ANNUAL REPORT 2014

ROCKY MOUNTAIN DEALERSHIPS

ROCKY MOUNTAIN DEALERSHIPS INC.
ANNUAL REPORT 2014

Early Spring | CASE IH Magnum 340 Tractor & 335 Vertical Tillage Disk Harrow

WE WERE ABLE TO MAINTAIN OUR PROFITABILITY YEAR-OVER-YEAR, AND SAW SIGNIFICANT IMPROVEMENTS IN SEVERAL KEY ASPECTS OF OUR BUSINESS

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CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

This Annual Report contains certain statements or disclosures relating to Rocky Mountain Dealerships Inc. and its subsidiaries (hereinafter collectively "Rocky") that are based on the estimates or expectations of its management as well as assumptions made by and information currently available to Rocky, which may constitute forward-looking statements or 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 Rocky anticipates or expects may, or will occur in the future (in whole or in part) should be considered forward-looking statements. In most cases, forward-looking statements can be identified by terms such as "forecast", "future", "may", "will", "expect", "anticipate", "believe", "hope", "potential", "enable", "plan", "continue", "contemplate", "pro-forma", "should", "intend", or other comparable terminology suggesting future outcomes or events. Forward-looking statements may, among other things, relate to: Discussion contained in the Message to Shareholders, including statements about providing return on investment that shareholders deserve, statements discussing or implying any future benefit, success, or profitability of Rocky, discussions about driving better results in product support for shareholders, discussions about maintaining and controlling costs, discussions about inventory and Rocky's efforts to reduce its inventory levels, discussions about improvement in business prospects or results, statements that Rocky can grow and integrate acquisitions simultaneously, that the integration process will be streamlined, as well as statements that the acquisitions of NGF Geomatics Inc. or Chabot Implements will be accretive. Rocky cannot assure investors that Rocky's actual performance or results will be consistent with these forward-looking statements. Rocky's actual results could differ materially from those anticipated in the forward-looking statements contained in this Annual Report as a result of the risk factors set forth in Rocky's annual information form dated March 10, 2015, available on SEDAR at www.sedar.com. All forward-looking statements in this Annual Report are qualified in their entirety by the cautionary statements herein, in addition to the cautionary statements on forward-looking information set forth in the Management's Discussion and Analysis contained in this Annual Report.

MESSAGE TO SHAREHOLDERS

MESSAGE TO SHAREHOLDERS

During the past year, Rocky has accomplished more than ever before on our brand acceptance, operational excellence and continuing to be a dependable partner to the customers and communities we serve. Our operations are focused within the strong Agriculture marketplace of the Western Canadian Prairies where farm incomes have hit record levels over the past few years. Notwithstanding the strength in our marketplace, 2014 began with several factors that negatively influenced equipment demand including a difficult and prolonged winter, commodity prices that dropped from their historical highs and challenges for many farmers of getting their crops to market. However, despite the decrease in equipment demand, we were able to maintain our profitability year-over-year, and saw significant improvements in several key aspects of our business. This truly is a testament of the hard work and dedication of the nearly 1,000 Rocky employees across our network. Rocky's mission is to be the safe, expert and dependable equipment partner for our customers. I commend our team in their commitment to this mission, as we work to build and maintain long-term relationships with the communities and businesses we serve.

2014 saw a dramatic improvement in our product support revenues, realizing an increase of 12.0% over 2013. As our customers elected to invest more into their existing equipment fleets, we were able to leverage our strong network of stores, our increased buying power, and improved procurement strategies to not only improve our top-line revenue, but also the profitability in our product support business. In our drive to be dependable, we undertook a number of customer-facing initiatives in 2014, to ensure a more streamlined and consistent customer experience, which we believe has translated into better profitability within these segments. Product support, while not a major contributor to top-line revenue, is a significant driver of our overall profitability as a company. As such, we will continue to refocus our efforts in this area of the business, working to drive even better results for our shareholders.

Another area in which we saw significant improvement was our construction segment. Pricing disparities created by the transition to Tier-4 compliant engines continues to ebb, and Rocky started to enjoy a more level playing field for pricing against its peers. In 2014, we focused much of our efforts on servicing our core businesses in construction, being "lite" equipment such as skid steers and loaders, as well as road building equipment and aggregates. With a more specific product offering, we were able to better maintain our costs in this segment, while offering improved consistency and expertise to the end user.

We recognize we still have to make progress for our construction segment to return to the level of profitability deserving of the operations. We also recognize the recent drop in oil prices will likely have a negative impact on this segment, at least in the short term. That said, with the progress made to date, our people enter 2015 with renewed confidence both in Rocky and the excellent brands we represent. Continued investment in our people is another key to improvement in our business. In so doing, we made Rocky a better place to work and earn a living. We gave them the tools, knowledge, and processes to deal with the challenges that we are presented with each day. As a result, our people were more empowered to manage the headwinds that our industry faced throughout 2014. We maintained our overall profitability and managed costs, despite a 4.2% decrease in top-line revenues. Our people are proud to be a part of Rocky, and their dedication to their work translated into increased and improved opportunities with our customers.

Inventory continued to be top-of-mind in 2014, as elevated inventory levels remain across much of our network. The success or failure of our inventory reduction initiative hinges on our ability to forecast overall demand for

equipment, lead times from manufacturers and trade in activity, all of which are tied to macroeconomic factors and, of course, the weather. The combination of the late spring, reductions in crop production and softening commodity prices, tempered equipment sales and impeded our inventory reduction efforts during 2014. That said, we are not making excuses. We are not satisfied with our progress on this task to date and we are committing ourselves to correcting this issue in a way that improves our balance sheet, while not causing significant cuts to our overall profitability.

I would be remiss if I did not comment on the changes that have taken place in early 2015. First and foremost, our two founders, Matt Campbell and Derek Stimson, retired on February 2, 2015. I would like to wish them well in their retirements, and would also like to thank them for their willingness to remain on our Board of Directors. Their knowledge of this business is second-to-none and will be invaluable to Rocky going forward.

On that same date, I was appointed President and Chief Executive Officer of Rocky. Our message over the years has been consistent – we will be prudent, responsible managers of our business. We have had periods of rapid expansion, followed by periods of integration. Going forward, I believe we can maintain the same steady course, with one key difference – I believe growth and integration in our business are not mutually exclusive, but can happen at simultaneously. Since 2012, we have been working on simplifying, streamlining, and unifying our network through a rebranding campaign and a corporate restructuring. Thanks largely to these efforts, as well as our seasoned team of employees and professionals, we believe that integration of future acquisitions can happen on a more efficient basis, and we look forward to making this happen.

On the acquisition front, in early 2015 we announced two acquisitions. Firstly, we acquired NGF Geomatics Inc., based in Ottawa, Ontario. Now re-branded as RME Geomatics, this acquisition addresses the fact that technology continues to play an ever-increasing role in our business. The technology involves the use of unmanned aerial vehicles, or "drones", in doing digital surveys and analysis of lands and vegetation. We believe this will have significant application both to our agriculture and construction customers, as the needs of the farmer in this regard are not all that different from the needs of the oil producer or contractor. While it will be some time before we can truly see this acquisition bear fruit, we are nonetheless excited about the impacts advanced technology may have in our line of business. Then, on March 10, 2015, we announced that we had entered into an agreement to acquire Chabot Implements. Chabot is a long-standing, family-owned Case IH dealer in Manitoba. With this acquisition, we add another four established branches to our already-vast and strong network. Additionally, the territory we ultimately acquire gives us exclusive Case IH sales and service rights over the majority of Manitoba.

The team here at Rocky has the confidence, knowledge, dedication and effort to help us succeed as an organization. On behalf of all our management and employees, I would like to thank you, our shareholders, for your support of Rocky. We here at Rocky are dedicated to providing you with the return on investment that you expect and deserve. **WE ARE ROCKY MOUNTAIN EQUIPMENT. DEPENDABLE IS WHAT WE DO.**

Garrett Ganden
President & Chief Executive Officer

Spring | CASE IH Magnum 380 CVT Rowtrac Tractor

ROCKY'S MISSION IS TO BE THE SAFE, EXPERT AND DEPENDABLE EQUIPMENT PARTNER FOR OUR CUSTOMERS

MANAGEMENT'S DISCUSSION & ANALYSIS

Late Spring | Seeded Wheat Field

ROCKY MOUNTAIN DEALERSHIPS INC. MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2014

This Management Discussion and Analysis ("MD&A") was prepared as of March 10, 2015 and is provided to assist readers in understanding Rocky Mountain Dealerships Inc.'s financial performance for the year ended December 31, 2014. It should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2014 and 2013 together with the notes thereto and the auditor's report thereon. The results reported herein have been derived from consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and are presented in Canadian dollars.

Unless the context otherwise requires, use in this MD&A of "Rocky", "the Company", "we", "us", or "our" means Rocky Mountain Dealerships Inc. and its wholly owned subsidiaries including Hammer Equipment Ltd. ("Hammer"), Hi-Way Service Ltd. ("Hi-Way"), Miller Equipment Ltd. ("Miller"), Rocky Mountain Equipment Canada Ltd. ("RME Canada"), Rocky Mountain Dealer Acquisition Corp. ("RMDAC") and Rocky Mountain Dealer Group Partnership (the "Partnership").

Rocky's common shares trade on the Toronto Stock Exchange under the symbol 'RME' and on the OTCQX under the symbol 'RCKXF'. Additional information relating to Rocky, including the Company's Annual Information Form, dated March 10, 2015 ("AIF"), is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com.

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

COMPANY OVERVIEW

Headquartered in Calgary, Alberta, Rocky is one of Western Canada's largest equipment dealers with a network of full-service agriculture and construction equipment stores across the Canadian Prairie Provinces operating under the name Rocky Mountain Equipment.

Rocky is Canada's largest retail dealer of CNH Industrial N.V. ("CNH") equipment, which includes Case IH, New Holland, and Case Construction. We are also a major independent dealer of equipment from a number of other manufacturers, including, but not limited to, Bourgault, Seed Hawk, Dynapac, Leeboy and Metso.

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

Historically, our business had been carried on through the Partnership doing business as Rocky Mountain Equipment. Effective January 2, 2014, the Company effected a restructuring whereby the business assets, liabilities, and all other operations of the Partnership were rolled into RME Canada pursuant to an asset transfer agreement. All the Company's operations in Alberta, Saskatchewan and Manitoba are conducted through RME Canada as of January 2, 2014. On February 27, 2014, the Partnership was dissolved. All our equipment dealership locations continue to operate under the name Rocky Mountain Equipment. On January 1, 2015, Hammer, Hi-Way and Miller were amalgamated to form RMDAC.

SUMMARY OF FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2014

- Product support revenues increased by 12.0% to $136.7 million.
- Total revenues decreased by 4.2% to $965.4 million.
- Gross profit increased by 3.7% to $145.6 million (15.1% of sales).
- Diluted earnings per share increased to $0.98.
- EBITDA[(1)] increased to $35.4 million.
- Inventory increased by $46.7 million to $526.0 million.

SUMMARY OF FINANCIAL RESULTS FOR THE QUARTER ENDED DECEMBER 31, 2014

- Product support revenues increased by 21.1% to $30.9 million.
- Total revenues increased by 1.2% to $294.1 million.
- Gross profit increased by 18.7% to $39.5 million (13.4% of sales).
- Diluted earnings per share increased to $0.32.
- EBITDA[(1)] increased to $10.8 million.
- Inventory decreased by $9.6 million to $526.0 million.

[(1)] *See further discussion in "Non-IFRS Measures" and "Reconciliation of Non-IFRS Measures to IFRS" sections below*

MARKET FUNDAMENTALS AND OUTLOOK

AGRICULTURE MARKET

Our agriculture equipment sales are made primarily to grain and oilseed crop farmers in Western Canada. Commodity prices, input costs, regulatory factors and weather are key demand drivers for equipment among these customers.

Agriculture, as a whole, exhibits cyclical surges in demand and profitability. For several consecutive years leading up to 2013, the industry had been on an upswing driven by rising commodity prices, increasing yield per acre and the application of new technology that has reduced input costs. Abundant global crop supplies have, however, reduced agricultural commodity prices throughout 2014. Despite some strengthening during the fourth quarter, the decrease in crop prices year-over-year softened overall agriculture equipment demand. We expect this pricing pressure to continue for the short-term, as the industry as a whole remains at the low end of the cycle. The recent weakening in the Canadian dollar is, however, expected to continue to provide some support to grain prices in Canada as agricultural commodities are largely priced in US dollars.

The 2014 growing season began with a prolonged winter and cool, wet weather during seeding which pushed back the harvest and led to a modest reduction in seeded acres across Canada, as compared to 2013. Throughout the Canadian Prairies, both yields and overall production receded back in line with historical averages. With this decrease in production, crop inventory levels are down relative to this time last year, and transportation bottlenecks are not anticipated to impede the conversion of the 2014 harvest into cash to the same extent as the prior year.

Early forecasts for the 2015 growing season are calling for moderate increases in seeded and harvested acres of both wheat and canola with reasonably flat yields per acre as compared to 2014. These increases are largely predicated on recovering lost seeded acreage caused by excessive moisture in eastern Saskatchewan and western Manitoba during the spring of 2014.

As part of the drive to improve productivity, farmers are continually investing in new equipment to drive better results on both the input cost and output efficiency sides of their business. New equipment technology enables lower input costs by reducing the number of field passes, per hour fuel consumption and overlapping seed and spray patterns. New equipment technology on the harvest side of the business also reduces fuel consumption, increases the speed per acre harvested and reduces process waste on the field. The emergence of GPS-enabled precision farming techniques acts as a multiplier for all of these advantages as well as a driver of demand and total spend. Within the Canadian agriculture sector, the trend towards larger farms is further benefiting farm equipment sales. According to its most recent census data, Statistics Canada reported a 31.2% increase in the number of Canadian farms managing operations with crop receipts in excess of $1.0 million. These operators require larger, more productive equipment and they tend to replace their equipment more frequently to capitalize on the latest technological advances and equipment efficiencies.

Demand from China and India, crop land dedicated to bio-fuel production, and general GDP growth are all putting pressure on worldwide production. Overall, the fundamentals underpinning agriculture equipment demand remain healthy.

CONSTRUCTION MARKET

Our construction equipment sales are balanced through residential construction, roadwork (including paving and aggregate production), and commercial, industrial, and municipal construction in the Alberta market. Housing starts, oil rig count, vehicle sales, and GDP growth are all factors that influence construction equipment purchases in Alberta.

The success of Rocky's construction segment is largely correlated to overall infrastructure spending in Alberta. The recent decline in oil prices has already begun to temper spending, particularly in the oil and gas sector. If sustained, it is anticipated that overall infrastructure spending will be negatively impacted which, in turn, is likely to negatively impact our construction segment results.

However, given the reduction in inventory during 2014, we are satisfied with the profile and levels of inventory within our construction segment as we prepare to face these potential headwinds.

We remain committed to succeeding in the construction market and management has made significant changes to restore our construction results. We intend to leverage our successes during 2014 to gain market acceptance and rebuild our presence in the province.

OVERALL

In response to the emission standards recently put in place in Canada and the United States, equipment manufacturers have incorporated Tier 4 engines into their equipment lines in order to comply with the new regulations. The full adoption of Tier 4 compliant equipment has been achieved in stages with new iterations of Tier 4 compliant machinery being mandated annually, each with incremental improvements over previous models. These improvements generally resulted in significant increases in manufacturing costs and, in turn, selling prices for these units. The disparity in pricing between tiers, and iterations within tiers, can result in competitive advantages or disadvantages in the marketplace, depending on the overall inventory profiles in the area as compared to individual dealers' profiles. To date, this disparity has been more prevalent on construction equipment which has constrained our construction sales over the past several quarters. We have recently complimented our equipment offering with certain competitively priced units with transition engines in advance of anticipated price increases on the final Tier 4 compliant machines. These pricing disparities will ultimately unwind as the industry progresses through inventory acquired during the transition period, which is now substantially complete.

