and airplane rental fees to a company controlled by a related party totaling $50,000 and $200,000 and $24,427 and $222,691, respectively. For the same periods equipment sales of $3,307,242 and $6,432,569 and purchases of $1,528,932 and $2,169,768 were transacted between the Company and a company controlled by an officer and director.

OFF BALANCE SHEET ARRANGEMENTS

RMDI has availed itself of off-balance sheet financing in connection with numerous operating leases between RMDI and arm's length leasing companies in respect of the fleet of vehicles used by RMDI and its employees in the conduct of its business. RMDI has paid monthly amounts under each of such operating leases ranging from $296 to $1,704. The current operating leases have terms of five years or less expiring between January 1, 2009 and March 1, 2013. Management intends to replace or extend these operating leases when their terms expire in respect of vehicles used by RMDI and its employees in the conduct of its business.

INDUSTRY AND ECONOMIC FACTORS AFFECTING PERFORMANCE

Given the nature of the business of RMDI, it is subject to a number of external factors that affect its business, including seasonality and cyclicality, currency fluctuations, inflation, and interest rate fluctuations.

Seasonality and Cyclicality

RMDI's customers operate in industries that are affected by seasonality. The seasonal nature of the Company's customers' businesses affects their demand for RMDI'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 or impossible to perform. The Company has 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 of such lines of equipment are used primarily in aggregate crushing, mulching and clearing applications.

Currency Fluctuations and Foreign Exchange

RMDI's manufacturers are geographically diversified, leading the Company to conduct business in two currencies, U.S. dollars and Canadian dollars. Therefore, the fluctuation of the U.S. dollar has significant foreign exchange impact on the Company's revenues and net income, the most significant of which is purchases of U.S. dollar denominated products, (inventory). In addition to the aforementioned impact as a result of foreign currency fluctuations, the Company experiences foreign currency translation gains or losses; currency translation 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, which has generally had a positive effect on RMDI's performance by lowering its cost of goods sold. However, as the markets in which RMDI operates are highly competitive, a declining U.S. dollar also has the effect of reducing sales prices in Canadian dollars and, as a consequence, the Company cannot capture all the potential benefit of a declining U.S. dollar environment. If the U.S. dollar strengthens in comparison to the Canadian dollar, and RMDI is unable to offset the increase in its cost of goods through price increases, its results may be negatively affected. RMDI does mitigate some of this risk, however, by occasionally purchasing forward contracts for U.S. dollars on large transactions to cover the period from the time the equipment was ordered from the manufacturer to the delivery date.

Inflation

Inflation has not had a material effect on the operating results of the Company, and this is not expected to change in the near term. RMDI has experienced cost increases that are similar to the cost escalations being experienced throughout the Alberta economy but has been able to increase selling prices to offset such increases. Items that are susceptible to localized inflation in Alberta, such as labor and rent, are a relatively small component to RMDI's 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 the Company in the longer term or that the Company will be continually able to increase selling prices as a means to offset the effect of increases on its cost structure (including, without limitation, cost of goods sold) while remaining competitive.

Interest Rate Fluctuations

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

During the preparation of the financial statements, Management is 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: allowance for doubtful accounts, inventories, capital assets, deferred revenue and future taxes. Estimates, assumptions and judgments that affect the statements of earnings and comprehensive income include, but are not limited to: allowance for doubtful accounts, and revenue recognition. The estimates, assumptions and judgments are updated when Management considers it appropriate, but 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 Management believes 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. Management believes 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 of the receivables are reviewed in detail to ensure there is sufficient coverage in 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. Management records 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.

Capital Assets

Capital assets consist primarily of the 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-year cycle. To ensure that the rent-to-rent articulated trucks are accurately valued when they are replaced, 80% of the rental revenue generated is allocated with each unit to depreciation expense. Management records depreciation on leasing equipment using the declining balance method at a 30% rate. Currently, both these fleets are under review to determine their long term strategic benefit.

Deferred Revenue

Deferred revenue is recognized in a number of circumstances, namely, upon placing a preventative maintenance contract with a customer, in connection with incentives received from equipment manufacturers and with respect to future lease payments. When a preventative maintenance contract is placed with a customer, the customer is charged in advance or on a flat monthly rate for services that will be performed during the term of the maintenance contract, which may be as long as five years. Revenue is recognized when the service is performed. When equipment manufacturers provide incentives for particular pieces of equipment, which are typically credits against the wholesale price as shown on the manufacturer's equipment invoice, RMDI recognizes and records that deferred revenue credit as goods sold. The third type of deferred revenue relates to the lease fleet, the future lease payments are recorded as deferred revenue and recognize the payments as they become due during the year.

Future Taxes

The future income tax liability is calculated using the asset and liability method of tax allocation. Under this method, the temporary differences between the tax bases of assets and their carrying amounts on the balance sheet are used to calculate the future income tax liability.

Changes in Accounting Policies

Effective for years beginning on or after October 1, 2007, the provisions of the Canadian Institute of Chartered Accountants ("CICA") Handbook section 3862 – "Financial Instruments Disclosures", and section 3863 – "Financial Instruments Presentations" require the disclosure of information with regards to the significance of financial instruments of the Company's financial position and performance, the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date, and how the Company manages those risks. These standards replace CICA Handbook section 3861 "Financial Instruments". The Company adopted this section January 1, 2008.

In September 2007, the CICA issued Handbook section 3031, "Inventories" to harmonize accounting for inventories under Canadian GAAP with International Financial Reporting Standards. This standard established guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. The Company adopted this section January 1, 2008 and has determined that there is no material impact on its consolidated financial statements as the existing accounting policies were in compliance with the revised standards.

Future Changes in Accounting Policies

In 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian generally accepted accounting principles (GAAP), as used by public companies, being evolved and converged with International Financial Reporting Standards (IFRS) over a transitional period to be completed by 2011. The official changeover date from Canadian GAAP to IFRS is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

The Company has assigned a committee of people from various levels of the organization to consider the impact that the conversion to IFRS will have on the Company over the next few years. This committee has met and reviewed a number of the key areas where the Company may be impacted including, but not limited to, Accounts Receivables, Inventory, Property Plant and Equipment, Provisional Accounting, and Revenue Recognition. At this point in time the Company is still determining the impact of IFRS on its consolidated financial statements. This process will continue throughout 2009. Further disclosures as to the nature of the financial and operational impacts will be made as available during the transition process.

In February 2008, the CICA issued section 3064, Goodwill and intangible assets, replacing section 3062, Goodwill and other intangible assets and section 3450, Research and development costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning January 1, 2009. It establishes standards for the recognition, measurement, presentations and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous section 3062. The Company is currently evaluating the impact of the adoption of this new section on its consolidated financial statements. The Company does not expect that the adoption of this new section will have a material impact on its consolidated financial statements.

Key Financial Statement Components

Equipment Sales – Equipment revenues are derived from the sale of new and used construction and agricultural equipment. Revenue is recognized when the customer has signed the sales agreement, has paid or is credit-approved through, and title to and risk of loss for the piece of equipment has 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.

Product Support – Product support revenue is derived from the sales of both parts and service. Revenue from parts sales is recognized when title to and risk for a particular part has transferred to the customer, as evidenced by the part 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 is recognized when the applicable repair or maintenance work has been completed, except in respect of deferred revenues, which are discussed above.

Equipment Rentals – Equipment rental revenue is recognized on the first day of each rental period specified in the rental contract. Rental revenue, as presented in the financial statements, is generated from the equipment in the rent-to-rent fleet. All other equipment rental revenue (e.g., rent-to-own revenue) is included in the new equipment sales revenue. In either case, 80% of the equipment rental revenue is considered to be cost of sales.

Equipment Leasing – Leasing revenue is recognized on a monthly basis, based on the term of the lease, independent of the timing of the payments received. The lease is initially set up as deferred revenue, and recognized as revenue on a monthly basis coinciding with the term of the original lease.

