

Interim Unaudited Consolidated Financial Statements of

## **CERVUS LP**

For the three months ended March 31, 2006

(These interim consolidated financial statements have not  
been reviewed by Cervus LP's auditors.)



# CERVUS LP

## Interim Unaudited Consolidated Statement of Earnings

	Three month period ended March 31, 2006	Three month period ended March 31, 2005
Revenue:		
Equipment sales	\$ 35,587,914	\$ 14,470,782
Parts and service	8,028,748	5,209,447
Rentals	1,014,675	—
Other	56,291	66,934
	<u>44,687,628</u>	<u>19,747,163</u>
Cost of sales	36,948,470	16,114,163
Gross profit	<u>7,739,158</u>	<u>3,633,000</u>
Expenses:		
Selling, general and administrative	6,803,432	4,040,842
Interest on long-term debt	59,797	80,103
Interest	382,831	110,090
Depreciation and amortization	696,589	55,157
	<u>(203,491)</u>	<u>(653,192)</u>
Loss before other income		
Other income:		
Equity earnings of significantly influenced companies	13,330	56,767
	<u>(190,161)</u>	<u>(596,425)</u>
Loss before allocation to senior equity instruments		
Allocation to senior equity instruments:		
Fixed value units	(10,050)	(10,050)
Preferred partnership units	11,264	—
	<u>\$ (188,947)</u>	<u>\$ (606,475)</u>
Net loss to limited partners		
Net loss per unit:		
Basic	\$ (0.03)	\$ (0.15)

See accompanying notes to the interim consolidated financial statements.

# CERVUS LP

## Interim Unaudited Consolidated Statement of Accumulated Earnings

For the three months ended March 31, 2006 and the year ended December 31, 2005

	General Partner	Limited Partners	Total
Balance, December 31, 2004	\$ 58,115	\$ 4,166,810	\$ 4,224,925
Net earnings available to partners	48,505	4,746,815	4,795,320
Distributions	(105,040)	(4,055,242)	(4,160,282)
Balance, December 31, 2005	1,580	4,858,383	4,859,963
Net loss available to partners	(1,889)	(187,058)	(188,947)
Distributions	—	(1,424,627)	(1,424,627)
Balance, March 31, 2006	\$ (309)	\$ 3,246,698	\$ 3,246,389

See accompanying notes to the interim consolidated financial statements.

# CERVUS LP

## Interim unaudited Consolidated Statement of Cash Flows

	Three month period ended March 31, 2006	Three month period ended March 31, 2005
Cash flows from (used in):		
Operating activities:		
Net loss for period before allocation to senior equity instruments	\$ (190,161)	\$ (596,425)
Add items not affecting cash:		
Depreciation and amortization	696,589	55,157
Equity earnings from significantly influenced companies	(13,330)	(56,767)
	493,098	(598,035)
Net change in non-cash working capital related to operations	(1,614,927)	925,524
	(1,121,829)	327,489
Financing activities:		
Proceeds from the issuance of limited partnership units	678,148	574,319
Proceeds from term debt	—	44,100
Repayment of term debt	(361,218)	(16,648)
Distributions to the limited partners	(1,331,207)	(979,146)
Distributions to preferred partnership units	(90,000)	—
Repayment of notes payable from Proventure Income Fund	(300,000)	(479,249)
Repayment of advances from Proventure Income Fund	(1,014,375)	—
Increase in finance reserve	(94,309)	(66,048)
Repayment of notes payable	(217,860)	(230,000)
Repayment of note payable	(1,500,000)	—
Advances to related parties	(264,764)	—
	(4,495,585)	(1,152,672)
Investing activities:		
Purchase of building and equipment	(404,733)	(65,397)
Decrease in cash	(6,022,147)	(890,580)
Cash (bank indebtedness), beginning of period	1,135,179	(164,664)
Bank indebtedness, end of period	\$(4,886,968)	\$ (1,055,244)
The following cash payments have been included in the determination of net earnings:		
Cash interest paid	\$ 284,680	\$ 187,669
Cash income taxes paid	1,145,389	—

See accompanying notes to the interim consolidated financial statements.

# CERVUS LP

Notes to the Interim Unaudited Consolidated Financial Statements

For the three month period ended March 31, 2006 and the period ended December 31, 2005

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## 1. Description of business:

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

## 2. Significant accounting policies:

The financial statements of Cervus LP have been prepared by management in accordance with accounting principles generally accepted in Canada. The unaudited financial statements have been prepared following the same accounting policies and methods of computation as the audited financial statements for the year ended December 31, 2005. The disclosures provided below are incremental to those included in the annual audited financial statements. The financial statements should be read in conjunction with the financial statements and the notes thereto for the year ended December 31, 2005.

These unaudited consolidated financial statements have not been reviewed by the Corporation's auditors.

## 3. Seasonality:

The Canadian retailing of agricultural equipment is influenced by seasonality. Sales activity is normally highest between April and October during growing seasons in Canada. Sales activity is low during winter months during non-growing seasons. As a result, earnings or losses may not accrue uniformly from quarter to quarter.

## 4. Term debt:

The bank term facility requires the LP to meet specific restrictions on capital expenditures and distributions and maintain specific debt to equity ratios. At March 31, 2006 and December 31, 2005 the LP was not in compliance with these covenants. It is likely the LP will violate these covenants at future dates; accordingly, the LP and the lender are in the process of amending the covenants. The bank term loan is classified as a current liability at March 31, 2006 and December 31, 2005.