The valuation of equipment in the North American market is largely dictated in U.S. dollars. Recent fluctuations in the Canadian dollar relative to the U.S. dollar are expected to increase pricing on much of the Company's new equipment inventory. As most equipment inventory throughout the industry is purchased in U.S. dollars, the price disparity within Canadian dealers' equipment profiles results from the timing of orders and the foreign exchange rates which prevailed at the time of the transaction. As a result of this increased pricing, used equipment may become comparatively more cost effective.

Rocky's success and growth, while predicated on the larger economic conditions and factors discussed above, is also affected by our ability to be a partner of choice for equipment purchasers. To that end, we continue to invest in our people, through training and employee engagement programs and in the communities that we serve.

The outlook for our end-markets, long-term health in commodity prices, the impact of previously acquired dealerships and trade areas and our strong original equipment manufacturer ("OEM") relationships, position us well to pursue our longer-term revenue and earnings growth initiatives.

Our underlying business fundamentals remain strong. We have exclusive distribution rights for some of the world's leading equipment brands, with significant barriers to entry into this market. Our installed base and customer relationships create an annuity of equipment sales and product support revenue, which help drive dependable earnings and cash flow. It is these strong fundamentals that continue to provide stability in our results and value to our shareholders.

SELECTED ANNUAL FINANCIAL INFORMATION

$ THOUSANDS, EXCEPT PER SHARE AMOUNTS	2014		2013		2012	
Sales						
New equipment	521,747	54.0%	523,522	51.9%	549,036	56.8%
Used equipment	303,536	31.4%	358,861	35.6%	297,476	30.8%
Parts	101,622	10.5%	92,599	9.2%	84,653	8.8%
Service	35,064	3.6%	29,421	2.9%	30,459	3.2%
Other	3,438	0.5%	3,359	0.4%	4,482	0.4%
	965,407	100.0%	1,007,762	100.0%	966,106	100.0%
Cost of sales	819,785	84.9%	867,356	86.1%	818,595	84.7%
Gross profit	145,622	15.1%	140,406	13.9%	147,511	15.3%
Selling, general and administrative	105,756	11.0%	105,450	10.5%	97,711	10.1%
Loss on repurchase of convertible debentures	-	0.0%	-	0.0%	4,232	0.4%
Interest on short-term debt	11,483	1.2%	11,696	1.2%	9,071	0.9%
Interest on long-term debt	2,182	0.2%	2,233	0.1%	2,843	0.4%
Earnings before income taxes	26,201	2.7%	21,027	2.1%	33,654	3.5%
Provision for income taxes	7,276	0.7%	5,714	0.6%	9,679	1.0%
Net earnings	18,925	2.0%	15,313	1.5%	23,975	2.5%
Earnings per share						
Basic	0.98		0.80		1.28	
Diluted	0.98		0.80		1.28	
Dividends per share	0.4450		0.3675		0.2475	
Non-IFRS Measures[1]						
EBITDA	35,440	3.7%	29,731	3.0%	42,008	4.3%
Operating SG&A	98,699	10.2%	98,979	9.8%	92,661	9.6%
Floor Plan Neutral Operating Cash Flow	(22,993)	(2.4%)	42,342	4.2%	(82,824)	(8.6%)

[1] – See further discussion in "Non-IFRS Measures" and "Reconciliation of Non-IFRS Measures to IFRS" sections below

SEGMENTED FINANCIAL REPORTING

The Company's branches have been aggregated on the basis of the primary industry which they serve, being agriculture or construction. Certain branches serve both industries. In cases where branches distribute both agriculture and construction equipment, the primary industry served is agriculture and, therefore, these facilities have been categorized as such. As a result, certain construction related results are included in the agriculture segment for the purposes of segmented financial reporting.

$ THOUSANDS	2014			2013		
	AGRICULTURE	CONSTRUCTION	TOTAL	AGRICULTURE	CONSTRUCTION	TOTAL
Sales						
New equipment	473,715	48,032	521,747	484,046	39,476	523,522
Used equipment	300,277	3,259	303,536	354,043	4,818	358,861
Parts	87,387	14,235	101,622	79,210	13,389	92,599
Service	29,478	5,586	35,064	24,050	5,371	29,421
Other	2,731	707	3,438	2,574	785	3,359
	893,588	71,819	965,407	943,923	63,839	1,007,762
Gross profit	132,430	13,192	145,622	135,078	5,328	140,406
Gross margin	14.8%	18.4%	15.1%	14.3%	8.3%	13.9%
Net income (loss)	20,430	(1,505)	18,925	23,979	(8,666)	15,313

REVENUE AND GROSS PROFIT

The Company uses the terms "acquired" versus "same store" in assessing its revenue and gross profit. Each acquired store has an average historical level of sales and gross profit prior to being acquired by Rocky. When the Company discusses "acquired" results, it is referring to these average historical levels. This base level of activity continues to be classified as acquired until such time as the acquired store has been included in our dealership network for a complete calendar year after which point, all activity is classified as same store. For the year ended December 31, 2014, all acquired growth pertains to the agriculture segment of the Company.

Agriculture Segment

$ THOUSANDS	2014	2013	CHANGE		
			TOTAL	ACQUIRED	SAME STORE
Sales					
New equipment	473,715	484,046	(10,331)	517	(10,848)
Used equipment	300,277	354,043	(53,766)	259	(54,025)
Parts	87,387	79,210	8,177	1,465	6,712
Service	29,478	24,050	5,428	26	5,402
Other	2,731	2,574	157	3	154
	893,588	943,923	(50,335)	2,270	(52,605)
Gross profit	132,430	135,078	(2,648)		
Gross margin	14.8%	14.3%	0.5%		

For the year ended December 31, 2014, total sales for the agriculture segment were $893.6 million representing a decrease of $50.3 million or 5.3% over the same period in 2013.

Equipment sales decreased by $64.1 million or 7.6%. The majority of the decrease is attributable to a reduction in used equipment sales. A late and tentative start to seeding and suboptimal growing conditions reduced overall optimism amongst farmers who also contended with reduced commodity prices. Transportation constraints in the first half of the year also delayed the conversion of 2013's bumper crop into cash, deferring cash flows necessary for equipment purchases.

Generally, demand for used equipment is considerably more susceptible to changes in these short-term factors than new equipment. This is due largely to the lead-time associated with presale arrangements commonly entered into on new unit sales. New sales are also disproportionately made to larger operators whose scale and diversity reduce the volatility of their equipment investment decisions.

As a result, the decline in new equipment sales year-over-year amounted to $10.3 million, considerably less than the decline in used. In addition to the aforementioned economic and environmental factors, a portion of the decrease in new equipment demand is the result of price increases associated with the transition to Tier 4 which has resulted in some customers electing to flip their fleets bi-annually rather than annually.

Parts sales for the year ended December 31, 2014 increased by $8.2 million or 10.3% with acquired parts sales contributing $1.5 million of this increase. Service sales for the year increased $5.4 million or 22.6%. Our product support sales increases for the year are attributable in part to general demand increases stemming from farmers electing to service their existing fleets in lieu of replacing them. The late harvest brought with it some weather related challenges which interrupted and prolonged the harvest. These harvesting conditions call for incremental machine hours, which in turn, fueled our product support business most notably in the third quarter of the year.

During the year, we also continued to bolster our parts sales through improved market penetration, primarily of non-captive product lines. Efforts undertaken by Rocky's management, including procurement synergies and sales training, have continued to have a positive effect.

Service sales have also benefitted from increased management focus on product support activities. Through the successful implementation and execution of strategic initiatives, our service departments have increased their technician efficiency, which is a key driver of profitability and a strategy to deal with a constrained market for qualified service technicians. At the same time, the reduction in equipment sales translated into fewer trades taken in which helped to facilitate the shift in mix from internal to external work.

Gross profit for the year ended December 31, 2014 decreased by $2.6 million or 2.0% over 2013. The aforementioned headwinds faced in the agriculture segment during 2014 reduced equipment sales and gross profits during the year.

The decline in new equipment sales during the year, as well as a shift in sales mix away from incentive eligible equipment also caused the Company to decrease its estimate of annual market share for the purposes of accruing manufacturer incentives. The combination of these two factors contributed to a $2.8 million decline in manufacturer incentives recognized during the year.

With the reduction in equipment sales activity, the demand for product support increased. The increase in this higher-margin business helped to offset gross profit lost due to reduced equipment sales and manufacturer incentives. As a result of this shift in mix, gross profit as a percentage of sales increased by 0.5% to 14.8%.

Construction Segment

$ THOUSANDS	2014	2013	CHANGE
Sales			
New equipment	48,032	39,476	8,556
Used equipment	3,259	4,818	(1,559)
Parts	14,235	13,389	846
Service	5,586	5,371	215
Other	707	785	(78)
	71,819	63,839	7,980
Gross profit	13,192	5,328	7,864
Gross margin	18.4%	8.3%	10.1%

For the year ended December 31, 2014, total sales for the construction segment were $71.8 million representing an increase of $8.0 million or 12.5% over the same period in 2013.

Equipment sales increased by $7.0 million or 15.8% as compared to the same period last year. The increase is attributable to the disposition of the Company's Terex trucks during the first quarter of 2014 for proceeds of $7.0 million.

Product support increased by $1.1 million to $19.8 million. Through investment in our departmental management and sales processes, we have been successful in gaining greater "share-of-wallet" from our existing customer base. The combination of targeted marketing initiatives and improved technician efficiency further drove increased service revenues, offsetting a $0.3 million reduction in service sales as a result of the closure of our Fort McMurray store in 2013.

Gross profit for the year ended December 31, 2014 increased by $7.9 million or 147.6% over 2013. As a percentage of sales, gross profit increased by 10.1% to 18.4%. During the fourth quarter of 2013, the Company recorded a $5.0 million impairment charge against its inventory of Terex trucks, reducing its 2013 gross profit and gross margin. This charge was in response to the announcement of the OEM that it had reached a deal to dispose of its truck business to a competitor. The resulting uncertainty around the Terex line and the future availability of OEM support had a negative impact on the valuation of our Terex articulated and rigid-framed trucks.

The remainder of the increase in gross profit is attributable to margin improvement in all sales categories and increased product support sales.

PRODUCT SUPPORT REVENUES

Certain product support activity is performed for the benefit of other departments. This activity is excluded from reported parts and service revenues. Management assesses overall product support activity to ensure that the resources deployed are adequate in light of total activity. Total parts and service activity is reconciled to our reported revenues for the respective departments as follows:

$ THOUSANDS	2014	2013
Parts activity		
Total activity	116,283	106,709
Internal activity eliminated	(14,661)	(14,110)
Reported revenues	101,622	92,599
Service activity		
Total activity	57,613	56,830
Internal activity eliminated	(22,549)	(27,409)
Reported revenues	35,064	29,421

While parts activity eliminated was relatively flat year-over-year, the proportion of service activity eliminated decreased from 48.2% to 39.1%. This reduction is due in part to fewer trades taken in as a result of lower equipment sales. Trades consume service resources as such equipment requires inspection and repair to be brought to a saleable condition.

SELLING, GENERAL AND ADMINISTRATIVE

Selling, general and administrative ("SG&A") expenses include sales and marketing expenses, sales commissions, payroll and related benefit costs, insurance expenses, professional fees, rent and other facility costs and administration overhead including depreciation of property and equipment. The majority of these costs are fixed. As we acquire new stores, these costs will increase as we incur additional expenditures related to the direct selling, general and administrative functions. Over time, as these acquisitions are amalgamated into the business, the costs will generally decrease as we incorporate their finance and administrative functions into our corporate resources. Similarly, costs will increase as we add direct customer related resources such as equipment specialists, but will normalize as those positions drive sales and increase the customer base.

Fixed costs are subject to price increases driven primarily by real estate and labour demand in Western Canada. Variable costs included within SG&A expenses consist primarily of sales commissions.

The Company assesses its Operating SG&A relative to total sales in analyzing its results. See the definition and reconciliation of Operating SG&A in the "Non-IFRS Measures" and "Reconciliation of Non-IFRS Measures to IFRS" sections below. The Company targets a sub-10% Operating SG&A as a percentage of sales on an annual basis.

For the year ended December 31, 2014, Operating SG&A was $98.7 million or 10.2% of sales compared to $99.0 million or 9.8% of sales in 2013. The increase in Operating SG&A as a percentage of sales is attributable to lower equipment sales activity during the year.

Depreciation included in SG&A amounted to $7.1 million for the year ended December 31, 2014 as compared to $6.5 million for the same period last year.

INTEREST

The majority of the Company's short-term interest expense is attributable to the floor plan financing associated with our new and used equipment inventory. Interest on long-term debt pertains primarily to the Company's Debenture Repayment, Acquisition and Fleet Facilities. During the year ended December 31, 2014, overall interest expense was relatively flat as compared to 2013.

NET EARNINGS

For the year ended December 31, 2014, we generated net earnings of $18.9 million ($0.98 per diluted share), up from $15.3 million ($0.80 per diluted share) in 2013. The increase in net earnings and diluted earnings per share are primarily attributable to the after-tax impact of the Terex truck impairment recorded during the fourth quarter of 2013. Overall, management is satisfied with the execution of our strategic initiatives during this period of reduced equipment sales, as we were able to maintain our net profitability year-over-year.

SUMMARY OF QUARTERLY RESULTS

$ THOUSANDS, EXCEPT PER SHARE AMOUNTS	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Sales									
New equipment	182,555	81,837	133,086	124,269	179,359	97,554	131,534	115,075	195,813
Used equipment	79,810	102,354	70,621	50,751	84,925	130,826	71,805	71,305	79,709
Parts	21,320	35,568	29,216	15,518	18,099	34,534	26,667	13,299	16,369
Service	9,569	10,041	8,478	6,976	7,403	8,497	7,310	6,211	7,933
Other	838	995	953	652	795	1,158	790	616	956
	294,092	230,795	242,354	198,166	290,581	272,569	238,106	206,506	300,780
Cost of sales	254,623	191,680	204,548	168,934	257,329	233,846	202,166	174,015	254,913
Gross profit	39,469	39,115	37,806	29,232	33,252	38,723	35,940	32,491	45,867
SG&A	27,548	27,165	25,985	25,058	27,249	26,827	25,873	25,501	26,060
Interest and taxes	5,700	5,746	5,925	3,570	3,937	5,981	5,573	4,152	8,037
Net earnings	6,221	6,204	5,896	604	2,066	5,915	4,494	2,838	11,770
EPS – basic	0.32	0.32	0.31	0.03	0.11	0.31	0.23	0.15	0.63
EPS – diluted	0.32	0.32	0.31	0.03	0.11	0.31	0.23	0.15	0.62

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

Over time, we expect second and third quarter sales activity to increase relative to the fourth quarter as our increased installed base drives more parts and service activity and our customers decide to trade their equipment earlier in the year to take advantage of advancements in technology before the harvest season.

Weather conditions, such as a late spring, may positively or negatively impact sales activity for any given period.