Finance and Insurance (F&I) – Each sale of new or used equipment enables RMDI to offer customers proprietary or third party purchase and lease financing, third party insurance products and manufacturers' extended warranties. F&I revenue is recognized when the customer executes the applicable F&I contract. F&I revenue includes commissions and fees on third-party F&I products the Company places (rates determined by the third parties through whom such F&I products are sourced), fees on certain financing products equal to the present value of the interest rate spread between the cost of funds and the lending rate to the customer, and margins generated by the extended warranties that are sold to customers for their equipment. In addition to these F&I revenues, an administration fee is charged in connection with processing such F&I products.

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 and Administrative Expenses – Selling 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.

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, and various capital leases.

RISKS AND UNCERTAINTIES

Risk factors faced by RMDI include industry risks associated with construction and agricultural equipment dealerships and others, including but not limited to: dependence on equipment manufacturers; nature of dealership agreements; consolidations within the equipment manufacturing industry; no-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 RMDI's 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; labor costs and shortages; labor 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; limited ability of investors to recover from the Existing Shareholders for breaches of the Acquisition Agreements; unpredictability and volatility of Common Share price; new requirements and additional costs as a public issuer; and risks associated with having directors and officers with significant control of the Company.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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 the Company's DC&P and assessed the design of the Company's internal control over financial reporting as of December 31, 2008, pursuant to the requirements of 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 the 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 December 31, 2008, a weakness existed in the design of internal control over financial reporting due to the Company's recent purchase of Miller Farm Equipment. The Company has sufficiently documented and tested the effectiveness of the internal controls on the original purchase of Hammer and the Hi-Way group pursuant to the Initial Acquisitions and can conclude that these controls are working effectively.

In the first half of 2009 the Company will be implementing these same controls into the Miller group with the objective of having all controls tested and in place by the end of the Company's third quarter. During the process of implementing and appropriately documenting systems and processes of internal control over financial reporting sufficient for CEO and CFO certification without qualification disclosure in MD&A, management is undertaking mitigating procedures to assist in ensuring that appropriate processes are performed to ensure that disclosures are complete, accurate, and timely, and that sufficient actions are done to ensure that financial statements are fairly stated. These actions include entity level controls comprised of officer and senior managements review of financial reporting items, and expansive industry and corporate governance knowledge. It should be noted that these mitigating factors will not necessarily prevent the likelihood that a material misstatement will occur as a result of the aforesaid weakness.

FORWARD LOOKING INFORMATION

This Management's Discussion and Analysis (MD&A) contains certain statements or disclosures relating to RMDI that are based on the expectations of its Management as well as assumptions made by and information currently available to RMDI which may constitute forward-looking information under applicable securities laws. All such statements and disclosures, other than those of historical fact, which address activities, events, outcomes, results or developments that the Company anticipates or expects may, or will occur in the future (in whole or in part) should be considered forward-looking information. In some cases, forward-looking information can be identified by terms such as "forecast", "future", "may", "will", "expect", "anticipate", "believe", "potential", "enable", "plan", "continue", "contemplate", "pro-forma", or other comparable terminology. Forward-looking information presented in such statements or disclosures may, among other things, relate to: the anticipated benefits and enhanced shareholder value resulting from operations; the success of the Company's growth strategy; sources of income; forecasts of capital expenditures and the sources of the financing thereof; expectations regarding the ability of the Company to raise capital; movements in currency exchange rates; anticipated income taxes, the Company's business outlook; plans and objectives of Management for future operations; forecast business results; and anticipated financial performance. Many factors could cause the performance or achievements of RMDI to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

In particular such forward-looking statements include:

(a) Under the heading "Adequacy of Capital Resources" the statement that:

(i) **"RMDI" currently anticipates that it will be able to finance its current fleets through existing credit facilities and cash flow from operations."; and**

(ii) **"Based on its current operational performance, RMDI believes that cash flow from operations along with existing credit facilities will provide for its liquidity needs in the next 12 months."**

Both of the foregoing statements are based on the assumptions that the Company's cash flow from sales continue as anticipated and that there will be no material reduction in its existing credit facilities. Those assumptions are subject to the risks that the Company would not be able to maintain the existing credit facilities as a result of a change in the amount of capital available in the marketplace or a change in Company's relationship with its Lenders which could reduce its access to its credit facilities. Those forward-looking statements are also subject to the risk that cash flow could not be as anticipated as a result of reduced sales due to economic conditions that deteriorate more than anticipated. Should those risks become a reality the Company may not be in a position to maintain its rental and lease fleets at its current levels.

(b) Under the heading "Outlook" the statement that: **"The strength that has been experienced in the past couple of years in the agriculture industry is expected to normalize as a result of the global market uncertainty, even with the ongoing demand for oil seeds and cereal crop products. Prices for those commodities are expected to be stable in 2009 which should result in both strong cash receipts for the year and moderate demand for agriculture equipment."**

The foregoing statement is based on the assumption that although demand for Western Canadian produced cereal crops will normalize, prices should remain stable and as a result demand for the Company's agriculture equipment should not decrease. There are a number of risks that could affect those assumptions including but not limited to ongoing credit restrictions, a decrease in demand for Western Canadian cereal crops due to worsening economic conditions, weather conditions that may affect Western Canadian agriculture production, increased supply in other growing areas of the world that could affect prices for agriculture products, and tariffs imposed by foreign governments which may affect the ability to sell Canadian agricultural products. All of the above noted items could affect the farm cash receipts in Western Canada and, as a result the ability of our customers to purchase the Company's products.

(c) Under the heading "Outlook", the statement that: **"The construction equipment side of the business has been strong over the past few years as the various levels of government in Alberta have been trying to deal with the infrastructure shortage throughout the province. This increase in infrastructure development is expected to continue through the 2009 fiscal year which will partially offset the slow-down in residential and commercial building as well as reduced oil field activities in the province."**

The foregoing statement is based on the assumption that various levels of government in Western Canada will continue to fund the improvement and expansion of public infrastructure projects. The risks are that these various levels of government will not make infrastructure projects a priority, and either through reducing planned expenditures on infrastructure or delaying such expenditures to the point that the reductions in such spending will have a negative impact on the sale and use of construction equipment.

Consolidated Financial Statements of

ROCKY MOUNTAIN DEALERSHIPS INC.

December 31, 2008 and 2007

Deloitte.

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Auditor's Report

To the shareholders of **Rocky Mountain Dealerships Inc.:**

We have audited the consolidated balance sheets of **Rocky Mountain Dealerships Inc.** (the "Company") as at December 31, 2008 and 2007 and the consolidated statements of net earnings (loss) and comprehensive income (loss), and cash flows for the year ended December 31, 2008 and the initial twelve day period ended December 31, 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the year ended December 31, 2008 and the initial twelve day period ended December 31, 2007 in accordance with Canadian generally accepted accounting principles.

(signed) "DELOITTE & TOUCHE LLP"
Chartered Accountants

March 9, 2009

ROCKY MOUNTAIN DEALERSHIPS INC.

Consolidated Balance Sheets
As at December 31,

	2008	2007
	$	$
ASSETS		
CURRENT		
Cash and cash equivalents	**492,740**	16,955,704
Accounts receivable and other (Note 5)	**40,613,535**	28,253,856
Inventory (Note 6)	**207,467,089**	129,810,489
Prepaid expenses	**392,050**	1,387,767
	248,965,414	176,407,816
Property, plant and equipment (Note 9)	**21,457,648**	26,721,740
Intangible assets (Notes 8 and 10)	**-**	20,982,197
Goodwill (Notes 4 and 7)	**-**	71,774,483
	270,423,062	295,886,236
LIABILITIES		
CURRENT		
Bank indebtedness (Note 11)	**5,222,652**	458,465
Accounts payable and accrued liabilities (Note 12)	**29,973,390**	20,301,029
Floor plan payable (Note 13)	**150,448,653**	98,961,390
Deferred revenue	**9,436,867**	9,074,062
Due to related parties (Note 20)	**3,690,738**	9,825,449
Business purchase consideration payable (Notes 17 and 20)	**-**	10,269,000
Current portion of long-term debt (Notes 11 and 14)	**5,909,998**	5,821,139
Current portion of obligations under capital lease (Note 15)	**299,927**	104,301
	204,982,225	154,814,835
Long-term debt (Notes 11 and 14)	**17,803,096**	18,628,634
Obligations under capital lease (Note 15)	**343,117**	29,652
Future income taxes (Note 21)	**1,126,555**	6,858,097
	224,254,993	180,331,218
CONTINGENCY (Note 16)		
COMMITMENTS (Note 19)		
SHAREHOLDERS' EQUITY		
Common shares (Note 17a)	**133,878,817**	115,198,821
Contributed surplus (Note 17d)	**1,405,657**	28,247
(Deficit) retained earnings	**(89,116,405)**	327,950
	46,168,069	115,555,018
	270,423,062	295,886,236

APPROVED BY THE BOARD

"Signed" Dennis Hoffman
Dennis Hoffman, Director

"Signed" M.C. (Matt) Campbell
M.C. (Matt) Campbell, Director

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

ROCKY MOUNTAIN DEALERSHIPS INC.