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For the three month period ended March 31, 2006 and the period ended December 31, 2005

## 5. Partners' equity:

(a) Issued:

	Number of units	General partner	Limited partners	Total
Balance December 31, 2004	4,016,510	\$ 100	\$ 2,585,906	\$ 2,586,006
Issued on exercise of unit options	41,500	—	83,000	83,000
Exercise of unit options	—	—	12,000	12,000
Issued under DRIP plan	338,011	—	2,460,648	2,460,648
Issued for cash	15,400	—	123,200	123,200
Subscription receipts, net of costs	—	—	10,759,997	10,759,997
Balance December 31, 2005	4,411,421	100	16,024,751	16,024,851
Subscription receipts converted	1,484,600	—	—	—
Issued under DRIP plan	60,060	—	678,148	678,148
Balance March 31, 2006	5,956,081	\$100	\$ 16,702,899	\$ 16,702,999

The subscription receipts received in 2005 were automatically converted into 1,484,600 limited partnership units on January 15, 2006. Subscription receipts included \$649,440 received from officers, directors, consultants and employees.

## 6. Commitments and contingencies:

- (a) The LP acts as a sales agent for the lease of certain equipment by customers from Deere Credit. Under the terms of its agreement with Deere Credit, the LP is obligated to purchase the equipment leased to customers by Deere Credit at the end of the lease term at a predetermined amount under the terms of the leases. The total future purchase commitments aggregate approximately \$23,700,000 at March 31, 2006 and December 31, 2005 - \$23,700,000.
- (b) Deere Credit provides financing to certain of the LP's customers. A portion of this financing is with recourse to the LP if the amounts are uncollectible. As at March 31, 2006, this amount was approximately \$436,000 (December 31, 2005 - \$508,000).
- (c) The LP is committed to the following annual operating leases for equipment, land and buildings:

2006	\$ 1,864,307
2007	2,120,935
2008	1,980,059
2009	1,886,499
2010	1,687,209
Thereafter	5,084,584
Total	\$ 14,950,172

# CERVUS LP

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For the three month period ended March 31, 2006 and the period ended December 31, 2005

## 7. Related party transactions:

The LP has recorded certain transactions with related parties. The transactions are recorded at exchange amount, which is the amount agreed to between the related parties. The transactions for the three month period ended March 31, 2006 and 2005 are as follows:

(a) Proventure Income Fund, a mutual trust under common control and management

	2006	2005
Equipment and real estate rentals	\$ 164,100	\$ 224,026
Interest on notes payable and advances	49,557	67,932
Interest on fixed value units	10,050	10,050
Guarantee fees	36,375	19,846

The Chief Executive Officer ("CEO") of the LP is the Chairman and a trustee of Proventure Income Fund, a publicly traded fund. In addition, the CEO is the single largest equity holder of each of these entities. Under an agreement between the LP and Proventure Income Fund, Proventure is entitled to reimbursement for costs incurred and allocation of insurance costs, allocation of data services, guarantee fees based on 3% of \$4,850,000 (March 31, 2005 - \$3,250,000), the guarantee amounts to John Deere payable to either Proventure Income Fund or the individual providing the guarantees, interest on any overdraft balances, interest on any outstanding indebtedness, building lease charges based on lease agreements, and other direct expenses reimbursable with no handling fees or markup.

(b) Certain officers and dealer managers of the LP have provided guarantees to John Deere aggregating \$5,200,000. During the three month period ended March 31, 2006 and 2005, the LP paid these individuals \$75,375 for providing these guarantees.

(c) Notes payable to other related parties:

	2005	2004
5% notes payable, unsecured	\$ 511,620	\$ 511,620
Notes payable, non-interest bearing and unsecured	80,792	298,652
	\$ 592,412	\$ 810,272

During the period, interest of \$6,396 (2005 - \$6,396) was paid on the notes.

(d) Notes payable to Proventure Income Fund are subordinated and unsecured. The notes have five-year terms, are repayable in advance without penalty and require quarterly interest payments at a bank prime rate. The notes are due as follows: \$657,213 in 2008, \$3,058,655 in 2009. The advances to Proventure Income Fund are subordinated and unsecured. The advances have no fixed repayment terms and require quarterly interest payments at bank prime. Advances from Proventure Income Fund are non-interest bearing and unsecured.

# CERVUS LP

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For the three month period ended March 31, 2006 and the period ended December 31, 2005

- (e) The LP has guarantees on certain long-term debt obligations of Proventure Income Fund. The outstanding balances at March 31, 2006 on these debt obligations are approximately \$2,700,000 (December 31, 2005 - \$2,107,000).

## 8. Segmented information:

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

March 31, 2006	Agricultural Equipment	Construction Equipment	Total
Revenue	\$ 28,419,082	\$ 16,268,546	\$ 44,687,628
Net earnings (loss)	(1,191,413)	1,002,466	(188,947)
Depreciation and amortization	302,549	394,040	
Capital expenditures	131,554	273,179	404,733

March 31, 2005	Agricultural Equipment	Construction Equipment	Total
Revenue	\$ 19,747,163	\$ –	\$ 19,747,163
Net loss	(606,475)	–	(606,475)
Depreciation and amortization	55,157	–	55,157
Capital expenditures	65,397	–	65,397