BALANCE SHEET SUMMARY

$ THOUSANDS	DECEMBER 31, 2014	DECEMBER 31, 2013	DECEMBER 31, 2012
Assets			
Inventory	526,003	479,330	495,151
Other current assets	69,049	74,520	91,571
Property and equipment	32,886	30,860	21,558
Deferred tax asset	1,186	-	-
Goodwill	14,692	14,692	13,884
Total assets	643,816	599,402	622,164
Liabilities and equity			
Floor plan payable	382,081	342,364	351,812
Other current liabilities	57,261	53,113	69,955
Long-term debt	32,776	41,681	45,977
Obligations under finance leases	9	541	1,379
Deferred tax liability	-	2,576	7,042
Derivative financial instruments	3,282	1,706	1,438
	475,409	441,981	477,603
Shareholders' equity	168,407	157,421	144,561
Total liabilities and equity	643,816	599,402	622,164

Current assets at December 31, 2014 consist primarily of new and used equipment inventory of approximately $213.7 million and $273.3 million, respectively (December 31, 2013 – $211.2 million and $230.4 million, respectively). The Company's new and used equipment inventory is comprised predominantly of agriculture equipment. The Company has a diverse customer base for its agriculture equipment and strives to carry an appropriate mix of both new and used equipment to best serve its customers. Typically, our agriculture customers trade in their used equipment when purchasing new equipment. Construction equipment, by contrast, is generally utilized to the end of its useful life by one owner. Trades of used construction equipment are less common and as such, the Company carries less used construction equipment relative to new.

Total inventories have increased by $46.7 million over December 31, 2013 primarily as a result of increases in used equipment inventory. In recent quarters, increased supply of agricultural commodities put downward pressure on grain and oilseed prices which, in turn, softened equipment demand. As discussed, used equipment sales are generally more susceptible to changes in these short-term factors than new equipment sales. The increase in used equipment over December 31, 2013 is primarily the result of the reduction in used equipment sales during the year.

During the year, the Company took delivery of certain Tier 4B compliant units in advance of the introduction of Tier 4B Final equipment, which is expected to carry with it an additional pricing increase. These units should help to secure competitive equipment pricing into the spring of 2015 and come with favourable carrying terms from our OEMs.

The Company also took early delivery of application equipment to meet the spring 2015 demand; and some large category tractors, to align our inventory of these units with customer demand.

Throughout the past several quarters, the Company implemented a number of sales initiatives to reduce its equipment inventory. As previously discussed, the realization of such reduction is not expected to occur in a linear manner. Inventory balances will fluctuate period-over-period, based on several factors including, but not limited to, the timing of new equipment deliveries from OEMs to coincide with farming cycles and overall customer demand. The Company continues to closely manage its inventory and remains committed to its stated objective of inventory reduction in the coming quarters and years by maintaining an appropriate range of units at responsible values.

Current liabilities consist predominantly of floor plan payable for financed inventory of approximately $382.1 million as at December 31, 2014, up from $342.4 million at December 31, 2013. The increase in floor plan payable corresponds with the increase in equipment inventory carried by the Company. As a percentage of equipment inventory, floor plan payable is 78.5% up 1.0% from December 31, 2013.

LIQUIDITY AND CAPITAL RESOURCES

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

- Operating activities, including, the levels of accounts receivable, inventory, accounts payable and floor plan payable;
- Financing activities, including bank credit facilities, long-term debt and other capital market activities providing both short- and long-term financing; and,
- Investing activities, including capital expenditures, dispositions of fixed assets and acquisitions of complementary businesses.

SUMMARY OF CASH INFLOWS (OUTFLOWS)

$ THOUSANDS	2014	2013	2012
Net earnings	18,925	15,313	23,975
Effect of non-cash items in net earnings and changes in working capital	(2,201)	14,792	(1,972)
Cash flows from operating activities	16,724	30,105	22,003
Cash flows from financing activities	(17,589)	(8,459)	(4,450)
Cash flows from investing activities	(10,905)	(21,101)	(14,408)
Net increase (decrease) in cash	(11,770)	545	3,145
Cash, beginning of period	34,722	34,177	31,032
Cash, end of period	22,952	34,722	34,177
Floor Plan Neutral Operating Cash Flow(1)	(22,993)	42,342	(82,824)

(1) – See further discussion in "Non-IFRS Measures" and "Reconciliation of Non-IFRS Measures to IFRS" sections below

CASH FLOWS FROM OPERATING ACTIVITIES

The Company assesses its Floor Plan Neutral Operating Cash Flow in analyzing its cash flows from operating activities. See the definition and reconciliation of Floor Plan Neutral Operating Cash Flow in the "Non-IFRS Measures" and "Reconciliation of Non-IFRS Measures to IFRS" sections below.

Rocky is eligible to finance its equipment inventory using its various floor plan facilities. Floor plan facilities are asset-backed lending arrangements whereby each draw is associated with a specific piece of equipment. The Company is under no obligation to finance any of its equipment inventory and, as a general rule, financed units can be paid out for a period of time and refinanced at a later date. Adjusting cash flows from operating activities for changes in the balance of floor plan payable allows management to isolate and analyze cash flows from operating activities, prior to any sources or uses of cash associated with equipment financing decisions.

For the year ended December 31, 2014, Floor Plan Neutral Operating Cash Flow was a net use of cash of $23.0 million as compared to $42.3 million generated in 2013. The change in cash generated year-over-year pertains largely to a $46.7 million dollar investment in inventory as compared to a $15.8 million reduction of inventory last year. The Company also entered 2014 with less in accounts receivable, and therefore collected less cash during the 2014, as compared to last year.

During 2014, the Company generated $16.7 million in cash flow from operating activities, $13.4 million less than was generated in the same period of 2013. The decrease is largely attributable to increased inventory, net of floor plan payable.

CASH FLOWS FROM FINANCING ACTIVITIES

Cash flows from financing activities during 2014 and 2013 pertained primarily to scheduled debt and dividend payments, offset by draws on our various credit facilities and proceeds received from the issuance of common shares pursuant to the exercise of stock options.

We utilized an additional $9.1 million for financing activities due largely to $3.9 million and $2.8 million reductions in proceeds from long-term debt and the exercise of stock options, respectively, as compared to 2013.

CASH FLOWS FROM INVESTING ACTIVITIES

Cash utilized for investing activities was the result of our normal capital expenditures, the acquisition of real estate and the net cash consideration paid pursuant to business combinations, offset by proceeds on the disposition of property and equipment.

We utilized $10.9 million for investing activities, down from $21.1 million in 2013. The decrease pertains to a $4.4 million decrease in the purchase of property and equipment as well as $4.1 million less spend on business acquisitions.

ADEQUACY OF CAPITAL RESOURCES

We use operating cash flows to finance the purchase of inventory, service our debt requirements, pay dividends, and fund our operating activities, including working capital, both operating and finance leases and floor plan payable. Our ability to service our debt and distribute dividends to shareholders will depend upon our ability to generate cash, which depends on our future operating performance, general economic conditions, availability of adequate credit facilities, compliance with debt covenants, as well as other factors, some of which are beyond our control. Based on our current operational performance, we believe that cash flows from operations, along with existing credit facilities, will provide for our capital needs.

FINANCE FACILITIES

The Company has a credit facility with a syndicate of lenders (the "Syndicated Facility"). The Syndicated Facility is secured in favour of the syndicate by a general security agreement. Advances under the Syndicated Facility may be made based on our lenders' prime rate or the US base rate plus 1.0% – 2.5% or based on the banker's acceptance ("BA") rate plus 2.0% – 3.5%. The Company pays standby fees of between 0.4% and 0.7% per annum on any undrawn portion of the Syndicated Facility. The standby fees and premiums on base interest rates within the respective ranges are determined based on the Company's covenant compliance. The Syndicated Facility matures on June 1, 2017. It is, however, the Company's intention to renew this facility prior to its maturity date.

The Syndicated Facility consists of:

- The "Operating Facility" – which may be utilized to advance up to the lesser of 50% of eligible inventory plus 75% of eligible accounts receivable or $30.0 million and may be used to finance general corporate operating requirements.

- The "Flooring Facility" – which may be used to finance up to 75% of the value of eligible equipment inventory. Draws against the Flooring Facility are repayable over a term of 24 months however; they become due in full upon the sale of the associated equipment.

- The "Acquisition Facility" – which may be used to finance up to 60% of the cost of future acquisitions with tranches repayable in monthly installments over an amortization period of 60 months.

- The "Fleet Facility" – which may be used to finance the Company's fleet of vehicles with draws repayable in monthly installments over an amortization period ranging from 36-60 months.

- The "Debenture Repayment Facility" – which was used to finance the repurchase of the debentures. This facility is repayable with quarterly installments of $0.9 million plus interest with the remaining principal to be paid out on September 30, 2017.

- The "Real Estate Facility" – which may be used to finance 65% of the lesser of the purchase price and appraised value of eligible real estate, with draws repayable over an amortization period of 15 years.

Including the Syndicated Flooring Facility, we have total floor plan facilities of approximately $537.0 million (inclusive of seasonal increases) from various lending institutions for the purpose of financing inventory. Our equipment inventory is financed by way of floor plan financing, which is made available to Rocky by the equipment manufacturers' captive finance companies or divisions (such as CNH Capital), as well as by banks and specialty lenders. The Company also has an additional $75.0 million of floor plan availability with its OEMs, to be made available to the Company if required as a result of business combinations.

In addition to our available cash balance of $23.0 million as at December 31, 2014, we have approximately $223.1 million available on our various credit facilities.

$ MILLIONS	FACILITY LIMIT	AMOUNT DRAWN	AVAILABLE
Operating Facility	30.0	-	30.0
Acquisition Facility	30.0	11.8	18.2
Fleet Facility	10.0	5.0	5.0
Debenture Repayment Facility	26.3	26.3	-
Real Estate Facility	15.0	-	15.0
Various floor plan facilities			
OEM floor plan facilities	175.0	117.7	57.3
Syndicated Flooring Facility	125.0	82.2	42.8
Other floor plan facilities	237.0	182.2	54.8
	648.3	425.2	223.1

FINANCIAL COVENANTS

Pursuant to agreements with lenders, the Company is required to monitor and report certain financial ratios on a quarterly basis. The extent to which the Company is able to draw on its available credit facilities may be limited by these financial covenants. These measures and the applicable compliance ranges as at December 31 are as follows:

	2014	2013
Fixed charge coverage of at least	1.25-1.50:1	1.25-1.50:1
Debt to tangible net worth less than	4.00-5.00:1	4.00-5.00:1
Current ratio of at least	1.15-1.20:1	1.15-1.20:1

Each lender has its own definition of which account balances are to be included in these computations. Failing to meet these covenants would constitute a default event which may result in, among other restrictions and remedies, the associated debt becoming due and restrictions on the Company's ability to draw on its facilities or make distributions to shareholders.

As at December 31, 2014 and December 31, 2013, the Company was in compliance with all externally imposed capital requirements. As at December 31, 2014, the Company's compliance with the fixed charge coverage ratio on the Syndicated Facility is however, marginal. Based on our projected results, we expect to remain in compliance with this, and other covenants, however, our estimated results are subject to numerous risks and uncertainties, some of which are beyond our control. The Company will continue to closely monitor its financial covenants accordingly.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company utilizes derivative financial instruments to hedge its exposure to changes in interest rates and fluctuations in the valuation of its common shares. We do not use derivatives to speculate, but rather as a risk management tool. The Company's portfolio of derivative financial instruments consists of interest rate and total return swaps.

Gains (losses) on derivative financial instruments are as follows:

$ THOUSANDS	2014	2013
Gain (loss) recognized in net earnings	(68)	225
Loss recognized in accumulated other comprehensive loss – net of tax	(1,122)	(365)
Tax on loss recognized in accumulated other comprehensive loss	(386)	(128)

INTEREST RATE SWAPS

The Company has four separate interest rate swaps (the "Swaps") related to portions of its Acquisition and Flooring Facilities as well as the Debenture Repayment Facility (collectively the "Hedged Facilities").

The Hedged Facilities each bear interest at a floating rate based on the prevailing one-month BA rate plus 2.0% – 3.5%. The Swaps hedge our exposure to fluctuations in the BA rate.

$ THOUSANDS			DECEMBER 31, 2014		DECEMBER 31, 2013	
HEDGE	TYPE	MATURITY	EFFECTIVE RATE	NOTIONAL AMOUNT	EFFECTIVE RATE	NOTIONAL AMOUNT
Current debt						
Flooring Facility # 1	Non-amortizing	August, 2018	4.2%	25,000	4.5%	25,000
Flooring Facility # 2	Non-amortizing	September, 2020	5.1%	35,000	5.3%	35,000
				60,000		60,000
Long-term debt						
Acquisition Facility	Amortizing	May, 2016	3.5%	4,642	3.7%	7,918
Debenture Facility	Amortizing	April, 2017	4.1%	26,250	4.3%	29,750
				30,892		37,668
				90,892		97,668

At inception, these instruments were designated as hedges and were accounted for using hedge accounting in our consolidated financial statements. During 2014, the interest rate swaps on the Acquisition and Debenture Facilities no longer remained effective and as such, we have discontinued hedge accounting. The accumulated amounts recognized within accumulated comprehensive loss will be reversed into net earnings over the remainder of term of the derivatives. Future changes in the fair value of these derivatives will be recognized within net earnings in the period in which they arise.

The two interest rate swaps on the Flooring Facility continue to remain effective and as such, we continue to account for these cash flows hedges using hedge accounting. If we sell or terminate a hedged item, or it matures before the related hedging instrument is terminated, we recognize in income any realized or unrealized gain or loss on the derivative instrument. In accounting for these cash flow hedges, changes in fair value of the swaps are included in the consolidated statement of other comprehensive income to the extent the hedge continues to be effective. The related other comprehensive amounts are allocated to net earnings in the same period in which the hedged item affects net earnings. For all these hedges, to the extent the change in fair value of the derivative is not completely offset by the change in the fair value of the hedged item, the ineffective portion of the hedging relationship is recorded immediately in net earnings.

TOTAL RETURN SWAPS

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

As at December 31, 2014, the Company had built a hedged position of 290.5 thousand shares at a weighted average price of $9.87. As at December 31, 2014, the Company's outstanding DSUs and SARs amounted to 74.9 thousand and 550.0 thousand units, respectively. During the year, the Company recognized $0.1 million in expense related to the total return swaps.

DIVIDENDS

On January 26, 2015, the Board of Directors of Rocky approved a quarterly dividend of $0.115 per common share on its outstanding common shares. The common share dividend is payable on March 31, 2015, to shareholders of record at the close of business on February 27, 2015.

SHARE CAPITAL – OUTSTANDING SHARES

THOUSANDS	2014	2013
Opening balance	19,313	18,993
Shares issued upon exercise of stock options	71	320
Closing balance	19,384	19,313

As at March 10, 2015, there were 19,384,086 shares outstanding.

The options outstanding at December 31, 2014 are as follows (expressed in thousands except per option and average life amounts):

GRANT DATE	OPTIONS OUTSTANDING (THOUSANDS)	OPTIONS EXERCISABLE (THOUSANDS)	WEIGHTED AVERAGE EXERCISE PRICE ($)	WEIGHTED AVERAGE CONTRACTUAL LIFE (YEARS)
March 11, 2011	38	38	10.39	1.2
August 11, 2011	142	142	8.71	1.6
March 28, 2012	256	169	11.96	2.2
March 13, 2013	387	129	12.89	3.2
March 13, 2014	413	-	11.52	4.2
	1,236	478	11.68	3.1

As at March 10, 2015, there were 1,236,167 options outstanding.

CONTRACTUAL OBLIGATIONS

The Company's contractual obligations consist primarily of its floor plan payable used to finance the purchase of new, and to a lesser extent, used equipment. The Company has classified its floor plan payable as current as the corresponding inventory to which it relates has also been classified as current.

Floor plan payable as well as trade payables, accruals and other form the majority of the Company's contractual obligations which will be discharged within the next 12 months.

Other significant contractual obligations outstanding as at December 31, 2014 include long-term debt consisting predominantly of the Debenture Repayment, Acquisition and Fleet Facilities and operating lease commitments which relate primarily to the Company's facilities. Lease terms are between one and eleven years and most building leases contain five-year renewal options.