Consolidated Statements of Net (Loss) Earnings and Comprehensive (Loss) Income

Year Ended December 31, 2008 and the Initial Twelve-Day Period Ended December 31, 2007

	2008	2007
	$	$
SALES		
New units	**240,363,421**	8,721,193
Used units	**79,908,250**	1,175,807
Product support	**75,726,186**	1,630,577
Finance and insurance	**2,404,048**	144,252
Rental and leases	**5,710,757**	275,372
	404,112,662	11,947,201
COST OF SALES		
(including amortization of $4,363,360 (2007 - $182,025))	**332,539,463**	9,830,981
GROSS PROFIT	**71,573,199**	2,116,220
EXPENSES		
Selling and administrative	**45,272,917**	1,198,729
Interest on short-term debt	**4,440,819**	231,544
Interest on long-term debt	**1,388,980**	57,180
Amortization of intangible assets	**3,031,905**	97,803
Amortization of property, plant and equipment	**2,045,033**	35,899
	56,179,654	1,621,155
EARNINGS BEFORE OTHER ITEMS AND INCOME TAXES	**15,393,545**	495,065
OTHER ITEMS		
Goodwill impairment (Note 7)	**(84,836,364)**	-
Intangible asset impairment (Note 8)	**(17,950,292)**	-
	(102,786,656)	-
(LOSS) EARNINGS BEFORE INCOME TAXES	**(87,393,111)**	495,065
PROVISION FOR (RECOVERY OF) INCOME TAXES		
Current	**6,346,218**	121,395
Future	**(6,045,110)**	45,720
	301,108	167,115
NET (LOSS) EARNINGS AND COMPREHENSIVE (LOSS) INCOME	**(87,694,219)**	327,950
RETAINED EARNINGS, BEGINNING OF PERIOD	**327,950**	-
DIVIDENDS	**(1,750,136)**	-
(DEFICIT) RETAINED EARNINGS, END OF PERIOD	**(89,116,405)**	327,950
EARNINGS PER SHARE (Note 18)		
Basic and diluted	**(6.88)**	0.03

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

ROCKY MOUNTAIN DEALERSHIPS INC.

Consolidated Statements of Cash Flows

Year Ended December 31, 2008 and the Initial Twelve-Day Period Ended December 31, 2007

	2008 $	2007 $
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net (loss) earnings and comprehensive (loss) income	**(87,694,219)**	327,950
Adjustments for:		
Amortization of property, plant and equipment (Note 9)	**6,408,393**	217,924
Amortization of intangibles	**3,031,905**	97,803
Future income taxes (recovery)	**(6,045,110)**	45,720
Stock-based compensation (Note 17(e))	**1,377,410**	28,247
Impairment of goodwill	**84,836,364**	-
Impairment of intangibles	**17,950,292**	-
Gain on sale of property, plant and equipment	**(839,050)**	-
	19,025,985	717,644
Changes in non-cash working capital, net of the effect of acquisitions	**(17,934,336)**	829,894
	1,091,649	1,547,538
FINANCING		
Payments to related parties regarding the acquisition (Notes 4 and 17)	**(20,114,872)**	3,174,184
Repayment of long-term debt	**8,448,773**	(816,008)
Proceeds from long-term debt	**(9,725,676)**	-
Repayment of obligations under capital lease	**795,902**	-
Proceeds from obligations under capital lease	**(286,811)**	-
Dividends paid	**(1,750,136)**	-
Proceeds from issuance of share capital	**10,252,594**	64,100,000
	(12,380,226)	66,458,176
INVESTING		
Purchase of property, plant and equipment	**(5,861,764)**	(476,010)
Proceeds on disposal of property, plant and equipment	**8,709,971**	-
Purchase of equipment dealerships, net of cash acquired	**(8,022,594)**	(50,574,000)
	(5,174,387)	(51,050,010)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	**(16,462,964)**	16,955,704
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**16,955,704**	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	**492,740**	16,955,704
SUPPLEMENTARY INFORMATION		
Interest paid	**5,829,799**	288,724
Income taxes paid	**3,173,986**	-

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

1. NATURE OF BUSINESS

Rocky Mountain Dealerships Inc. (the "Company") was incorporated September 17, 2007 and through its subsidiaries Hammer Equipment Sales Limited ("Hammer") and Hi-Way Service (Medicine Hat) Ltd. ("Hi-Way"), which were acquired on December 20, 2007, sells and leases a wide variety of agriculture and construction equipment through its locations throughout Alberta. The Company effectively commenced operations on December 20, 2007, and accordingly, its financial results are presented from that date forward. During 2008, Hi-Way Service (Medicine Hat) Ltd. and Hammer Equipment Sales Limited underwent legal name changes to Hi-Way Service Ltd., and Rocky Mountain Equipment Ltd., respectively. During 2008, the Company acquired 100% of the common shares of Roydale International Ltd., Kevin G. Miller Holdings Ltd., Heritage Holdings Ltd., and Lakeland Implements Ltd. Inter-company transactions and balances are eliminated on consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). These significant accounting policies used in these consolidated financial statements are as follows:

Cash and cash equivalents

Cash includes cash amounts and cash equivalents, being all highly liquid investments with original maturities of three months or less. At December 31, 2008 there were no cash equivalents (2007 - $Nil).

Property, plant and equipment

Property, plant and equipment are recorded at cost and are amortized using the methods and rates as follows:

Rental assets	Unit of usage
Lease equipment	30% declining balance
Buildings	20 years
Computer equipment	3 years
Furniture and fixtures	5 years
Land improvements	10 years
Leasehold improvements	Lesser of lease term and useful life
Shop tools and equipment	5 years
Vehicles	3 years

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Intangible assets

Intangible assets are recorded at cost and are amortized on a straight-line basis over the expected period of benefit. Annual amortization rates are as follows:

Customer relationships	7 years
Dealership agreements	5 years
Lease agreements	2 years
Non competition agreements	3 years
Trade name	10 years

Intangible assets are reviewed annually with respect to their useful lives, or more frequently, if events or changes in circumstances indicate that the assets might be impaired. If the intangible assets are considered to be impaired, they are written down to estimated fair value.

Goodwill

Goodwill resulted from business combinations and represents the portion of the purchase price that was in excess of the fair value of net identifiable assets acquired. Goodwill is recorded at cost and is not subject to amortization. It is tested at least annually for impairment. The impairment test for goodwill is a two-step process. Step one consists of a comparison of the fair value of a reporting unit with its carrying amount, including the goodwill allocated to the reporting unit. Measurement of the fair value of a reporting unit is based on one or more fair value measures, including present value calculations of estimated future cash flows and estimated amounts at which the unit as a whole could be bought or sold in a current transaction between willing parties. The Company also considers its market capitalization as of the date of the impairment test. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to be impaired and the second step of the impairment test in unnecessary. If the carrying amount of the reporting unit exceeds its fair value, step two requires the fair value of the reporting unit to be allocated to the underlying assets and liabilities of that reporting unit, resulting in an implied fair value of goodwill. If the carrying amount of the reporting unit exceeds the implied fair value of the goodwill, an impairment loss equal to the excess is recorded in net earnings.

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Earnings per share

Basic earnings per share is computed by dividing 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 or warrants to purchase common shares were exercised. The treasury stock method is used to determine the dilutive effect of options or warrants, whereby any proceeds from the exercise of options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period.

Leases

Leases entered into by the Company as lessee are classified as either capital or operating leases. Leases where substantially all of the benefits and risks of ownership of property rest with the Company are accounted for as capital leases. Equipment under capital lease is amortized on the same basis as capital assets. Rental payments under operating leases are expensed as incurred.

Revenue recognition

The Company generates revenue from several distinct sources. Revenue is recognized as follows:

Whole goods: Revenue from the sale of whole goods, which is defined as new and used equipment, is recognized when the customer has signed the respective sales agreement, has paid or has credit approved, and title of the product and risk of loss has transferred.

Product support: Revenue from parts sales is recognized when title of the product has transferred to the customer and satisfactory expectation of 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. Revenue from service is recognized when the work is complete and satisfactory expectation of collection is reasonably assured.

Finance and insurance: Commission revenue from finance and insurance is recognized when the finance contract is signed.

Rental: Revenue from rentals is recognized on the first day of each month specified in the rental contract on a straight-line basis over the term of the contract.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Leases: Lease revenue is 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.

Interest earned on the financing contracts is recognized on a regular basis based on the principal outstanding and the agreed interest rate. Interest income is recognized on the passing of time, independent of the timing of the payments received.

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.

Stock-based compensation

The Company issues stock options and other stock-based compensation to certain directors, officers and employees of the Company. The Company follows the fair value based method of accounting, using the Black-Scholes option pricing model, whereby compensation expense is recognized over the period in which the option vests, with a corresponding increase to contributed surplus in shareholders' equity.

Income taxes

The asset and liability method of tax allocation is used in accounting for income taxes. Under this method, temporary differences arising from the difference between the tax basis of an asset and a liability and its carrying amount on the balance sheet are used to calculate future income tax assets or liabilities. Future income tax assets or liabilities are calculated using substantively enacted tax rates that apply in the periods that the temporary differences are expected to reverse. The effect of a change in income tax rates on future income tax assets and liabilities is recognized in income in the period that the new rate is substantively enacted.

Foreign currency translation

The Company has transactions in foreign currency which are translated into Canadian dollars; whereby monetary items are translated at the rate of exchange in effect at the balance sheet date. Revenue and expense items are translated at the exchange rate in effect when each of the items is recognized.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Use of estimates

The preparation of financial statements in accordance with Canadian GAAP 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 amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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, net realizable value of inventory, stock-based compensation expense, amortization periods for property, plant and equipment and intangible assets, the net recoverable values of capital assets, intangible assets and goodwill, and estimates in future income taxes.

Financial instruments

All financial instruments must initially be recognized at fair value on the balance sheet. The Company has classified each financial instrument into the following categories: held for trading financial assets and financial liabilities, loans and receivables, held to maturity investments, available for sale financial assets, and other financial liabilities. Subsequent measurement of the financial instruments is based on their classification. Unrealized gains and losses on held for trading financial instruments are recognized in earnings. Gains and losses on available for sale financial assets are recognized in other comprehensive income (“OCI”) and are transferred to earnings when the asset is derecognized or other than temporarily impaired. The other categories of financial instruments are recognized at amortized cost using the effective interest rate method.

The Company has made the following classifications:

- Cash and cash equivalents are classified as a financial asset held for trading and are measured at fair value. Gains and losses related to periodical revaluation are recorded in net income.
- Accounts receivable and other is classified as loans and receivables and is initially measured at fair value and subsequently measured at amortized cost using the effective interest rate method.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- Bank indebtedness, accounts payable and accrued liabilities, floor plan payable, due to related parties, long-term debt and obligations under capital lease (including current portions) are classified as other liabilities and are initially measured at fair value and subsequently measured at amortized cost using the effective interest rate method.

Derivative instruments and hedge activities

Derivative instruments may be utilized by the Company to manage market risk related to the volatility in commodity prices, foreign exchange rates and interest rate exposures. The Company's policy is not to utilize derivative instruments for speculative purposes. The Company may choose to designate derivative instruments as hedges.

All hedges are documented at inception including information such as the hedging relationship, the risk management objective and strategy, the method of assessing and measuring effectiveness and the method of accounting for the hedging relationship. Hedge effectiveness is reassessed on a quarterly basis.

All derivative instruments are recorded on the balance sheet at fair value either in accounts receivable, derivative financial asset or liability, accounts payable and accrued liabilities, or other long-term liabilities. Derivative financial instruments that do not qualify for hedge accounting, if any, are classified as held for trading and are recognized on the balance sheet and measured at fair value, with gains and losses on these instruments recorded in gain or loss on derivative financial instruments in the statement of earnings in the period they occur. Derivative financial instruments that have been designated and qualify for hedge accounting have been classified as fair value or cash flow hedges. For fair value hedges, the gains and losses arising from adjusting the derivative to its fair value are recognized immediately in earnings along with the gain or loss on the hedged items. For cash flow hedges, the effective portion of the gains and losses is recorded in other comprehensive income until the hedged transaction is recognized in earnings. For any hedging relationship that has been determined to be ineffective, hedge accounting is discontinued on a prospective basis. As of December 31, 2008 and 2007, the Company does not have any derivative instruments or hedging contracts outstanding.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Embedded derivatives

Derivatives embedded in other financial instruments or contracts are separated from their host contracts and accounted for as derivatives when their economic characteristics and risks are not closely related to those of the host contract; the terms of the embedded derivative are the same as those of a free standing derivative and the combined instrument or contract is not measured at fair value, with changes in fair value recognized in interest on short-term debt. The Company selected December 20, 2007 as the transition date for embedded derivatives, and as such only contracts or financial instruments entered into or modified after the transition date were examined for embedded derivatives. As of December 31, 2008 and 2007, the Company does not have any outstanding contracts or financial instruments with embedded derivatives that require bifurcation.

Comprehensive income

Comprehensive income consists of net earnings and other comprehensive income ("OCI"). OCI comprises the change in the fair value of the effective portion of the derivatives used as hedging items in a cash flow hedge and the change in fair value of any available for sale financial instruments. Amounts included in OCI, if any, are shown net of tax. Accumulated other comprehensive income ("AOCI") is composed of the cumulative amounts of OCI.

Changes in significant accounting policies

Inventories

In June 2007, the CICA issued Handbook section 3031, "Inventories" to harmonize accounting for inventories under Canadian GAAP with International Financial Reporting Standards. This standard established guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value and subsequent reversal of impairment to original cost. It also provides guidance on the cost formulas that are used to assign costs to inventories. The Company adopted this section effective January 1, 2008 and has determined that there is no material impact on its consolidated financial statements as the existing accounting policies were substantively in compliance with the revised standard.

Equipment inventory 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 cost to sell that item. Parts inventory is recorded at the lower of cost and net realizable value, with cost being determined using average cost. Work-in-progress is valued on a specific item, actual cost basis.

2. SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Financial instruments

Effective for years beginning on or after October 1, 2007, the provisions of the Canadian Institute of Chartered Accountants ("CICA") Handbook section 3862 - "Financial Instruments Disclosures", and section 3863 - "Financial Instruments Presentations" require disclosure of information with regard to the significance of financial instruments to the Company's financial position and performance, the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date, and how the Company manages those risks. These standards replace CICA Handbook section 3861 "Financial Instruments". The Company adopted this section effective January 1, 2008.

3. FUTURE CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Goodwill and intangible assets

In February 2008, the CICA issued Section 3064, Goodwill and intangible assets, replacing Section 3062, Goodwill and other intangible assets and Section 3450, Research and development costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning January 1, 2009. It establishes standards for the recognition, measurement, presentations and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous section 3062. The Company does not expect the adoption will have a material impact on its consolidated financial statements.