The Company assesses its liquidity based on the expected period in which cash flows will occur. The following table summarizes the Company's expected undiscounted cash flows as at December 31, 2014 assuming the Syndicated Facility is renewed prior to maturity on June 1, 2017. The analysis is based on foreign exchange rates and interest rates in effect at the consolidated balance sheet date, and includes both principal and interest cash flows.

$ THOUSANDS	TOTAL	2015	2016-2017	2018-2019	THERE-AFTER
Trade payables, accruals and other	34,409	34,409	-	-	-
Floor plan payable	395,375	395,375	-	-	-
Long-term debt	46,408	12,074	32,427	1,893	14
Obligations under finance leases	501	492	9	-	-
Operating lease obligations	34,308	8,018	13,506	6,487	6,297
Derivative financial instruments	3,592	1,150	1,453	799	190
Total contractual obligations	514,593	451,518	47,395	9,179	6,501

In the event that the Syndicated Facility is not renewed prior to its maturity, the cash outflow for the long-term debt outstanding as at December 31, 2014 would be $34.0 million in 2016-2017 and $Nil in 2018-2019 and thereafter.

RELATED PARTY TRANSACTIONS

During the year ended December 31, the Company entered into the following transactions with related parties:

$ THOUSANDS	2014	2013
Equipment sales	6,921	4,476
Expenditures		
Rental payments on Company facilities	5,435	5,280
Equipment purchases	3,846	4,206
Flight costs	191	183
Other expenses	70	406

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

The remuneration of the directors and officers of the Company is determined by the Compensation, Governance and Nominating Committee of the Board of Directors based on performance and is consistent with market trends. The remuneration of directors and officers of the Company identified as key management is as follows for the respective years ended:

$ THOUSANDS	2014	2013
Salary and short-term benefits	2,061	1,984
Post-retirement benefits	33	36
Share-based payments	769	1,054
	2,863	3,074

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

$ THOUSANDS	2014	2013
Due from related parties	61	141
Due to related parties	(112)	(39)

The amounts due from related parties are not secured and are to be settled in cash. As at December 31, 2014 and 2013, the amounts due from related parties are considered collectible and therefore have not been provided for in the allowance for doubtful accounts. During the year ended December 31, 2014, $Nil has been recognized in bad debt expenses with respect to related party transactions (2013 – $Nil).

The Company has contractual obligations to related parties in the form of facility leases. As at December 31, 2014, these contractual obligations and due dates are as follows:

$ THOUSANDS	TOTAL	2015	2016-2017	2018-2019	THERE-AFTER
Operating lease obligations	26,583	5,396	9,998	4,911	6,278

OFF-BALANCE SHEET ARRANGEMENTS

We use off-balance sheet financing in connection with numerous operating leases. These leases relate to the Company's buildings and certain vehicles with lease terms of between one and eleven years. Most building leases contain renewal options for periods of three to five years. We have paid monthly amounts under these operating leases ranging from $0.1 thousand to $64.2 thousand. In some instances, the counterparty to the Company's operating lease obligations is a related party. Refer to the "Related Party Transactions" section of this MD&A for a discussion of the terms and amounts of such arrangements. The current operating leases expire between January 2015 and July 2023.

SELECTED FOURTH QUARTER FINANCIAL INFORMATION

$ THOUSANDS, EXCEPT PER SHARE AMOUNTS	2014		2013		2012	
Sales						
New equipment	182,555	62.1%	179,359	61.7%	195,813	65.1%
Used equipment	79,810	27.1%	84,925	29.2%	79,709	26.5%
Parts	21,320	7.2%	18,099	6.2%	16,369	5.4%
Service	9,569	3.3%	7,403	2.5%	7,933	2.6%
Other	838	0.3%	795	0.4%	956	0.4%
	294,092	100.0%	290,581	100.0%	300,780	100.0%
Cost of sales	254,623	86.6%	257,329	88.6%	254,913	84.8%
Gross profit	39,469	13.4%	33,252	11.4%	45,867	15.2%
Selling, general and administrative	27,548	9.4%	27,249	9.4%	26,060	8.7%
Interest on short-term debt	2,956	1.0%	2,802	1.0%	2,622	0.9%
Interest on long-term debt	524	0.1%	572	0.1%	572	0.1%
Earnings before income taxes	8,441	2.9%	2,629	0.9%	16,613	5.5%
Provision for income taxes	2,220	0.8%	563	0.2%	4,843	1.6%
Net earnings	6,221	2.1%	2,066	0.7%	11,770	3.9%
Earnings per share						
Basic	0.32		0.11		0.63	
Diluted	0.32		0.11		0.62	
Dividends per share	0.1150		0.1000		0.0675	
Non-IFRS Measures[1]						
EBITDA	10,778	3.7%	4,872	1.7%	18,557	6.2%
Operating SG&A	25,735	8.8%	25,578	8.8%	24,693	8.2%
Floor Plan Neutral Operating Cash Flow	7,822	2.7%	(19,916)	(6.9%)	(27,449)	(9.1%)

[1] – See further discussion in "Non-IFRS Measures" and "Reconciliation of Non-IFRS Measures to IFRS" sections below

Segmented Financial Reporting

$ THOUSANDS	2014			2013		
	AGRICULTURE	CONSTRUCTION	TOTAL	AGRICULTURE	CONSTRUCTION	TOTAL
Sales						
New equipment	173,023	9,532	182,555	168,771	10,588	179,359
Used equipment	78,304	1,506	79,810	83,952	973	84,925
Parts	17,659	3,661	21,320	15,166	2,933	18,099
Service	8,044	1,525	9,569	6,293	1,110	7,403
Other	617	221	838	610	185	795
	277,647	16,445	294,092	274,792	15,789	290,581
Gross profit (loss)	36,255	3,214	39,469	37,769	(4,517)	33,252
Gross margin	13.1%	19.5%	13.4%	13.7%	(28.6%)	11.4%
Net income (loss)	6,695	(474)	6,221	8,357	(6,291)	2,066

Agriculture Segment Revenue and Gross Profit

$ THOUSANDS	2014	2013	CHANGE		
			TOTAL	ACQUIRED	SAME STORE
Sales					
New equipment	173,023	168,771	4,252	-	4,252
Used equipment	78,304	83,952	(5,648)	-	(5,648)
Parts	17,659	15,166	2,493	512	1,981
Service	8,044	6,293	1,751	-	1,751
Other	617	610	7	-	7
	277,647	274,792	2,855	512	2,343
Gross profit	36,255	37,769	(1,514)		
Gross margin	13.1%	13.7%	(0.6%)		

For the quarter ended December 31, 2014, total sales for the agriculture segment were $277.6 million, an increase of $2.9 million or 1.0% over the same period in 2013. Acquired stores contributed $0.5 million of this increase with the remainder coming primarily from same store product support sales growth.

Equipment sales for the quarter ended December 31, 2014 were relatively flat. A $4.3 million increase in same store new equipment sales was offset by a $5.6 million reduction in same store used equipment sales.

Parts sales for the quarter ended December 31, 2014 increased by $2.5 million or 16.4% with acquired parts sales contributing $0.5 million of this increase. Service sales for the quarter increased $1.8 million or 27.8%. Our parts sales increase for the quarter is due, in part, to improved market penetration, primarily of non-captive product lines. In addition, efforts undertaken by Rocky's management around procurement synergies and sales training have continued to have a positive effect. On the service side, reduced equipment sales translated into fewer trades taken in which, in turn, enabled our service departments to perform additional external work. We also continued to realize improvements in our technician efficiency during the quarter, further bolstering service revenues.

Gross profit for the quarter ended December 31, 2014 decreased by $1.5 million or 4.0% over the same period in 2013. As a percentage of sales, gross profit declined by 0.6% to 13.1% during the fourth quarter. These decreases are primarily attributable to equipment pricing increases which we were unable to pass on in their entirety to our customers.

Construction Segment Revenue and Gross Profit

$ THOUSANDS	2014	2013	CHANGE
Sales			
New equipment	9,532	10,588	(1,056)
Used equipment	1,506	973	533
Parts	3,661	2,933	728
Service	1,525	1,110	415
Other	221	185	36
	16,445	15,789	656
Gross profit (loss)	3,214	(4,517)	7,731
Gross margin	19.5%	(28.6%)	48.1%

For the quarter ended December 31, 2014, total sales for the construction segment were $16.4 million representing an increase of $0.7 million or 4.2% over the same period in 2013.

Equipment sales for the quarter ended December 31, 2014 decreased by $0.5 million or 4.5% over the same period in 2013.

Parts and service sales for the quarter ended December 31, 2014 increased by $0.7 million and $0.4 million or 24.8% and 37.4%, respectively. As discussed, our investment in departmental management and sales processes combined with expanding our product offering of non-captive items has enabled us to expand our parts business with our existing customer base. We have also seen improvements in our technician efficiency as a result of management's focus on product support activities and have improved the visibility of certain service programs through targeted marketing efforts.

Gross profit for the quarter ended December 31, 2014 increased by $7.7 million over 2013, to $3.2 million. As a percentage of sales, gross profit increased to 19.5% from a loss in 2013 of 28.6%. During the fourth quarter of 2013, the Company recognized a $5.0 million impairment charge on its Terex truck inventory accounting for the majority of the increase in both gross profit dollars and gross margin percentage. The remainder of the increase is attributable to additional product support business and margin improvement in both our equipment and product support revenue streams.

SELLING, GENERAL AND ADMINISTRATIVE

The Company assesses its Operating SG&A relative to total sales in analyzing its results. See the definition and reconciliation of Operating SG&A in the "Non-IFRS Measures" and "Reconciliation of Non-IFRS Measures to IFRS" sections below.

For the three months ended December 31, 2014, Operating SG&A was $25.7 million, relatively flat compared to $25.6 million in 2013. Operating SG&A as a percentage of sales was flat at 8.8% as compared to the fourth quarter last year.

Depreciation included in SG&A amounted to $1.8 million in the fourth quarter of 2014 versus $1.7 million in the same period in 2013.

NET EARNINGS

For the three months ended December 31, 2014, we generated net earnings of $6.2 million, up from $2.1 million in the same period in 2013. The Company's diluted earnings per share for the three months ended December 31, 2014 was $0.32 compared to $0.11 for the fourth quarter of 2013. The increases in net earnings and diluted earnings per share are predominantly the result of the $5.0 million impairment charge on our Terex truck inventory during the fourth quarter of 2013.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements requires that certain estimates and judgments be made with respect to the reported amounts of sales and expenses and the carrying amounts of assets and liabilities. These estimates are based on historical experience and management's judgment. Anticipating future events involves uncertainty and consequently, the estimates used by management in the preparation of the consolidated financial statements may change as future events unfold, additional information is acquired or the Company's operating environment changes. Management considers the following to be the most significant of these estimates.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

The allowance for doubtful accounts is reviewed by management on a monthly basis. Accounts receivable are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer will default. The Company takes into consideration the customer's payment history, their creditworthiness and the current economic environment in which the customer operates to assess impairment. The Company's historical bad debt expenses have not been significant and are usually limited to specific customer circumstances.

NET REALIZABLE VALUE OF INVENTORY

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

NET RECOVERABLE AMOUNT OF GOODWILL

For the purposes of impairment testing, goodwill is allocated to the Company's CGUs. The recoverable amount of each CGU is determined using a value in use calculation. The key assumptions for the value in use calculations are those regarding discount and growth rates. These key assumptions are based on past experience, which has been adjusted for anticipated changes in future periods.

MANUFACTURER INCENTIVES

Certain manufacturers offer annual performance incentives which are linked to the Company's market share achievement and annual sales volumes. The Company uses estimated annual market share statistics derived from historical results which have been adjusted for any anticipated changes in the current year, as well as eligible sales volume to date to accrue the proportion of these annual manufacturer incentives earned during the period. The manufacturer incentives received by the Company are primarily associated with agriculture equipment and as such, the majority of such incentives are accrued within the financial results of the agriculture segment.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company utilizes floating-to-fixed interest rate swaps to manage its interest rate exposure. These derivatives are initially recognized on the date the contract is entered into and are subsequently re-measured at their fair value. The fair values of the interest rate swaps are calculated as the net present value of the estimated future cash flows expected to arise on the variable and fixed legs, determined using applicable yield curves at each measurement date. Swap curves, which incorporate credit spreads applicable to large commercial banks, are typically used to calculate expected future cash flows and the present values thereof. Adjustments are also made to reflect the Company's own credit risk and the credit risk of the counterparty, if different from the spread implicit in the swap curve.

KEY FINANCIAL STATEMENT COMPONENTS

EQUIPMENT SALES

Equipment revenues are derived from the sale of new and used construction and agriculture equipment. Revenue is recognized when the customer has signed the sales agreement, has paid or is credit-approved, and title to and risk of loss for the piece of equipment have transferred. New equipment sales also include certain rental revenues.

PARTS SALES

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

SERVICE REVENUE

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

COST OF SALES

Cost of sales is the accumulation of the costs 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, plus applicable overheads.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses include sales and marketing expenses, sales commissions, payroll, and related benefit costs, insurance expenses, professional fees, rent, and other facility costs and administrative overhead including depreciation of property and equipment.

INTEREST EXPENSE

Short-term interest includes the aggregate expense for interest under the current floor plan financing programs associated with financing equipment 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 associated with the Company's various long-term credit facilities and obligations under finance leases.

RISKS AND UNCERTAINTIES

Risk factors faced by Rocky are listed in the Company's AIF, which can be found on SEDAR. These risk factors include industry risks associated with construction and agriculture equipment dealerships and others, including but not limited to: economic conditions; weather and climate conditions; commodity prices; inventory risks; industry oversupply; the seasonality and cyclicality of the industries we service; interest rate changes; government regulations in the areas we operate; competition within our industry; credit facilities; foreign exchange exposure; reliance on key manufacturers; consolidation within the equipment manufacturing industry; the nature of our dealership agreements; the non-exclusive nature of key geographic markets; customer credit risks; our information systems; the availability of floor plan financing and other forms of credit to the Company; unfavorable conditions (economic, weather or otherwise) in key geographic markets; our continued ability to pay our dividend; import restrictions and foreign trade risks; insurance matters; branch leases; the retention of key personnel; labour costs and shortages; labour relations; freight costs; future warranty claims; product liability risks; restrictions on and impediments on acquisitions; growth risks; our ability to successfully integrate our acquisitions and aviation risks.

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

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

RISKS RELATED TO FINANCIAL INSTRUMENTS

Through its financial instruments, the Company has exposure to the following risks: credit risk, market risk (consisting of foreign currency exchange risk, interest rate risk and equity price risk), and liquidity risk.

CREDIT RISK

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

The Company's exposure to credit risk on its cash balance is mitigated as these financial assets are held with major financial institutions with strong credit ratings.

During the year ended December 31, 2014, the Company increased its allowance for doubtful accounts by $0.5 million (2013 – decreased by $0.3 million) and wrote-off $0.5 million (2013 – $0.3 million). Changes in the carrying amount of the allowance for doubtful accounts, including write-offs, are recognized in selling, general and administrative expenses.

MARKET RISK

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

Foreign Currency Exchange Risk

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

A weakening of the U.S. dollar in comparison to the Canadian dollar will generally have a positive effect on our performance by lowering our cost of goods sold. However, as the markets in which we operate are highly competitive, a declining U.S. dollar also has the effect of reducing sales prices in Canadian dollars and, as a consequence, we cannot capture the entire potential benefit of a declining U.S. dollar environment. By contrast, a strengthening U.S. dollar will increase the cost of equipment purchases. If we are unable to fully offset the increase in cost of goods through price increases, our financial results will be negatively affected. We mitigate some of this risk by occasionally

purchasing forward contracts for U.S. dollars on large transactions to cover the period from the time the equipment is ordered from the manufacturer to the payment date.