Convergence with International Financial Reporting Standards

The CICA has issued an exposure draft for the full adoption of International Financial Reporting Standards ("IFRS") for all Canadian publicly accountable enterprises on January 1, 2011. The Company has assigned a committee of people from various levels of the organization to consider the impact that the conversion to IFRS will have on the Company over the next few years. This committee has met and reviewed a number of the key areas where the Company may be impacted including, but not limited to, Accounts Receivables, Inventory, Property Plant and Equipment, Provisional Accounting, and Revenue Recognition. At this point in time the Company is still determining the impact of IFRS on its consolidated financial statements. This process will continue throughout 2009. Further disclosures as to the nature of the financial and operational impacts will be made as available during the transition process.

4. ACQUISITIONS OF BUSINESSES

a) On October 9, 2008, the Company acquired 100% of the outstanding common shares of Lakeland Implements Ltd ("Lakeland"), a Case IH dealer. The operating results of the business acquired are consolidated from October 9, 2008, the acquisitions' effective date. The risks and rewards of ownership of the business were transferred on October 9, 2008.

The preliminary purchase price was $1,945,940, which was comprised of cash consideration of $1,904,230, inclusive of transaction costs in the amount of $50,000, of which $1,398,730 has been paid (net of cash acquired), and the issuance of 5,000 shares at $8.34 per share (valued based on the average share price of two days around October 9, 2008, date of acquisition), for aggregate share consideration of $41,710. The net working capital related to the acquisition was $1,242,647.

	$
Cash consideration	1,854,230
Transaction costs	50,000
Shares issued	41,710
Purchase consideration	1,945,940

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

	$
Net working capital	1,242,647
Property, plant and equipment	542,564
Goodwill	328,716
Future income tax liability	(129,021)
Long-term debt	(38,966)
Net assets acquired	1,945,940

Goodwill is not deductible for tax purposes.

4. ACQUISITIONS OF BUSINESSES, CONTINUED

b) On August 27, 2008, the Company acquired 100% of the outstanding common shares of Kevin G. Miller Holdings Ltd. (“Miller Holdings”) and Heritage Holdings Ltd. (“Heritage Holdings”) which in turn collectively owned 100% of Miller Farm Equipment (2005) Inc. (“Miller”), a Case IH dealer. The operating results of the businesses acquired are consolidated into the Company from August 27, 2008, the acquisitions’ effective date. The risks and rewards of ownership of these businesses were transferred on August 27, 2008.

The aggregate purchase price for each of Miller Holdings and Heritage Holdings was $8,809,672, which was comprised of cash consideration of $4,941,826, inclusive of transaction costs in the amount of $236,520, of which $2,937,344 has been paid (net of cash acquired) including transaction costs of $236,520, and the issuance of 274,510 shares at $14.09 per share (valued based on the average share price of two days around June 19, 2008, date of announcement), for share consideration of $3,867,846. The net working capital related to each acquisition was $1,736,469.

	Miller Holdings $	Heritage Holdings $	Total $
Cash consideration	4,705,306	4,705,306	9,410,612
Transaction costs	236,520	236,520	473,040
Shares issued	3,867,846	3,867,846	7,735,692
Purchase consideration	8,809,672	8,809,672	17,619,344

The following table summarizes the fair value of the assets acquired and liabilities assumed at the date of acquisition:

	Miller Holdings $	Heritage Holdings $	Total $
Net working capital	1,736,469	1,736,469	3,472,938
Property, plant and equipment	1,055,447	1,055,447	2,110,894
Goodwill and unallocated surplus	6,299,756	6,299,756	12,599,512
Future income tax liability	(31,371)	(31,371)	(62,742)
Debt assumed	(250,629)	(250,629)	(501,258)
Net assets acquired	8,809,672	8,809,672	17,619,344

Goodwill is not deductible for tax purposes.

4. ACQUISITIONS OF BUSINESSES, CONTINUED

c) On June 11, 2008, the Company acquired 100% of the outstanding common shares of Roydale International Ltd ("Roydale"), a Case IH dealer. The operating results of the business acquired are consolidated from June 1, 2008, the acquisitions' effective date. The risks and rewards of ownership on these acquisitions were transferred on June 1, 2008.

The aggregate purchase price was $1,794,779, which was comprised of cash consideration of $1,144,779, inclusive of transaction costs in the amount of $49,686, of which $749,176 has been paid (net of cash acquired), and the issuance of 54,439 shares at $11.94 per share (valued based on the average share price a few days around May 14, 2008, date of announcement), for aggregate share consideration of $650,000. The net working capital related to the acquisition was $1,245,091.

	$
Cash consideration	1,095,093
Transaction costs	49,686
Shares issued	650,000
Purchase consideration	1,794,779

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

	$
Net working capital	1,245,091
Property, plant and equipment	500,000
Goodwill	171,493
Future income tax liability	(121,805)
Net assets acquired	1,794,779

Goodwill is not deductible for tax purposes.

4. ACQUISITIONS OF BUSINESSES, CONTINUED

d) On December 20, 2007, the Company acquired 100% of the outstanding common shares of Hammer Equipment Sales Limited and the Hi-Way Service Group. The operating results of the businesses acquired are consolidated from December 20, 2007, the acquisitions' closing date. The risks and rewards of ownership of these acquisitions were transferred on December 20, 2007.

The aggregate purchase price was $111,174,000, which was comprised of cash of $50,574,000, amounts due upon closing of the over-allotment option of $9,750,000, and the issuance of 5,085,000 shares at $10.00 per share, with the value ascribed to the shares being the value in the initial public offering, for aggregate share consideration of $50,850,000. The purchase price and net working capital related to the Hammer Equipment Sales Limited acquisition were $66,704,000 and $15,000,000, respectively, while the respective balances associated with the Hi-Way Service Group acquisition were $44,470,000 and $9,250,000. Transaction costs associated with this acquisition were paid directly by the former owners of Hammer and Hi-Way and not by the Company.

	$
Cash paid	50,574,000
Overallotment of shares payable	9,750,000
Shares issued	50,850,000
Purchase consideration	111,174,000

The following table summarizes the fair value of the assets acquired and liabilities assumed at the date of acquisition:

	$
Net working capital and adjustments	24,842,485
Property, plant and equipment	26,281,628
Intangible assets	21,080,000
Goodwill	71,181,998
Debt assumed	(25,399,734)
Future income tax liability	(6,812,377)
Net assets acquired	111,174,000

Goodwill is not deductible for tax purposes.

During the year ended December 31, 2008, an amount of $592,485 was recognized on the consolidated Balance Sheet as a decrease to accounts payable and accrued liabilities (an increase in net working capital acquired) and a decrease to goodwill, resulting from the receipt of information to finalize the income taxes payable resulting from the net working capital on acquisition.

5. ACCOUNTS RECEIVABLE AND OTHER

	2008	2007
	$	$
Trade receivables	**37,404,611**	27,032,091
Warranty receivables	**4,351,784**	1,735,711
Other receivables	**1,723**	38,262
	41,758,118	28,806,064
Less allowance for doubtful accounts	**(1,144,583)**	(552,208)
	40,613,535	28,253,856

6. INVENTORY

	2008	2007
	$	$
Equipment - new	**134,598,060**	90,998,891
Equipment - used	**50,180,797**	25,865,177
Parts	**22,018,262**	12,579,510
Work-in-progress	**669,970**	366,911
	207,467,089	129,810,489

For the year ended December 31, 2008, new and used equipment, parts and work-in-progress recognized as an expense amounted to $328,176,103 and is included in cost of sales on the consolidated Statement of Net (Loss) Earnings and Comprehensive (Loss) Income. For the year ended December 31, 2008, there were write downs of $2,700,124 on the Consolidated Statement of Net (Loss) Earnings and Comprehensive (Loss) Income of inventory to net realizable value required (2007 - $Nil) and all inventory has been pledged as security for liabilities as disclosed in Notes 13 and 14.