Included in selling, general and administrative expenses are gains recognized due to foreign currency translation for transactions and balances aggregating $0.2 million for the year ended December 31, 2014 (2013 - $0.5 million).

Interest Rate Risk

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

The Company manages its interest rate risk by using floating-to-fixed interest rate swaps when appropriate. Generally, the Company will obtain floor plan financing and long-term debt at floating rates. When the Company enters into a floating-to-fixed interest rate swap, it agrees with a third party to exchange the difference between the fixed and floating contract rates based on agreed notional amounts.

Refer to "Derivative Financial Instruments" section of this MD&A for gains (losses) on derivative financial instruments.

Equity Price Risk

As part of its overall compensation of directors, officers and employees, the Company has issued cash-settled share-based payments in the form of DSUs and SARs. The DSUs are valued on a per DSU basis at an amount equal to the volume weighted average trading price of the Company's common shares over the immediately preceding 20 day trading period. The SARs are revalued at each reporting date using the Black-Scholes option pricing model. Increases in the Company's share value result in additional compensation expense to the Company. As cash-settled share-based payments, the DSUs and SARs are not accounted for as financial instruments.

During the year, the Company entered into two total return swaps to hedge the exposure associated with increases in its share value on its outstanding DSUs and SARs. The total return swaps are classified as derivative financial instruments. The intent of these derivatives is to offset the incremental cost to the Company associated with increases in its common share price on its cash-settled share-based payments.

Refer to "Derivative Financial Instruments" section of this MD&A for gains (losses) on derivative financial instruments.

LIQUIDITY RISK

The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balance and cash flows generated from operations as well as available credit facilities to meet its requirements.

Refer to the "Finance Facilities" section of this MD&A for details on the Company's various credit facilities.

SUBSEQUENT EVENTS

On February 12, 2015, the Company acquired 100% of the outstanding common shares of NGF Geomatics Inc. ("NGF"), a geomatics company specializing in the collection of geospatial survey data using unmanned aerial vehicles. The purchase price was $0.8 million and was funded with cash. The Company is in the process of determining the purchase price allocation.

On March 10, 2015, the Company announced that it had entered into an agreement to purchase 100% of the issued and outstanding shares of the entities forming Chabot Implements ("Chabot"). Chabot is a Manitoba-based dealer of Case IH agriculture equipment with locations in Portage La Prairie, Steinbach and Elie. Chabot also sells Kubota equipment through its Neepawa, Manitoba location. The purchase consideration of $6.8 million is subject to a minimum working capital requirement and will be adjusted based on actual working capital delivered. The acquisition is expected to close effective April 1, 2015.

NON-IFRS MEASURES

Throughout this MD&A, we use terms which do not have standardized meanings under IFRS. As these non-IFRS financial measures do not have standardized meanings prescribed by IFRS, they are unlikely to be comparable to similar measures presented by other issuers. Our definition for each term is as follows:

"EBITDA" is a commonly used metric in the dealership industry. EBITDA is calculated by adding interest on long-term debt, income taxes and depreciation to net earnings. Adding back non-operating expenses allows management to consistently compare periods by removing changes in tax rates, long-term assets and financing costs related to the Company's capital structure.

"Operating SG&A" is calculated by adding back depreciation of property and equipment and any non-recurring charges recognized in SG&A during the period to SG&A. Management deems non-recurring charges to be unusual or infrequent charges that the Company incurs outside of its common day-to-day operations. Adding back these items allows management to assess discretionary expenses from ongoing operations. Management has changed the calculation of Operating SG&A from previous disclosures by no longer considering the ineffective portion of derivative financial instruments or acquisition transaction costs to be non-recurring charges. For the periods presented, these costs are insignificant in amount and recurring in nature. For the periods presented, no non-recurring charges have been identified. We target a sub-10% Operating SG&A as a percentage of total sales on an annual basis.

"Floor Plan Neutral Operating Cash Flow" is calculated by eliminating the impact of the change in floor plan payable (excluding floor plan assumed pursuant to business combinations) from cash flows from operating activities. Adjusting cash flows from operating activities for changes in the balance of floor plan payable allows management to isolate and analyze operating cash flows during a period, prior to any sources or uses of cash associated with equipment financing decisions.

RECONCILIATION OF NON-IFRS MEASURES TO IFRS

EBITDA

$ THOUSANDS	FOR THE QUARTER ENDED DECEMBER 31,			FOR THE YEAR ENDED DECEMBER 31,		
	2014	2013	2012	2014	2013	2012
Net earnings	6,221	2,066	11,770	18,925	15,313	23,975
Interest on long-term debt	524	572	572	2,182	2,233	2,843
Depreciation expense	1,813	1,671	1,372	7,057	6,471	5,511
Income taxes	2,220	563	4,843	7,276	5,714	9,679
EBITDA	10,778	4,872	18,557	35,440	29,731	42,008

OPERATING SG&A

$ THOUSANDS	FOR THE QUARTER ENDED DECEMBER 31,			FOR THE YEAR ENDED DECEMBER 31,		
	2014	2013	2012	2014	2013	2012
SG&A	27,548	27,249	26,060	105,756	105,450	97,711
Depreciation expense	(1,813)	(1,671)	(1,367)	(7,057)	(6,471)	(5,050)
Operating SG&A	25,735	25,578	24,693	98,699	98,979	92,661

FLOOR PLAN NEUTRAL OPERATING CASH FLOW

$ THOUSANDS	FOR THE QUARTER ENDED DECEMBER 31,			FOR THE YEAR ENDED DECEMBER 31,		
	2014	2013	2012	2014	2013	2012
Cash flow from operating activities	12,898	(221)	19,487	16,724	30,105	22,003
Net decrease (increase) in floor plan payable	(5,076)	(19,695)	(50,565)	(39,717)	9,448	(124,949)
Floor plan assumed pursuant to business combinations	-	-	3,629	-	2,789	20,122
Floor Plan Neutral Operating Cash Flow	7,822	(19,916)	(27,449)	(22,993)	42,342	(82,824)

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") are responsible for establishing and maintaining the Company's disclosure controls and procedures, ("DC&P"), to provide reasonable assurance that material information related to the Company is made known. In addition, internal controls over financial reporting ("ICFR") 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 IFRS.

The CEO and CFO have evaluated the effectiveness of our DC&P and assessed the design of our ICFR, as of December 31, 2014, pursuant to the requirements of National Instrument 52-109, and have concluded that:

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

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

Management has concluded that, as of December 31, 2014, the Company has sufficiently documented and tested the effectiveness of the ICFR for the Company and can conclude that these controls are working effectively. It should be noted that while the Company's management believes that the Company's ICFR and DC&P provide a reasonable level of assurance that they are effective, they do not expect these controls will prevent all errors or fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

On May 14, 2013, the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") published an updated Internal Control – Integrated Framework and related illustrative documents, which will supersede the 1992 COSO Framework as of December 15, 2014. As of December 31, 2014, the Company was utilizing the original framework published in 1992, but is transitioning to the 2013 COSO Framework as it relates to its internal controls over financial reporting. In 2014 there was no change in the Company's internal controls over financial reporting that materially affected or is reasonably likely to materially affect its internal controls over financial reporting.

CAUTION REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

This MD&A contains FLS within the meaning of applicable securities legislation which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Rocky or industry results, to be materially different from any future results, events, expectations, performance or achievements expressed or implied by such FLS. FLS typically contain words or phrases such as "may", "outlook", "objective", "intend", "estimate", "anticipate", "should", "could", "would", "will", "expect", "believe", "plan", "predict" and other similar terminology suggesting future outcomes or events. FLS involve numerous assumptions and should not be read as guarantees of future performance or results. Such statements will not necessarily be accurate indications of whether or not such future performance or results will be achieved. Readers of this MD&A should not unduly rely on FLS as a number of factors, many of which are beyond the control of Rocky, could cause actual performance or results to differ materially from the performance or results discussed in the FLS.

In particular, FLS in this MD&A include, but are not limited to, the following: **(i)** disclosure under the heading "Market Fundamentals and Outlook", **(ii)** continuing demand for Rocky's products and services, and the cyclical nature of agriculture equipment demand and any revenue or inventory statements or forecasts attributed thereto, **(iii)** statements concerning expected pricing pressure resulting from abundant global crop supplies **(iv)** statements pertaining to the growth of Rocky's business and operations, **(v)** assertions concerning crop forecasts for the 2015 growing season and the expectation that there will be moderate increases in seeded and harvested acreage of what and canola with reasonably flat yields per acre as compared with 2014, **(vi)** statements that declines in oil prices have impacted spending, which may also impact the Company's results, **(vii)** statements that recent fluctuations in the Canadian dollar relative to the U.S. dollar are expected to increase pricing on much of the Company's new equipment inventory, **(viii)** the effect on customer buying patterns due to price increases associated with the transition to Tier 4 and Tier 4B compliant machinery, **(ix)** that legislative compliance with Tier 4 and Tier 4B regulations will ultimately remove pricing disparities between tiers as the industry progresses through the transition period, **(x)** statements that the Company's Tier 4B compliant units delivered during the year should help secure competitive equipment pricing into the spring of 2015, **(xi)** discussion on the fundamentals of Rocky's business, including discussion that growth in GDP, farmers' crop receipts, increases in global food demand, bio-fuel production, and a decrease in crop land will require farmers to increase productivity, thereby maintaining or improving future demand for agricultural equipment, **(xii)** any statements or discussions regarding Rocky's inventory management and any expected increases or decreases in Rocky's inventory levels and associated financial results, **(xiii)** statements that any anticipated reduction in inventories are not expected to occur in a

linear manner, **(xiv)** discussions regarding initiatives to restore our construction results, including statements regarding our intention to leverage our recent successes to gain market acceptance and better market presence within the territories we operate, **(xv)** discussions that the impact of previously acquired dealerships and trade areas, coupled with our OEM relationships, position us well to pursue our longer-term revenue and earnings growth initiatives, **(xvi)** statements that we believe cash flow from operations, along with existing credit facilities, will provide for our capital needs, **(xvii)** discussion around SG&A expenses including the seasonal variances and expectations in operating SG&A, **(xviii)** discussion that our first quarter is generally the weakest financial quarter due to lack of agricultural activity and winter shutdowns, that the fourth quarter is generally our strongest quarter financially, and discussion that we expect our second and third quarter sales activity to increase as our installed equipment- and customer-base increases, **(xix)** statements that as acquisitions are integrated into the business, the associated SG&A costs for Rocky will generally decrease, **(xx)** statements that our installed base and customer relationships create an annuity of equipment sales and product support revenue, which help drive dependable earnings and cash flow, thereby driving shareholder value, **(xxi)** statements that weather conditions may impact sales activity for any given period, **(xxii)** statements that a decrease in crop supply year-over-year should ease transportation bottlenecks and facilitate the conversion of farmers' crops into cash, **(xxiii)** statements of the Company's intention to continue to build its hedged position to cover its exposure on its outstanding DSUs, **(xxiv)** statements concerning the Company's intention to renew its credit facility; and **(xxv)** statements concerning the Company's ongoing compliance with its covenants under its credit facility.

With respect to the FLS listed above and contained in this MD&A, Rocky has made assumptions regarding, among other things: **(i)** expectations for commodity prices will continue to remain above historical levels, **(ii)** increasing global food demand over the next 25 years in response to a growing world population and a decrease in arable land per capita, **(iii)** rising demand for agriculture commodities and insufficient investment in productive capacity and infrastructure, especially in developing countries, **(iv)** increasing food demand, including increasing demand from China and India for grain and oilseed products, as well as increasing crop land dedicated to bio-fuel production, will cause producers to improve their productivity, and as a result invest in new equipment, **(v)** expectations that increases in farmer liquidity would generally correlated to farmers making capital re-investments in their business, so as to increase their productivity and lower their input costs, which investments may include Rocky's products and services, **(vi)** inventory levels will fluctuate during a year, both positively and negatively, based on timing of equipment deliveries, and volume of whole-good sales involving

a unit taken in on trade, **(vii)** the general GDP growth and/or relative economic stability in the markets we operate in, **(viii)** the trend towards larger farms in the agriculture sector will continue to benefit further farm equipment sales as larger farm operations tend to replace their equipment more frequently, **(ix)** the Company's cash flow will remain sufficient to, in connection with its credit facilities, adequately finance its capital needs, **(x)** as stores are consolidated, certain functions can be centralized thereby reducing SG&A costs as a result, **(xi)** the anticipated improvement in ongoing revenue and cash-flow, including parts and service revenue, as our installed base increases, **(xii)** price increases associated to the transition to Tier 4 equipment will eventually normalize as the market accepts these price changes and price disparities between manufacturers becomes less apparent, **(xiii)** expectations that no material change will happen to our OEM relationships and related contractual agreements, **(xiv)** expectations that customers who purchase their equipment from the Company will, generally, return to the Company for their product support needs, and **(xv)** the recovery of lost seeded acreage caused by excessive moisture in eastern Saskatchewan and western Manitoba during 2014.

Rocky's actual results could differ materially from those anticipated in the FLS in this MD&A as a result of the risk factors set forth herein under the heading "Risks and Uncertainties" and the risk factors set forth in Rocky's AIF. Although the forward-looking statements contained in this MD&A are based upon what management of Rocky believes are reasonable assumptions, Rocky cannot assure investors that actual performance or results will be consistent with these forward-looking statements. These statements reflect current expectations regarding future events and operating performance and are based on information currently available to Rocky's management. There can be no assurance that the plans, intentions or expectations upon which these forward-looking statements are based will occur. All forward-looking statements in this MD&A are qualified in their entirety by the cautionary statements herein and those set forth in Rocky's AIF available on SEDAR at www.sedar.com. These forward-looking statements and outlook are made as of the date of this document and, except as required by applicable law, Rocky assumes no obligation to update or revise them to reflect new events or circumstances.

OUR MESSAGE OVER THE YEARS HAS BEEN CONSISTENT - WE WILL BE PRUDENT RESPONSIBLE MANAGERS OF OUR BUSINESS

Early Summer | CASE IH Patriot 3240 Sprayer

Early Summer | CASE IH Patriot 4440 Sprayer

THE TEAM HERE AT ROCKY HAS THE **CONFIDENCE, KNOWLEDGE, DEDICATION AND EFFORT** TO HELP US SUCCEED

MANAGEMENT'S REPORT TO SHAREHOLDERS

Summer | CASE CE CX 210C Excavator

MANAGEMENT'S REPORT TO SHAREHOLDERS

The accompanying Consolidated Financial Statements of Rocky Mountain Dealerships Inc. (the "Company") are the responsibility of management. The financial statements have been prepared by management in Canadian dollars in accordance with International Financial Reporting Standards (IFRS) and include certain estimates that reflect management's best judgments.

Management has overall responsibility for internal controls and has developed and maintains a system of internal controls that provides reasonable assurance that all transactions are accurately recorded, that the financial statements realistically report the Company's operating and financial results and that the Company's assets are safeguarded. The policy of the Company is to maintain the highest standard of ethics in all its activities and it has a written business conduct and ethics policy.

The Board of Directors of the Company (the "Board") has approved the information contained in the financial statements. The Board fulfills its responsibility regarding the financial statements mainly through its Audit Committee which has a written mandate that complies with the current requirements of Canadian securities legislation. The Audit Committee meets at least on a quarterly basis.

PricewaterhouseCoopers LLP, an independent firm of chartered accountants, was appointed by the shareholders to audit the Consolidated Financial Statements and provide an independent opinion.

CONSOLIDATED FINANCIAL STATEMENTS

Late Summer | Young Wheat Field

March 10, 2015

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Rocky Mountain Dealerships Inc.

We have audited the accompanying consolidated financial statements of Rocky Mountain Dealerships Inc. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2014 and December 31, 2013 and the consolidated statements of net earnings, comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
Suite 3100, 111 5 Avenue SW, Calgary, Alberta, Canada T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825, www.pwc.com/ca

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Rocky Mountain Dealerships Inc. and its subsidiaries as at December 31, 2014 and December 31, 2013 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants

CONSOLIDATED BALANCE SHEETS

Expressed in Thousands of Canadian Dollars

	NOTE	DECEMBER 31, 2014 $	DECEMBER 31, 2013 $
Assets			
Current			
Cash		22,952	34,722
Restricted cash	6	4,560	-
Trade receivables and other	7	33,807	29,368
Inventory	8	526,003	479,330
Income taxes receivable		-	4,887
Prepaid expenses		5,478	5,543
Assets held for sale	9	2,252	-
		595,052	553,850
Non-current			
Property and equipment	10	32,886	30,860
Deferred tax asset	20.2	1,186	-
Goodwill	11	14,692	14,692
		48,764	45,552
		643,816	599,402

CONSOLIDATED BALANCE SHEETS, CONTINUED

Expressed in Thousands of Canadian Dollars

	NOTE	DECEMBER 31, 2014 $	DECEMBER 31, 2013 $
Liabilities			
Current			
Trade payables, accruals and other	12	34,409	35,276
Income taxes payable		6,661	-
Floor plan payable	13	382,081	342,364
Deferred revenue		4,925	6,358
Current portion of long-term debt	14	10,560	10,656
Current portion of obligations under finance leases	15	453	823
Liabilities associated with assets held for sale	9	253	-
		439,342	395,477
Non-current			
Long-term debt	14	32,776	41,681
Obligations under finance leases	15	9	541
Deferred tax liability	20.2	-	2,576
Derivative financial instruments	25.6	3,282	1,706
		36,067	46,504
		475,409	441,981
Commitments, contingencies and guarantees	16, 25.3		
Shareholders' Equity			
Common shares		87,709	86,695
Contributed surplus		5,429	4,662
Accumulated other comprehensive loss		(2,084)	(962)
Retained earnings		77,353	67,026
		168,407	157,421
		643,816	599,402

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

CONSOLIDATED STATEMENTS OF NET EARNINGS

Years Ended
Expressed in Thousands of Canadian Dollars Except Per Share Amounts

	NOTE	DECEMBER 31, 2014 $	DECEMBER 31, 2013 $
Sales			
New equipment		521,747	523,522
Used equipment		303,536	358,861
Parts		101,622	92,599
Service		35,064	29,421
Other		3,438	3,359
	18	965,407	1,007,762
Cost of sales	8	819,785	867,356
Gross profit		145,622	140,406
Selling, general and administrative	19	105,756	105,450
Interest on short-term debt		11,483	11,696
Interest on long-term debt		2,182	2,233
Earnings before income taxes		26,201	21,027
Income taxes			
Current		10,652	10,060
Deferred	20.2	(3,376)	(4,346)
	20.1	7,276	5,714
Net earnings		18,925	15,313
Earnings per share			
Basic	21	0.98	0.80
Diluted	21	0.98	0.80

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended
Expressed in Thousands of Canadian Dollars Except Per Share Amounts

	NOTE	DECEMBER 31, 2014 $	DECEMBER 31, 2013 $
Net earnings		18,925	15,313
Other comprehensive loss			
Items which will subsequently be reclassified to net earnings:			
Unrealized loss on derivative financial instruments, net of tax	25.6	(1,122)	(365)
Total other comprehensive loss for the year, net of tax		(1,122)	(365)
Comprehensive income		17,803	14,948

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Expressed in Thousands of Canadian Dollars and Thousands of Common Shares

	NOTE	COMMON SHARES	
		NUMBER OF SHARES	AMOUNT $
Balance, December 31, 2013		19,313	86,695
Shares issued upon exercise of stock options	17.3	71	1,014
Share-based payment expense		-	-
Net earnings		-	-
Other comprehensive loss		-	-
Dividends paid	17.2	-	-
Balance, December 31, 2014	17.1	19,384	87,709

	NOTE	COMMON SHARES	
		NUMBER OF SHARES	AMOUNT $
Balance, December 31, 2012		18,993	81,947
Shares issued upon exercise of stock options	17.3	320	4,748
Share-based payment expense		-	-
Net earnings		-	-
Other comprehensive loss		-	-
Dividends paid	17.2	-	-
Balance, December 31, 2013	17.1	19,313	86,695

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

CONTRIBUTED SURPLUS $	ACCUMULATED OTHER COMPREHENSIVE LOSS $	RETAINED EARNINGS $	TOTAL EQUITY $
4,662	(962)	67,026	157,421
(355)	-	-	659
1,122	-	-	1,122
-	-	18,925	18,925
-	(1,122)	-	(1,122)
-	-	(8,598)	(8,598)
5,429	(2,084)	77,353	168,407

CONTRIBUTED SURPLUS $	ACCUMULATED OTHER COMPREHENSIVE LOSS $	RETAINED EARNINGS $	TOTAL EQUITY $
4,435	(597)	58,776	144,561
(1,321)	-	-	3,427
1,548	-	-	1,548
-	-	15,313	15,313
-	(365)	-	(365)
-	-	(7,063)	(7,063)
4,662	(962)	67,026	157,421

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended
Expressed in Thousands of Canadian Dollars

	NOTE	DECEMBER 31, 2014 $	DECEMBER 31, 2013 $
Operating activities			
Net earnings		18,925	15,313
Adjustments for:			
Depreciation expense	10	7,057	6,471
Deferred tax recovery	20.2	(3,376)	(4,346)
Share-based payment expense	19	1,122	1,548
Non-cash impact of credit promissory note		-	1
(Gain) loss on disposal of property and equipment	10	(995)	150
Loss (gain) on derivative financial instruments	25.6	68	(225)
		22,801	18,912
Changes in non-cash working capital	22	(6,077)	11,193
		16,724	30,105
Financing activities			
Repayment of long-term debt		(10,958)	(9,940)
Proceeds from long-term debt		2,210	6,140
Net change in obligations under finance leases		(902)	(1,023)
Dividends paid	17.2	(8,598)	(7,063)
Proceeds from issuance of common shares		659	3,427
		(17,589)	(8,459)
Investing activities			
Purchase of property and equipment	10	(11,906)	(16,263)
Disposal of property and equipment	10	2,265	541
Purchase of equipment dealerships, net of cash acquired	5	(1,264)	(5,379)
		(10,905)	(21,101)
Net (decrease) increase in cash		(11,770)	545
Cash, beginning of year		34,722	34,177
Cash, end of year		22,952	34,722
Taxes (received) paid		(896)	18,201
Interest paid		13,665	13,928

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2014 and 2013
Expressed in Thousands of Canadian Dollars Except Per Share and Per Option Amounts

1. GENERAL INFORMATION

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

Historically, our business has been carried on through Rocky Mountain Dealer Group Partnership (the "Partnership") doing business as Rocky Mountain Equipment. Effective January 2, 2014, the Company affected a restructuring whereby the business assets, liabilities, and all other operations of the Partnership were rolled over to Rocky Mountain Equipment Canada Ltd. ("RME Canada") pursuant to an asset transfer agreement. All the Company's operations in Alberta, Saskatchewan and Manitoba are conducted through RME Canada as of January 2, 2014. On February 27, 2014, the Partnership was dissolved. All our equipment dealership locations continue to operate under the name "Rocky Mountain Equipment".

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

2. BASIS OF PREPARATION

2.1. Statement of compliance

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards. These consolidated financial statements were authorized for issue by the Board of Directors on March 10, 2015.

2.2. Adoption of new and revised standards and interpretations

The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial year beginning on January 1, 2014. For the purpose of preparing and presenting the consolidated financial statements for the relevant periods, the Company has consistently adopted all of these new standards for the relevant reporting periods.

Amendment to IAS 32, 'Financial Instruments: Presentation'

This amendment clarifies that the right to offset must be available on the current date and cannot be contingent on a future event. The adoption of this amendment had no material impact to the Company's financial statements.

IFRIC 21, 'Levies', which is an interpretation of IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets'

IAS 37 sets out criteria for the recognition of a liability to pay a levy imposed by government, other than an income tax. The interpretation requires the recognition of a liability when, the event identified by the legislation as triggering the obligation to pay the levy, occurs. The adoption of IFRIC 21 had no material impact to the Company's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2014 and 2013
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Other standards and interpretations issued or amended which are effective for the first time for fiscal year ends beginning on or after January 1, 2014 but which did not have a material impact on the Company's consolidated financial statements or note disclosures as currently presented include:

Amendments to existing standards and interpretations

- IAS 39, 'Financial instruments: Recognition and measurement'
- IAS 36, 'Impairment of assets'
- IFRS 10.'Consolidated financial statements'
- IFRS 12, 'Disclosure of interest in other entities'
- IAS 27, 'Consolidated and separate financial statements'
- IAS 19, 'Employee benefits'

At the date of authorization of these consolidated financial statements, the IASB and the IFRS Interpretations Committee (IFRIC) have issued the following new and revised standards and interpretations which are not yet effective for the relevant reporting periods. The Company has not early adopted these standards, amendments or interpretations, however the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements.

IFRS 15, 'Revenue from contracts with customers'

IFRS 15 provides a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. The underlying principle is that an entity will recognise revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. This standard is effective for fiscal periods beginning on or after January 1, 2017.

IFRS 9, 'Financial instruments'

IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. This standard is effective for fiscal periods beginning on or after January 1, 2018.

Amendment to IFRS 7, 'Financial instruments: Disclosures on derecognition'

In conjunction with the transition from IAS 39 to IFRS 9 for fiscal years beginning on or after January 1, 2018, IFRS 7 will also be amended to require additional disclosure in the year of transition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Basis of measurement

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2014 and 2013
Expressed in Thousands of Canadian Dollars Except Per Share and Per Option Amounts

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

3.2. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries. Subsidiaries are entities controlled by the Company. Control exists when the Company has the power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns, to an extent generally accompanying a shareholding that confers more than half of the voting rights. Subsidiaries are included in the consolidated financial statements of the Company from the date control of the subsidiary commences until the date that control ceases. Intercompany transactions and balances are eliminated on consolidation.

3.3. Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the acquisition date) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Acquisition-related costs incurred have been included in selling, general and administrative expenses in the period in which they are incurred.

Where applicable, the consideration for the acquisition may include any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in fair values of contingent consideration are adjusted against the cost of the acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRS.

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

The measurement period is the period from the date of acquisition to the date the Company obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

3.4. Segment reporting

The Company has identified two operating segments, an agriculture segment and a construction segment. These segments are managed separately and strategic decisions are made on the basis of their respective operating results. All business segments' operating results are reviewed regularly by the Company's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3.5. Cash

Cash consists of cash on hand and bank indebtedness.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2014 and 2013
Expressed in Thousands of Canadian Dollars Except Per Share and Per Option Amounts

3.6. Restricted cash

Restricted cash consist of a cash equivalents for a specific purpose and therefore not available for immediate and general use by the Company.

3.7. Property and equipment

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

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

Items of property and equipment are depreciated commencing on the date they are ready for use using the following methods and rates:

Land	Not depreciated
Buildings	Straight-line over 20 years
Computer equipment	Straight-line over 3 – 6 years
Furniture and fixtures	Straight-line over 5 – 10 years
Leasehold improvements	Straight-line over the lesser of the lease term and useful life
Shop tools and equipment	Straight-line over 5 – 10 years
Vehicles	Straight-line over 3 – 5 years

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in net earnings. Items of property and equipment are tested for impairment as discussed in Note 3.10.

3.8. Key estimates and judgements

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

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

Balances in these consolidated financial statements that are subject to estimation include the allowance for doubtful accounts (Note 7), the net realizable value of inventory (Note 3.13), the depreciation periods and methods applied to items of property and equipment (Note 3.7), the net recoverable value of goodwill (Note 11), the fair value of derivative financial instruments (Note 3.20.10) and impairment of goodwill and other assets (Note 3.9, Note 3.10).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2014 and 2013
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Management also makes certain estimates with respect to manufacturer incentives. Certain manufacturers offer annual performance incentives which are linked to the Company's market share achievement and annual sales volumes. The Company uses estimated annual market share statistics derived from current and historical results which have been adjusted for any anticipated changes in the current year, as well as annual sales volume to accrue manufacturer incentives earned during the year.

3.9. Goodwill and impairment of goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquiree at the date of acquisition. Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. Goodwill generated on initial recognition is not deductible for tax purposes and has an indefinite useful life.

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

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata based on the carrying amount of each asset in the unit. The recoverable amount of a CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Any impairment loss for goodwill is recognized in net earnings. Such impairment losses are not reversed in subsequent periods.

3.10. Impairment of assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs. Corporate assets are also allocated to individual CGUs on the basis of distribution of assets deployed in the CGU.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2014 and 2013
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Where an impairment loss subsequently reverses, the carrying amount of the assets (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the original carrying amount. A reversal of impairment loss is recognized immediately in net earnings.

3.11. Earnings per share

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

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

3.12. Leases

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

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.13. Inventory

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

3.14. Revenue recognition

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

3.14.1. Sale of goods

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2014 and 2013
Expressed in Thousands of Canadian Dollars Except Per Share and Per Option Amounts

- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3.14.2. Rendering of services

Revenue derived from the rendering of services is recognized when:

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

3.14.3. Other revenue

Other revenue consists of commission revenue from finance and insurance, recognized when the finance contract is signed.

3.15. Deferred revenue

Deferred revenue comprises equipment sales in which cash has been received but not all terms and conditions have been fulfilled to meet the requirements of revenue recognition, and maintenance plans sold to customers in which all services have not yet been provided.

3.16. Share-based transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The Company follows the fair value based method of accounting, using the Black-Scholes option pricing model, whereby compensation expense is recognized over the vesting period and is based on the Company's estimate of awards that will ultimately vest, with a corresponding increase to contributed surplus. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 17.3.

Cash-settled share-based payments are recorded as liabilities and are measured initially at their fair values. At the end of each reporting period and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in net earnings for the period. Details regarding the determination of the fair value of cash-settled share-based payments are set out in Note 17.4 and Note 17.5.

3.17. Employee Share Ownership Plan

The Company has an Employee Share Ownership Plan ("ESOP"). Under the ESOP, employees can contribute a percentage of their annual gross salary by way of payroll deductions. For employees with 3 years or less of service, the Company matches up to 2% of earnings, to a maximum of $2 per annum. For employees with more than 3 years of service, the Company matches up to 5% of earnings, to a maximum of $5 per annum or an amount modified and approved by the Company's Compensation, Governance and Nominating Committee. The Company's contributions vest to the employee on December 31 of the contribution year and are expensed as incurred.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2014 and 2013
Expressed in Thousands of Canadian Dollars Except Per Share and Per Option Amounts

3.18. Income taxes

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

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

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

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

3.19. Foreign currency translation

Transactions in currencies other than the Company's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at prevailing rates.

3.20. Financial instruments

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

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

3.20.1. Classification of financial instruments

Financial instruments are classified into the following specified categories: financial assets at FVTPL, held-to-maturity investments, available-for-sale ("AFS") financial assets, loans and receivables, financial liabilities at FVTPL and other financial liabilities. The classification depends on the nature and purpose of the financial instrument and is determined at the time of initial recognition. The Company has no financial assets classified as held-to-maturity or AFS.

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3.20.2. Effective interest method

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

3.20.3. Financial instruments at FVTPL

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

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

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

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

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

Financial assets classified as at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in net earnings. The net gain or loss recognised in net earnings incorporates any dividends or interest earned on the financial asset and is included in selling, general and administrative expenses. The Company has designated its derivative financial instruments as at FVTPL. Fair value is determined in the manner described in Notes 3.20.10 and 25.6.