7. GOODWILL IMPAIRMENT

At least annually, the Company tests goodwill for impairment by comparing the carrying amount to the fair value on a reporting entity basis. At December 31, 2008, the Company performed an impairment test of goodwill. The impairment test is based on a two step process. In step one, a fair value was determined using a market based approach. The market based approach derives a fair value based on the market capitalization of the Company at December 31, 2008. Step one showed a carrying value that exceeded fair value and, as a result, the Company proceeded to step two to assess the amount of the impairment.

7. GOODWILL IMPAIRMENT, CONTINUED

The second step required the fair value determined in step one to be allocated to each individual asset and liability as it would be in a business acquisition. After performing this allocation, it was determined there was no fair value left to assign to goodwill. As a result, an impairment of goodwill in the amount of $84,836,364 was recorded to the Consolidated Statement of (Loss) Earnings and Comprehensive (Loss) Income.

The circumstances that led to the impairment of goodwill relate to the change in global economic conditions and uncertainty in the Company's industry, in the fourth quarter of 2008. The tightening of credit markets negatively impacted the industry as its cost of borrowing is expected to increase, as well, customers are experiencing difficulty acquiring financing to purchase the Company's products.

In determining fair value, management relies on a number of factors including operating results, economic projections, anticipated future cash flows and marketplace data. There are inherent uncertainties related to these factors and judgments in applying them to the analysis of goodwill and intangible asset impairment. However, fair value determinations require considerable judgment and are sensitive to changes in the factors described above.

8. INTANGIBLE ASSET IMPAIRMENT

At December 31, 2008, the Company performed an impairment test of its intangible assets to compare their carrying value to their fair value. The fair value of intangible assets is determined by analyzing the identifiable future undiscounted future cash flows related to the intangible assets. The Company had identified the following as potential intangible assets: customer relationships, trade names and dealership agreements. Based on the Company's assessment related to the decline in the global economy in the fourth quarter of 2008, and the inability to identify specific cash flows related to each of these categories, all of the intangible assets were considered impaired at December 31, 2008. As a result, a write down of $17,950,292 was recorded in the Consolidated Statement of Net (Loss) Earnings and Comprehensive (Loss) Income (see Note 10).

9. PROPERTY, PLANT AND EQUIPMENT

	2008		
	Cost $	Accumulated Amortization $	**Net Book Value $**
Land	2,241,691	-	**2,241,691**
Rental assets	9,328,201	303,573	**9,024,628**
Lease equipment	4,679,566	1,587,316	**3,092,250**
Buildings	320,525	37,476	**283,049**
Computer equipment	721,039	287,658	**433,381**
Furniture and fixtures	737,963	150,280	**587,683**
Land improvements	16,891	2,800	**14,091**
Leasehold improvements	601,711	66,825	**534,886**
Shop tools and equipment	2,266,240	508,481	**1,757,759**
Vehicles	4,399,980	990,307	**3,409,673**
Other	83,760	5,203	**78,557**
	25,397,567	3,939,919	**21,457,648**

	2007		
	Cost $	Accumulated Amortization $	**Net Book Value $**
Rental assets	14,138,123	82,771	**14,055,352**
Lease equipment	8,758,569	99,255	**8,659,314**
Buildings	311,985	1,066	**310,919**
Computer equipment	351,893	5,749	**346,144**
Furniture and fixtures	333,826	2,585	**331,241**
Land improvements	16,891	88	**16,803**
Leasehold improvements	243,211	1,635	**241,576**
Shop tools and equipment	1,186,192	9,415	**1,176,777**
Vehicles	1,598,974	15,360	**1,583,614**
	26,939,664	217,924	**26,721,740**

Included in cost of sales is amortization expense aggregating $2,347,341 (2007 - $82,771) for rental assets and $2,016,019 (2007 - $99,255) for leased equipment for the year ended December 31, 2008, respectively. For the year ended December 31, 2008 total amortization of property, plant and equipment was $6,408,393 (2007 - $217,924).

9. PROPERTY, PLANT AND EQUIPMENT, CONTINUED

As at December 31, 2008, assets under capital lease, included in computer equipment and vehicles, have a cost of $105,441 (2007 - $105,441) and $863,502 (2007 - $31,705), and accumulated amortization of $75,108 (2007 - $2,347) and $140,980 (2007 - $1,610), respectively.

10. INTANGIBLE ASSETS

	2008		
	Cost $	Accumulated Amortization and Impairment $	**Net Book Value $**
Customer relationships	9,300,000	9,300,000	**-**
Dealership agreements	4,000,000	4,000,000	**-**
Lease agreements	80,000	80,000	**-**
Non-competition agreements	400,000	400,000	**-**
Trade name	7,300,000	7,300,000	**-**
	21,080,000	21,080,000	**-**

	2007		
	Cost $	Accumulated Amortization $	**Net Book Value $**
Customer relationships	9,300,000	42,857	**9,257,143**
Dealership agreements	4,000,000	25,806	**3,974,194**
Lease agreements	80,000	1,291	**78,709**
Non-competition agreements	400,000	4,301	**395,699**
Trade name	7,300,000	23,548	**7,276,452**
	21,080,000	97,803	**20,982,197**

11. BANK INDEBTEDNESS

The Company has an operating revolving credit facility to a maximum of $10,000,000 with HSBC (the “Bank”) and bears interest ranging from the Bank’s prime to the Bank’s prime plus 0.5%. The balance drawn at December 31, 2008 was $Nil (2007 - $Nil). The effective interest rate at December 31, 2008 was 3.5% (2007 - 6.0%). This indebtedness is secured by a general security agreement in favor of the Bank that is subject to various priority agreements covering the Company’s receivables and the non-case parts inventory.

11. BANK INDEBTEDNESS, CONTINUED

As part of the acquisition of Miller Holdings and Heritage Holdings, an additional working capital line of $4,000,000 is available through Vanguard Credit Union Ltd. and bears interest at prime plus 0.8%. The balance drawn at December 31, 2008 was $1,380,046. Included in the outstanding balance at December 31, 2008 included cheques written in excess of cash of $3,842,606. The effective interest rate at December 31, 2008 was 3.8%. This indebtedness is secured by the receivables and non-case parts inventory of Miller.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2008	2007
	$	$
Trade accounts payable	**21,018,214**	15,618,657
Parts accounts payable	**2,023,444**	775,601
Income taxes payable	**5,509,518**	2,951,594
Employee and management bonus payable	**1,422,214**	955,177
	29,973,390	20,301,029

13. FLOOR PLAN PAYABLE

The floor plan payable is due to various creditors who have extended wholesale credit, and is due on various dates, and at fixed or variable interest rates ranging from 0% to banker’s acceptance rate plus 4.5%. The Company also has access to a floor plan line that bears interest at prime plus 5%, although no amounts were outstanding at December 31, 2008 and 2007. The amounts due are secured by certain of the Company’s new and used equipment inventory and are due when the equipment is sold or transferred, up to a maximum term of 48 months. The entire amount has been classified as current since the corresponding inventory to which it relates has also been classified as current.