3.20.4. Loans and receivables

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

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

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3.20.5. Other financial liabilities

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

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

3.20.6. Impairment of financial assets

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

3.20.7. Derecognition of financial instruments

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

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

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

3.20.8. Classification as debt or equity

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

3.20.9. Equity instruments

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

3.20.10. Derivative financial instruments and hedging activities

Derivatives are initially recognized on the date a derivative contract is entered into and are subsequently re-measured at their fair values. The fair values of interest rate swaps are calculated as the net present value of the estimated future cash flows expected to arise on the variable and fixed streams, determined using applicable yield curves at each measurement date. Swap curves, which incorporate credit spreads

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applicable to large commercial banks, are typically used to calculate expected future cash flows and the present values thereof. Adjustments are also made to reflect the Company's own credit risk and the credit risk of the counter party, if different from the spread implicit in the swap curve.

The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company may designate derivatives of a particular risk associated with a recognized asset or liability or highly probable forecast transaction as cash flow hedges.

The Company documents at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions.

The Company uses the regression method to determine whether the interest rate swaps that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items and uses the cumulative dollar offset method to measure the ineffective portion. The documentation identifies the anticipated cash flows being hedged, the risk that is being hedged, and the type of hedging instrument used and how effectiveness will be assessed. The hedging instrument must be highly effective in accomplishing the objective of offsetting changes in anticipated cash flows attributable to the risk being hedged both at inception and throughout the life of the hedge. Hedge accounting is discontinued prospectively when it is determined that the hedging instrument is no longer effective as a hedge, the hedging instrument is terminated, or upon early settlement of the hedged item.

Where hedge accounting can be applied, a hedge relationship is designated and documented at inception to detail the particular risk management objective and the strategy for undertaking the hedge transaction.

In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative, net of taxes, is recognized in other comprehensive income while the ineffective portion is recognized in the consolidated statement of net earnings. Amounts in accumulated other comprehensive loss are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

Gains or losses on derivatives not designated as hedges are recognized in the consolidated statement of net earnings.

When a hedging instrument expires or no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity remains in equity and is recognized when the forecast transaction is ultimately recognized in the consolidated statement of net earnings.

The Company uses interest rate swaps to hedge the variability in cash flows related to variable rate debt.

4. PRIOR YEAR COMPARATIVE DISCLOSURES

Certain prior period comparative information has been revised to conform to current period presentation.

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5. ACQUISITIONS

During the years ended December 31, 2014 and 2013, the Company completed two business acquisitions. Over time, we expect these acquisitions to offer synergies in the forms of cost reduction, an expanded market to distribute used inventory and an expanded territory for sales and product support. Acquisitions completed during these periods are as follows:

2014 ACQUISITIONS

York Auto Supply

On June 2, 2014, the Company purchased the net assets of York Auto Supply ("YAS"), a distributor of automotive and agricultural parts, body shop and industrial supplies, with a store in Yorkton, Saskatchewan. The operating results of the business acquired are consolidated from June 2, 2014, the acquisition's closing date.

2013 ACQUISITIONS

Murray's Farm Supplies

On February 1, 2013, the Company acquired 100% of the outstanding common shares of Murray's Farm Supplies ("MFS"). The operating results of the business acquired are consolidated from February 1, 2013, the acquisition's closing date.

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The business combinations completed during the years ended December 31, 2014 and 2013 are summarized as follows:

	2014	2013
	YAS	MFS
Purchase price allocation		
Purchase consideration	1,264	3,272
Net working capital		
Cash	-	405
Trade receivables and other	226	474
Inventory	339	4,803
Trade payables, accruals and other	-	(598)
Floor plan payable	-	(2,789)
Current portion of obligations under finance leases	-	(13)
	565	2,282
Property and equipment	699	201
Deferred taxes	-	(8)
Obligations under finance leases	-	(11)
Goodwill	-	808
Net assets acquired	1,264	3,272
Cash consideration paid, net of cash acquired		
York Auto Supply	1,264	-
Murray's Farm Supplies	-	2,867
Camrose Farm Equipment[1]	-	290
Houlder Automotive Ltd.[1]	-	2,222
Total	1,264	5,379

[1] These acquisitions occurred in 2012 and the amounts shown above represents the final payment made in 2013.

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The Company incurred $18 of acquisition related costs during the year ended December 31, 2014 (2013 – $36). These costs are recognized as administrative expenses within selling, general and administrative expenses in the period in which they are incurred.

The acquisition effected during the year ended December 31, 2014, generated revenue of $958 during the year of acquisition (2013 – $11,080) and net loss of $120 (2013 – net earnings of $280). Had this business combination been effected at January 1 of the acquisition year, the Company estimates that consolidated revenue and net earnings for the year ended December 31, 2014 would have been $967,563 and $18,655, respectively (2013 – $1,008,553 and $15,333, respectively). The pro forma revenues and earnings are not necessarily indicative of the results that actually would have occurred had these acquisitions taken place on January 1, or of the results which may be obtained in the future.

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

Goodwill arose on the MFS acquisition due to the potential future revenue growth and synergies expected to occur. This amount is not recognized separately as it does not meet the recognition criteria for identifiable intangible assets. Goodwill generated on acquisition is not deductible for tax purposes.

6. RESTRICTED CASH

Restricted cash as at December 31, 2014 is comprised of $4,560 related to the issuance of treasury bills. The treasury bills are pledged as security for the hedged position on the total return swap (Note 25.6).

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7. TRADE RECEIVABLES AND OTHER

	DECEMBER 31, 2014 $	DECEMBER 31, 2013 $
Trade receivables		
Current	15,552	11,209
Aged between 61 – 120 days	2,065	1,775
Aged greater than 120 days	2,024	2,095
	19,641	15,079
Allowance for doubtful accounts	(1,745)	(1,272)
Net trade receivables	17,896	13,807
Contracts in transit	13,683	14,576
Warranty receivables	2,228	985
	33,807	29,368

The Company considers its trade receivables and other which are neither past due nor impaired to be of good credit quality. Contracts in transit and warranty receivables are due from retail finance institutions and original equipment manufacturers, respectively.

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The allowance for doubtful accounts can be reconciled as follows:

	DECEMBER 31, 2014 $	DECEMBER 31, 2013 $
As at January 1,	1,272	1,573
Provided for during the year, net of recoveries	1,021	(17)
Written-off during the year	(548)	(284)
As at December 31,	1,745	1,272

The allowance for doubtful accounts is reviewed by management on a monthly basis. Accounts receivable are considered for impairment on a case-by-case basis when they are past due or when objective evidence is received that a customer will default. The Company takes into consideration the customer's payment history, their creditworthiness and the current economic environment in which the customer operates to assess impairment. The Company's historical bad debt expenses have not been significant and are generally limited to specific customer circumstances.

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8. INVENTORY

	DECEMBER 31, 2014 $	DECEMBER 31, 2013 $
New equipment	213,685	211,246
Used equipment	273,306	230,349
Parts	36,455	35,095
Work-in-progress	2,557	2,640
	526,003	479,330

For the year ended December 31, 2014, inventory recognized as an expense amounted to $804,693 (2013 – $846,652), which is included in cost of sales in the consolidated statement of net earnings. For the year ended December 31, 2014, there were net write downs of inventory to net realizable value of $3,177 (2013 – $5,957) in cost of sales in the consolidated statement of net earnings. The Company's inventory has been pledged as security for its bank indebtedness, floor plan payable and long-term debt.

9. ASSETS HELD FOR SALE

As at December 31, 2014, a parcel of land with a net book value of $2,252 is classified as held for sale. The mortgage associated with the land is $253 and has been classified as a current liability

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10. PROPERTY AND EQUIPMENT

	LAND $	BUILDINGS $	COMPUTER EQUIPMENT $
Cost			
January 1, 2013	2,252	475	6,537
Additions	8,272	7	1,351
Business combinations (Note 5)	-	-	20
Disposals	-	-	(78)
December 31, 2013	10,524	482	7,830
Additions	2,492	3,138	1,169
Business combinations (Note 5)	145	359	38
Assets held for sale (Note 9)	(2,252)	-	-
Disposals	-	-	(95)
December 31, 2014	10,909	3,979	8,942
Accumulated depreciation			
January 1, 2013	-	226	2,803
Depreciation charge	-	90	1,335
Disposals	-	-	(78)
December 31, 2013	-	316	4,060
Depreciation charge	-	50	1,524
Disposals	-	-	(26)
December 31, 2014	-	366	5,558
Net book value			
January 1, 2013	2,252	249	3,734
December 31, 2013	10,524	166	3,770
December 31, 2014	10,909	3,613	3,384

Included in selling, general and administrative expenses for the year ended December 31, 2014 is depreciation expense of $7,057 (2013 – $6,471) and a gain on the disposal of property and equipment of $995 (2013 – loss of $150).

FURNITURE AND FIXTURES $	LEASEHOLD IMPROVE-MENTS $	SHOP TOOLS AND EQUIPMENT $	VEHICLES $	TOTAL $
2,997	3,158	7,885	15,873	39,177
186	2,091	640	3,716	16,263
27	-	44	110	201
(78)	(564)	(156)	(919)	(1,795)
3,132	4,685	8,413	18,780	53,846
440	692	1,437	2,538	11,906
36	-	86	35	699
-	-	-	-	(2,252)
-	(22)	(90)	(3,741)	(3,948)
3,608	5,355	9,846	17,612	60,251
1,531	1,024	4,425	7,610	17,619
515	441	1,404	2,686	6,471
(61)	(276)	(104)	(585)	(1,104)
1,985	1,189	5,725	9,711	22,986
452	661	1,409	2,961	7,057
-	(9)	(62)	(2,581)	(2,678)
2,437	1,841	7,072	10,091	27,365
1,466	2,134	3,460	8,263	21,558
1,147	3,496	2,688	9,069	30,860
1,171	3,514	2,774	7,521	32,886

As at December 31, 2014, assets under finance leases included in computer equipment and vehicles have net carrying amounts of $440 and $199 (2013 – $609 and $852), respectively. Certain items of property and equipment have been pledged as security for liabilities as disclosed in Notes 14 and 15.

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11. GOODWILL

	DECEMBER 31, 2014 $	DECEMBER 31, 2013 $
Opening balance	14,692	13,884
Recognized on business acquisitions (Note 5)	-	808
Ending balance	14,692	14,692

Goodwill recognized pursuant to a business combination is allocated, at the time of acquisition, to the Company's CGU that is expected to benefit from that business combination. As at December 31, 2014 and 2013, the Company has identified two CGU's, agriculture and construction. All goodwill has been allocated to the agriculture CGU.

The recoverable amount of the CGUs was determined from value in use calculations. The key assumptions made for the value in use calculations are those regarding the discount and growth rates. These key assumptions are based on past experience which has been adjusted for expected changes in future conditions.

As at December 31, 2014 and 2013, the Company prepared cash flow forecasts derived from the most recent financial plans prepared by management and extrapolated these cash flows into perpetuity using growth assumptions relevant to the business sector. The growth rate used for the purposes of these analyses was 2.0%.

As at December 31, 2014, the rate used to discount the forecasted cash flows was 11.7% (2013 – 11.9%), and represents the Company's estimate of the pre-tax discount rate reflecting current market assessments of the time value of money and the risks specific to the particular CGU. The recoverable amount of each CGU to which goodwill has been allocated exceeded its carrying value at the impairment test dates.

The Company has conducted a sensitivity analysis based on reasonable possible changes in the key assumptions used for the impairment tests. Had the estimated cost of capital used in determining the pre-tax discount rates been 1% higher than management's estimates or the estimated growth rate used in extrapolating forecasted results been 1% lower, the recoverable amount of the CGU would continue to exceed its carrying amount for the respective periods.

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12. TRADE PAYABLES, ACCRUALS AND OTHER

	DECEMBER 31, 2014 $	DECEMBER 31, 2013 $
Trade payables and accruals	33,711	34,620
Directors' share units (Note 17.4)	680	656
Share appreciation rights (Note 17.5)	18	-
	34,409	35,276

13. FLOOR PLAN PAYABLE

The Company utilizes floor plan financing arrangements with various suppliers and creditors to finance whole-good inventory on hand. The terms of these arrangements may include up to a twelve month interest-free period followed by a fixed or variable interest rate term ranging from 0.0% to the bank's prime rate plus 4.3% at December 31, 2014 (2013 – ranging from 0.0% to the bank's prime rate plus 4.3%). At December 31, 2014, the Company had unused floor plan of approximately $154,919 available (2013 – $245,736). The amounts due are secured by specific new and used equipment inventories and the payments are due when the equipment is sold or transferred, up to a maximum term of 48 months. At December 31, 2014, the Company had $2,911 of floor plan outstanding in US currency (2013 – $1,348). The entire amount of floor plan payable has been classified as current, as the corresponding inventory to which it relates has also been classified as current.

Pursuant to agreements with lenders, the Company is required to monitor and report certain non-IFRS measures (Note 26).

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14. LONG-TERM DEBT

The following table summarizes the Company's long-term debt. The Debenture Repayment, Acquisition and Fleet Facilities are governed by a syndicate credit agreement which, if not renewed, will mature on June 1, 2017. It is management's intention to renew this credit agreement before its maturity date. The table presented below assumes the agreement is renewed prior to maturity.

	DECEMBER 31, 2014 $	DECEMBER 31, 2013 $
Debenture Repayment Facility, amortized with quarterly principal instalments of $875 plus interest with the remaining principal due on September 30, 2017. The effective interest rate at December 31, 2014 was 3.3% (2013 – 3.5%).	26,250	29,750
Acquisition Facility, revolving facility payable in monthly principal instalments over 60 months plus interest. The effective interest rate at December 31, 2014 was 3.3% (2013 – 3.5%).	11,782	17,232
Fleet Facility, revolving facility payable in monthly principal instalments over 36 – 60 months plus interest. The effective interest rate at December 31, 2014 was 3.6% (2013 – 3.7%).	4,957	4,248
Various other facilities	347	1,107
	43,336	52,337
Current portion	10,560	10,656
Long-term portion	32,776	41,681

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15. OBLIGATIONS UNDER FINANCE LEASES

Finance leases relate primarily to vehicles with lease terms ranging from three to five years. The Company has options to purchase many of these vehicles for a nominal amount at the conclusion of the lease terms. The lessors' title to the leased assets provides security for the Company's obligations under finance leases.

Interest rates underlying all obligations under finance leases are fixed at the respective contract dates ranging from 3.4% to 7.6% at December 31, 2014 (2013 – 3.4% – 7.6%).

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

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

	DECEMBER 31, 2014 $	DECEMBER 31, 2013 $
Due within one year	492	850
Due later than one year and not later than five years	9	556
Due later than five years	-	-
Total future minimum lease payments	501	1,406
Less future finance charges	(39)	(42)
Present value of future minimum lease payments	462	1,364
Current portion of obligations under finance leases	453	823
Long-term portion of obligations under finance leases	9	541

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16. CONTINGENCY AND GUARANTEE

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

17. SHARE CAPITAL

17.1. Common shares

The Company is authorized to issue an unlimited amount of common shares with no par value. As at December 31, 2014, 19,384 thousand shares were issued and outstanding (December 31, 2013 – 19,313). All issued and outstanding shares were fully paid as at December 31, 2014 and 2013.

17.2. Dividends paid

Dividends paid during the year ended December 31, 2014 were $8,598 or $0.445 per share (2013 – $7,063 or $0.3675 per share).

In respect of the fourth quarter of 2014, the Board of Directors declared a dividend of $0.115 per common share on the Company's outstanding common shares. The dividend is payable on March 31, 2015, to shareholders of record at the close of business on February 27, 2015. The payment of this dividend will not have any tax consequences for the Company.