14. LONG-TERM DEBT

	2008 $	2007 $
Bankers acceptance rate plus 4.5% to prime plus 0% payable on rental assets to various vendors payable in monthly principal instalments based on rents earned and secured by related equipment. The interest rates at December 31, 2008 ranged from 3.5% to 6.5% (December 31, 2007 - 6.5% to 7.3%)	**7,483,827**	12,938,124
Prime plus 1.5% Case Credit promissory note payable in monthly principal instalments of $10,000 plus interest, and secured by a general security agreement. The effective interest rate at December 31, 2008 was 5.0% (December 31, 2007 - 7.5%)	**545,000**	665,000
Case Credit promissory note Principal and interest payable only if predetermined sales targets are not been met by the Company. The effective interest rate at December 31, 2008 was 0%. All of the predetermined sales target have been met at December 31, 2008	**157,429**	-
Acquisition Loan payable in equal monthly principal instalments over a 60 month period, plus interest at the Bank's prime rate plus 0.4%, and secured by all real property owned and subsequently acquired. The effective interest rate at December 31, 2008 was 3.9%	**7,904,666**	-
Demand Loans payable in monthly principal instalments ranging from $1,700 to $7,000, plus interest at prime plus 0.8%, secured by related equipment. The effective interest rate at December 31, 2008 was 4.3%	**180,518**	-
Various contracts with GMAC Financial Services, HSBC and Ford Credit Canada Limited loans repayable in monthly instalments ranging from $524 to $1,672, plus interest ranging from 0% to 5.5%, secured by various motor vehicles, due between July 2009 and December 2010	**218,274**	356,259
	23,713,094	24,449,773
Less current portion	**(5,909,998)**	(5,821,139)
	17,803,096	18,628,634

14. LONG-TERM DEBT, CONTINUED

Principal payments due are as follows:

	$
2009	**5,909,998**
2010	**5,687,656**
2011	**5,411,091**
2012	**5,210,441**
2013	**1,318,111**
Thereafter	**175,797**
	23,713,094

15. OBLIGATIONS UNDER CAPITAL LEASES

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

	$
2009	**317,309**
2010	**145,054**
2011	**145,054**
2012	**73,447**
2013	**63,651**
Thereafter	**-**
	744,515
Less amount representing interest at rates of interest ranging from 0% to 7.6%	**101,471**
Present value of obligations under capital leases	**643,044**
Less current portion	**299,927**
	343,117

16. CONTINGENCY AND GUARANTEE

The Company has various degrees of recourse, arising in the ordinary course of business, by assisting its customers in financing the sale of equipment. The Company becomes liable 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 no risk of loss from this guarantee, as the assessed value of the underlying security exceeds the loan balance. Accordingly, management believes the fair value of the guarantee is not significant.

17. SHARE CAPITAL

a) Shares

The share capital of the Company consists of following:

	2008		2007	
	Shares	**Total $**	Shares	Total $
Authorized				
Unlimited number of common shares				
Issued				
Opening balance	**11,585,000**	**115,198,821**	-	-
Shares issued in public offering at $10 per share			6,500,000	65,000,000
Shares issued pursuant to over-allotment	**975,000**	**9,750,000**		
Share issued in matching plan	**51,900**	**519,000**		
Shares issued in consideration for acquisitions (Note 4)				
Hammer/Hi-Way			5,085,000	50,850,000
Miller	**549,020**	**7,735,692**		
Roydale	**54,439**	**650,000**		
Lakeland	**5,000**	**41,710**		
	13,220,359	**133,895,223**	11,585,000	115,850,000
Shares issue cost, net of tax effect	**-**	**(16,406)**	-	(651,179)
Closing balance	**13,220,359**	**133,878,817**	11,585,000	115,198,821

Pursuant to the closing of the initial public offering, there were 51,900 and 975,000 shares that were reserved in treasury for the share matching plan and the over-allotment option, respectively, as disclosed in the Company's initial public offering prospectus. These share issuances were considered to be part of the business acquisition consideration as described in Note 4(d), and was a liability of the Company at December 31, 2007 to fully satisfy the purchase of the business acquired. The value of these two transactions are shown as a liability aggregating $10,269,000 at December 31, 2007 with the issuance of shares under the share matching plan on December 19, 2008 ($519,000 and 51,900 shares) and the issuance of shares on the over-allotment ($9,750,000 and 975,000 shares) on January 11, 2008.

17. SHARE CAPITAL, CONTINUED

b) 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. During the year, the Company issued 615,050 (2007 - 83,450) options with a weighted-average exercise price of $12.38 (2007 - $10), which vest equally over the next three years. The weighted average fair value of these options, as calculated using the Black-Scholes model, was $3.34 (2007 - $2.88).

In 2007, the Company issued an option to a shareholder to purchase 130,000 shares at an aggregate exercise price of $0.25. This option vests on April 1, 2011 and expires May 31, 2011. The weighted average exercise price of this option is $0.01. This option grant is a continuation of a private share option plan to a member of executive management. The option was fair value in accordance with the Company's accounting policy and compensation expense is recognized over the vesting period (See Note 17d). The weighted average fair value of this option, as calculated using the Black-Scholes model, was $10.

The outstanding options are as follows:

	2008	2007
Opening balance, January 1	**213,450**	-
Issued	**615,050**	213,450
Exercised	**-**	-
Cancelled	**-**	-
Forfeited	**(8,000)**	-
Closing balance, December 31	**820,500**	213,450

Options in the amount of 27,817 were exercisable at December 31, 2008 (2007 - Nil). In 2008, no options were exercised (2007 - Nil) and 8,000 options were forfeited (2007 - Nil).

17. SHARE CAPITAL, CONTINUED

The options outstanding at December 31, 2008 are as follows:

Date Issued	Number of Options Outstanding	Weighted Average Exercise Price $	Expiry Date	Weighted Average Contractual Life
December 20, 2007	83,450	10.00	December 20, 2012	4.0
December 20, 2007	130,000	0.01	May 31, 2011	2.4
February 29, 2008	595,550	12.40	February 28, 2013	4.2
May 16, 2008	11,500	11.50	May 16, 2013	4.4

c) Restricted share unit plan

In 2007, the Company reserved 158,000 shares under a restricted shares 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 year ended December 31, 2008, 6,750 of these units were cancelled. The aggregated fair value of the remaining 151,250 shares at December 31, 2008 is $1,512,500 (2007 - $1,580,000). 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.

d) Stock-based compensation

During the year ended December 31, 2008, the Company recorded compensation expense in the consolidated Statement of Net (Loss) Earnings and Comprehensive (Loss) Income totaling $1,377,410 (2007 - $28,247) using a fair value based method for stock options granted to directors, officers and employees and shares reserved under the restricted share unit plan in the consolidated financial statements.

	$
Opening balance, December 20, 2007	**-**
Compensation expense	**28,247**
Options exercised	**-**
Closing balance, December 31, 2007	**28,247**
Compensation expense	**1,377,410**
Options exercised	**-**
Closing balance, December 31, 2008	**1,405,657**

17. SHARE CAPITAL, CONTINUED

The weighted average fair value of the options granted was estimated to range from $2.88 to $10.00 on the date of grant using the Black-Scholes option-pricing model with weighted average assumptions as follows:

	2008	2007
Discount rate - risk free interest rate	**3.9%**	3.9%
Expected lives (years)	**3**	3 - 5
Expected volatility	**23%**	23%
Expected dividends	**$NIL**	$NIL

18. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net earnings available to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per share are calculated to reflect the dilutive effect of exercising outstanding stock options by applying the treasury stock method.

At December 31, 2008, all options were anti-dilutive.

	2008			2007		
	Earnings $	**Weighted average shares outstanding**	**Per share $**	Earnings $	Weighted average shares outstanding	Per share $
Basic	(87,694,219)	12,752,308	(6.88)	327,950	11,585,000	0.03
Effect of dilutive securities	-	-	-	-	371,450	-
Diluted	(87,694,219)	12,752,308	(6.88)	327,950	11,956,450	0.03

19. COMMITMENTS

Annual rents payable under long-term operating leases as at December 31, 2008 are as follows:

	$
2009	5,299,523
2010	4,869,797
2011	4,555,951
2012	4,449,814
2013	1,597,365
Thereafter	2,259,187

20. RELATED PARTY TRANSACTIONS

During the year, the Company paid management fees and flight costs to a company controlled by a related party totalling $200,000 (2007 - $6,581) and $222,691 (2007 - $5,520), respectively. In addition, rental payments on the Company's facilities of $3,352,880 (2007 - $107,344) were paid to companies controlled by certain members of senior management. Equipment sales of $6,432,569 (2007 - $1,317,655) and purchases of $2,169,768 (2007 - $669,162) were transacted between the Company and a company controlled by a significant shareholder and member of senior management. At December 31, 2008, $160,318 (2007 - $Nil) was in accounts receivable and other and due from related companies and $139,895 (2007 - $Nil) was due to related companies.

These transactions are in the normal course of operations and are measured at the exchange amount, which approximates fair value.

The following transactions were not in the normal course of operations although the change in ownership was substantive and are measured at the exchange amount, which approximates fair value:

As at December 31, 2008, $55,457 was payable to the former shareholders of Lakeland, who are also shareholders of the Company, in relation to working capital adjustments resulting from the acquisition described in Note 4(a), and $50,000 in transaction costs. The final working capital adjustment was paid on January 26, 2009.

As at December 31, 2008, $3,410,612 was payable to the former shareholders of Miller Holdings and Heritage Holdings, who are also shareholders of the Company, in relation to working capital adjustments resulting from the acquisition described in Note 4(b). The final working capital adjustment was paid on February 25, 2009.

20. RELATED PARTY TRANSACTIONS, CONTINUED

As at December 31, 2008, $245,092 was payable to the former shareholders of Roydale, who are also shareholders of the Company, in relation to working capital adjustments resulting from the acquisition described in Note 4(c). The final working capital adjustment was paid on January 26, 2009.

During the year, the Company paid out the working capital adjustments in the amount of $127,703 related to the acquisitions of Hammer Equipment Sales Ltd. and Hi-Way Service Inc. described in Note 4(d).

The amounts owing to related parties are non-interest bearing, unsecured and the carrying amount approximates the fair value due to the short-term nature. As at December 31, 2008 and 2007, there are no other outstanding accounts receivable or accounts payable with related parties.

21. INCOME TAXES

Total taxes are different than the amount computed by applying the combined statutory Canadian and Provincial tax rates to income before taxes. The difference results from the following:

	2008 $	2007 $
Earnings before income taxes	(87,393,111)	495,065
Computed income tax at statutory rate of 29.5% for December 31, 2008 (2007 - 32.12%)	(25,780,968)	159,015
Expenses without a tax basis	25,214,646	-
Stock-based compensation	406,336	9,039
Meals and entertainment	148,101	-
Change in enacted tax rates	312,993	-
Other	-	(939)
	301,108	167,115

Temporary differences that give rise to the future income tax liability pertain to timing differences on capital assets and the Company's intangible assets and future income tax assets related to non-capital loss carry forwards.

21. INCOME TAXES, CONTINUED

	2008 $	2007 $
Future income tax liabilities		
Property, plant and equipment	**1,492,315**	1,479,393
Intangible assets	**-**	5,635,716
Future income tax assets		
Share issue costs	**(193,821)**	(246,920)
Cumulative eligible capital	**(171,939)**	-
Non-capital loss carry forwards	**-**	(10,092)
Net future income tax liability	**1,126,555**	6,858,097

At December 31, 2008, the Company had non-capital loss carry forwards of $Nil (2007 - $31,536). The tax impact of the losses has been recognized in the consolidated financial statements.

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, and liquidity risk. The following analysis provides a measurement risk as at the consolidated Balance Sheet date of December 31, 2008.

Credit risk

The Company’s principal financial assets are cash and accounts receivable and other, which represent the Company’s exposure to credit risk in relation to financial assets.

The Company’s credit risk is primarily attributable to its trade receivables. The amounts disclosed in the consolidated Balance Sheet are net of allowances for doubtful accounts, estimated by the management of the Company based on previous experience and their assessment of the current economic environment. In order to reduce its risk, management has adopted credit policies that include regular review of credit limits. The Company does not have significant exposure to any individual customer and has not incurred any significant bad debts during the period. The credit risk on cash is limited because the counterparties are chartered banks with high credit-ratings assigned by national credit-rating agencies.

22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT, CONTINUED

The carrying amount of financial assets represents the maximum credit exposure and therefore the credit risk at the reporting date was:

	$
Cash	492,740
Accounts receivable	40,613,535
Bank indebtedness	(5,222,652)
	35,883,623

The aging of accounts receivable at the reporting date was:

	$
Trade Receivables	
Current	21,649,881
Aged between 61 - 119 days	13,212,201
Aged greater than 120 days	2,544,252
Total receivables	37,406,334
Allowance for doubtful accounts	(1,144,583)
Net trade receivables	36,261,751
Warranty receivables	4,351,784
	40,613,535

Reconciliation of allowance for doubtful accounts:

	$
Balance, December 20, 2007	552,208
Increase in period	-
Balance, December 31, 2007	552,208
Increase in period	592,375
Balance, December 31, 2008	1,144,583

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. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT, CONTINUED

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. As of the reporting date there were no contracts outstanding.

Included in selling and administration expenses are gains recognized due to foreign currency translation gain (loss) for transactions and balances aggregating $124,411 (2007 - ($8,450)) for the year ended December 31, 2008.

Certain of the Company's financial instruments are exposed to fluctuations in the USD. The following table will detail the Company's exposure to currency risk at December 31, 2008 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 net (loss) earnings and comprehensive (loss) income.

	Denominated USD $	Change in Currency %	Effect on Net (Loss) Earnings and Comprehensive (Loss) Income Year Ended December 31, 2008 $
Cheques in excess of cash	(556,876)	5.0	(19,630)
Accounts payable and accrued liabilities	(1,204,813)	5.0	(42,470)
Floor plan payable	(8,953,702)	10.0	(631,236)
	(10,715,391)		(693,336)

22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT, CONTINUED

Interest rate risk

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 Company is exposed to the following interest rate risks at December 31, 2008:

	$
Floor plan payable	105,314,057
Rental loan	7,483,827
HSBC dealer lease	7,223,380
Acquisition loan	7,904,666
Case Credit	702,429
	128,628,359

Interest rate risk sensitivity analysis

The following table details the Company's sensitivity analysis to an increase of interest rates by 0.5% on net earnings and comprehensive income. 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 and comprehensive income.

	Effect on Net (Loss) Earnings and Comprehensive (Loss) Income Year Ended December 31, 2008 $
Floor plan payable	371,232
Rental loan	26,381
HSBC dealer lease	25,462
Acquisition loan	27,864
Case Credit	2,476
	453,415

22. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT, CONTINUED

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 at the reporting date:

	Carrying Value $	2009 $	2010-2011 $	2012-2013 $
Accounts payable and accrued liabilities	29,973,390	29,973,390	-	-
Floor plan payable	150,448,653	150,448,653	-	-
Due to related parties	3,690,738	3,690,738	-	-
Long-term debt	23,713,094	5,909,998	11,098,747	6,704,349
Capital leases	643,044	299,927	228,942	114,175
	208,468,919	190,322,706	11,327,689	6,818,524

Fair value of financial instruments

The Company's current financial instruments consist of cash, accounts receivable and other, bank indebtedness, accounts payable and accrued liabilities, floor plan payable, due to related parties, long-term debt and obligations under capital lease. The carrying amounts of cash and cash equivalents, accounts receivable and other, bank indebtedness, accounts payable and accrued liabilities approximate their fair values because of the short-term maturities of these items. The carrying amount of floor plan payable, long-term debt and obligations under capital lease approximates 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 and GMAC Financial Services, in which the fair value aggregates $142,592.

23. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are:

(a) To maintain a flexible capital structure which optimized 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 capital leases in the definition of capital.

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-GAAP measure which does not have a standardized meaning prescribed by GAAP 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-GAAP 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 and a specific covenant requirement). These measures are calculated quarterly and annually.

The Company was in compliance with all externally imposed capital requirements at December 31, 2008 and 2007.

Debt to equity capitalization is calculated as total long-term debt including capital leases, (both long-term and short-term portions), divided by total equity, (share capital, contributed surplus, and retained earnings).

The debt to equity target for the Company on an overall long-term basis is to have debt between 30 to 50 % of shareholders' equity. The ratio is currently above due to the impairment of goodwill and intangibles.

The components of debt and coverage ratios are as follows:

	$	$
Current portion of long-term debt	5,909,998	5,821,139
Current portion of obligations under capital leases	299,927	104,301
Long-term debt	17,803,096	18,628,634
Obligations under capital leases	343,117	29,652
Total debt	24,356,138	24,583,726
Shareholder's equity	46,168,069	115,555,018
Debt to equity	52.76%	21.27%

24. ECONOMIC DEPENDENCE

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