17.3. Stock options

The Company has a stock option plan under which the Board of Directors may grant options to directors, officers, and employees of the Company at an exercise price equal to the market price of the Company's common shares at the time of the grant. The plan is limited to 10% of the issued and outstanding common shares. Options granted carry neither voting rights nor rights to dividends.

The general terms of stock options granted under the plan include a maximum exercise period of five years and a vesting period of three years with one-third of the grant vesting on each anniversary date.

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The fair value of the options granted using the Black-Scholes option pricing model and assumptions used in their determination during the years ended December 31 are as follows:

	DECEMBER 31, 2014	DECEMBER 31, 2013
Risk-free interest rate	1.5%	1.2%
Expected option life (years)	3.8	4.0
Expected volatility[1]	27.1%	50.6%
Expected annual dividend per share	$0.40	$0.27
Exercise price	$11.52	$12.89
Share price on grant date	$11.52	$12.89
Fair value	$1.81	$4.46

[1] *Expected volatility has been based on the historical volatility of the Company's publicly traded shares*

The reconciliation of options outstanding during the years ended December 31 is as follows:

	2014		2013	
	NUMBER OF OPTIONS (THOUSANDS)	WEIGHTED AVERAGE EXERCISE PRICE $	NUMBER OF OPTIONS (THOUSANDS)	WEIGHTED AVERAGE EXERCISE PRICE $
January 1,	945	11.61	1,112	11.04
Granted	432	11.52	452	12.89
Exercised	(71)	9.26	(320)	10.72
Forfeited	(70)	12.15	(78)	12.35
Expired	-	-	(221)	12.40
December 31,	1,236	11.68	945	11.61

The weighted average share price at the date of exercise for the options exercised during the year ended December 31, 2014 was $10.00 (2013 – $12.75).

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Options outstanding at December 31, 2014 are summarized as follows:

GRANT DATE	OPTIONS OUTSTANDING (THOUSANDS)	OPTIONS EXERCISABLE (THOUSANDS)	WEIGHTED AVERAGE EXERCISE PRICE ($)	WEIGHTED AVERAGE CONTRACTUAL LIFE (YEARS)
March 11, 2011	38	38	10.39	1.2
August 11, 2011	142	142	8.71	1.6
March 28, 2012	256	169	11.96	2.2
March 13, 2013	387	129	12.89	3.2
March 13, 2014	413	-	11.52	4.2
	1,236	478	11.68	3.1

17.4. Directors' share unit plan

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

Upon redemption and at each reporting period, the DSUs are valued on a per DSU basis at an amount equal to the volume weighted average trading price of the Company's shares over the immediately preceding 20 day trading period. At December 31, 2014, $680 was included in trade payables, accruals and other with respect to the DSUs (December 31, 2013 – $656). During the year ended December 31, 2014, Nil DSU's were redeemed (2013 – 14 for proceeds of $193).

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DSUs granted and redeemed and the unrealized losses recognized on the DSUs during the years ended December 31 are as follows:

	2014		2013	
	DSUS (THOUSANDS)	$	DSUS (THOUSANDS)	$
January 1,	53	656	50	571
Granted[1]	22	247	17	221
Redeemed	-	-	(14)	(193)
Loss on mark to market revaluation[1]	-	(223)	-	57
December 31,	75	680	53	656

[1] Included in selling general and administrative expenses.

17.5. Share appreciation rights plan

In November 2014, the Company introduced a share appreciation rights ("SAR") plan as a component of overall compensation of directors, officers and employees. These SAR's vest after a three year period, are exercisable for two years thereafter and will be settled in cash. During the vesting period, the SARs are revalued at each reporting period using the Black-Scholes option pricing model. The Company recognizes a liability to the extent that the fair value of the SARs has been earned by the holder, with the coinciding expense being recognized within selling, general and administrative expense.

In November 2014, the Company granted 550,000 SARs with an exercise price of $10.93. As at December 31, 2014, 550,000 SARs were outstanding. As at December 31, 2014, the Company recognized a liability and expense of $18.

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The fair value of the SARs granted using the Black-Scholes option pricing model and assumptions used in their determination as at December 31 are as follows:

	DECEMBER 31, 2014
Risk-free interest rate	1.4%
Expected option life (years)	3.8
Expected volatility[1]	25.6%
Expected annual dividend per share	$0.46
Exercise price	$10.93
Share price	$9.50
Fair value	$0.83

[1] *Expected volatility has been based on the historical volatility of the Company's publicly traded shares*

In 2014, the Company has entered into a two total return swap contracts as an economic hedge, covering 291 of the Company's underlying common shares, which represents a portion of its outstanding DSUs, and all of its SARs. For the year ended, December 31, 2014, the Company recognized a loss of $108 in general and administrative expenses (see note 25.6).

17.6. Employee share ownership plan

During the year ended December 31, 2014, the Company recognized $1,040 in selling, general and administrative expenses in respect of employee contributions to the ESOP plan which were matched by the Company (2013 – $1,050).

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18. SALES

The Company's annual sales consist of the following for the respective years ended:

	DECEMBER 31, 2014 $	DECEMBER 31, 2013 $
Agriculture equipment sales	737,220	806,966
Construction equipment sales	88,063	75,417
Parts sales	101,622	92,599
Sale of goods	926,905	974,982
Rendering of services	38,502	32,780
Total sales	965,407	1,007,762

19. SELLING, GENERAL AND ADMINISTRATIVE

The Company's selling, general and administration expenses consist of the following for the respective years ended:

	DECEMBER 31, 2014 $	DECEMBER 31, 2013 $
Compensation and related expenses	65,052	65,541
Administrative expenses	18,744	17,121
Rent and other facility expenses	13,781	14,769
Depreciation expense	7,057	6,471
Share-based payment expense	1,122	1,548
Total selling, general and administrative expenses	105,756	105,450

Included in compensation and related expenses as at December 31, 2014 are variable sales commissions of $14,658 (2013 – $16,448). Costs included in administrative expenses are marketing, training, insurance, travel, professional fees and other miscellaneous expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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20. INCOME TAXES

20.1. Income tax recognized in net earnings

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

	DECEMBER 31, 2014 $	DECEMBER 31, 2013 $
Earnings before income taxes	26,201	21,027
Computed tax at statutory tax rate of 25% (2013 – 25%)	6,550	5,257
Non-deductible expenses	411	526
Adjustment from prior year income tax expenses	246	(116)
Other	69	47
	7,276	5,714

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20.2. Deferred tax liability (asset)

	SHARE ISSUE COSTS $	CUMULATIVE ELIGIBLE CAPITAL $	PROPERTY AND EQUIPMENT $	PARTNER-SHIP DEFERRAL $	DSUS $	INTEREST RATE SWAPS $	TOTAL $
January 1, 2013	(571)	(85)	262	7,944	(143)	(365)	7,042
Acquired pursuant to business combinations	-	-	8	-	-	-	8
Recognized in net earnings	242	(86)	(167)	(4,372)	(21)	58	(4,346)
Recognized in equity	-	-	-	-	-	(128)	(128)
December 31, 2013	(329)	(171)	103	3,572	(164)	(435)	2,576
Recognized in net earnings	142	32	44	(3,572)	(6)	(16)	(3,376)
Recognized in equity	-	-	-	-	-	(386)	(386)
December 31, 2014	(187)	(139)	147	-	(170)	(837)	(1,186)

The Company also has an unrecognized deferred tax asset of $788 related to the capital loss on the repurchase of its convertible debentures.

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21. EARNINGS PER SHARE

Both basic and diluted earnings per share have been calculated using net earnings for the respective periods. The weighted average number of ordinary shares used in the calculations of basic and diluted EPS for the respective years ended, are as follows:

	DECEMBER 31, 2014	DECEMBER 31, 2013
Weighted average number of ordinary shares used in the calculation of basic EPS	19,280	19,167
Dilutive impact of stock options	29	57
Weighted average number of ordinary shares used in the calculation of diluted EPS	19,309	19,224

For the year ended December 31, 2014, 1,056 stock options were anti-dilutive (2013 – 693).

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22. CHANGES IN NON-CASH WORKING CAPITAL

The net change in non-cash working capital for the years ended December 31 is comprised of the following sources (uses) of cash:

	DECEMBER 31, 2014 $	DECEMBER 31, 2013 $
Restricted cash	(4,560)	-
Trade receivables and other	(4,213)	23,834
Income taxes receivable	4,887	(4,623)
Inventory	(46,334)	20,624
Prepaid expenses	65	(1,073)
Trade payables, accruals and other	(867)	(12,936)
Income taxes payable	6,661	(3,518)
Floor plan payable	39,717	(12,237)
Deferred revenue	(1,433)	(1,122)
	(6,077)	11,193

23. OPERATING LEASE ARRANGEMENTS

Operating leases relate primarily to the Company's facilities with lease terms of between one and eleven years. Most building leases contain five-year renewal options. During the year ended December 31, 2014, the Company recognized $8,973 of operating lease payments as expenses (2013 – $9,000).

Non-cancellable operating lease commitments at December 31 are due as follows:

	DECEMBER 31, 2014 $	DECEMBER 31, 2013 $
Not later than one year	8,018	8,491
Later than one year and not later than five years	19,993	21,076
Later than five years	6,297	8,787
	34,308	38,354

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24. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties for the respective years ended:

	DECEMBER 31, 2014 $	DECEMBER 31, 2013 $
Equipment sales	6,921	4,476
Expenditures		
Rental payment on Company facilities	5,435	5,280
Equipment purchases	3,846	4,206
Flight costs	191	183
Other expenses	70	406

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

The remuneration of the directors and officers of the Company is determined by the Compensation, Governance and Nominating Committee of the Board of Directors based on performance and is consistent with market trends. The remuneration of directors and officers of the Company identified as key management is as follows for the respective years ended:

	DECEMBER 31, 2014 $	DECEMBER 31, 2013 $
Salary and short-term benefits	2,061	1,984
Post-retirement benefits	33	36
Share-based payment	769	1,054
	2,863	3,074

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

	DECEMBER 31, 2014 $	DECEMBER 31, 2013 $
Due from related parties	61	141
Due to related parties	(112)	(39)

The amounts due from related parties are not secured and are to be settled in cash. As at December 31, 2014 and 2013, the amounts due from related parties are considered collectible and therefore have not been provided for in the allowance for doubtful accounts. During the year ended December 31, 2014, $Nil has been recognized in bad debt expenses with respect to related party transactions (2013 – $Nil).

Key management personnel are comprised of the Company's officers. As at December 31, 2014, there is a $2,640 commitment (2013 – $2,944) relating to change of control or termination of employment of the key management personnel.

The Company has contractual obligations to related parties in the form of facility leases. As at December 31, 2014, these contractual obligations and due dates are as follows:

$ THOUSANDS	TOTAL	2015	2016-2017	2018-2019	THERE-AFTER
Operating lease obligations	26,583	5,396	9,998	4,911	6,278

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25. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk, market risk (consisting of foreign currency exchange risk, interest rate risk and equity price risk), and liquidity risk. The following analysis provides a measurement of risks as at December 31, 2014 and 2013.

25.1. Credit risk

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

The Company's exposure to credit risk on its cash balance is mitigated as these financial assets are held with major financial institutions with strong credit ratings.

The aging of the Company's trade receivables is disclosed in Note 7. Contracts in transit and warranty receivables are due from counterparties who maintain strong credit ratings and the Company has a history of collecting on these accounts. Trade receivables consist of amounts due from a large number of customers, spread across diverse industries and geographic areas. On-going credit evaluation is performed on the financial condition of trade receivables.

25.2. Market risk

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

25.2.1. Foreign currency exchange risk and sensitivity analysis

Certain of the Company's financial instruments are exposed to fluctuations in the U.S. dollar ("USD"). When considered appropriate, the Company purchases forward contracts for USD as means of mitigating this risk.

The following tables detail the Company's exposure to currency risk at December 31, 2014 and 2013 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 within one year). The sensitivity analysis includes USD denominated monetary items and adjusts their translation at year end for their respective change in the USD. For the respective weakening of the USD, there would be an equal and opposite impact on the Company's net earnings.

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	CHANGE IN CURRENCY RATES %	DENOMINATED IN USD $	EFFECT ON NET EARNINGS YEAR ENDED DECEMBER 31, 2014 $	DENOMINATED IN USD $	EFFECT ON NET EARNINGS YEAR ENDED DECEMBER 31, 2013 $
Cash	5.0	2,284	86	928	35
Trade payables, accruals and other	5.0	(481)	(18)	(807)	(30)
Floor plan payable	10.0	(2,911)	(218)	(1,348)	(101)
		(1,108)	(150)	(1,227)	(96)

Included in selling, general and administrative expenses are gains recognized due to foreign currency translation for transactions and balances aggregating $169 for the year ended December 31, 2014 (2013 – $482).

25.2.2. Interest rate risk and sensitivity analysis

The Company's financial liabilities are exposed to fluctuations in interest rates with respect to certain of its long-term liabilities, line of credit and floor plan payable.

The Company manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps when appropriate. Generally, the Company will raise floor plan financing and/or long-term debt at floating rates. When the Company enters into a floating-to-fixed interest rate swap, it agrees with a third party to exchange the difference between the fixed and floating contract rates based on agreed notional amounts.

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The following table details the Company's exposure to interest rate risk as at December 31, 2014 and 2013 and a sensitivity analysis to an increase of interest rates by 0.5% on net earnings. The sensitivity includes floating rate financial liabilities and adjusts their effect at period end for a 0.5% increase in interest rates. A decrease of 0.5% would result in an equal and opposite effect on net earnings. This analysis excludes floating rate financial liabilities for which the Company has hedged its exposure to interest rate fluctuations though the use of floating-to-fixed interest rate swaps, as well as interest rate swaps themselves.

	CHANGE IN INTEREST RATES %	FLOATING RATE FINANCIAL LIABILITIES $	EFFECT ON NET EARNINGS YEAR ENDED DECEMBER 31, 2014 $	FLOATING RATE FINANCIAL LIABILITIES $	EFFECT ON NET EARNINGS YEAR ENDED DECEMBER 31, 2013 $
Floor plan payable	0.5	265,883	997	212,980	799
Acquisition Facility	0.5	7,140	27	9,313	35
Fleet Facility	0.5	4,957	19	4,248	16
Other long-term debt[1]	0.5	253	1	422	2
		278,233	1,044	226,963	852

[1] *2014 includes debt associated with assets held for sale*

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25.2.3. Equity price risk and sensitivity analysis

The Company's financial liabilities are exposed to fluctuations in stock price with respect to the total return swaps.

The following table details the Company's exposure to equity rate risk as at December 31, 2014 and a sensitivity analysis to a decrease of the Company's stock price by 5% on net earnings. The sensitivity includes the total return swaps financial liabilities and adjusts the effect at period end for a 5% decrease in the stock price. An increase of 5% would result in an equal and opposite effect on net earnings.

	CHANGE IN STOCK PRICE %	TOTAL RETURN SWAP FINANCIAL LIABILITY $	EFFECT ON NET EARNINGS YEAR ENDED DECEMBER 31, 2014 $
Total return swaps	5	(108)	(103)

25.3. Liquidity risk

The Company's objective is to have sufficient liquidity to meet its liabilities when due. The Company monitors its cash balance and cash flows generated from operations as well as available credit facilities to meet its requirements.

The Company has credit facilities with a syndicate of lenders to help finance the general day-to-day cash requirements of its operations (the "Operating Facility"), to finance its inventory (the "Flooring Facility"), to make acquisitions (the "Acquisition Facility"), to finance the Company's fleet of vehicles (the "Fleet Facility") and to finance the repurchase of the Debentures (the "Debenture Repayment Facility") (collectively the "Syndicated Facility").

The Syndicated Facility is a revolving facility secured in favour of the syndicate by a general security agreement. Advances under the Syndicated Facility may be made based on our lender's prime rate or the US base rate plus 1.0% – 2.5% or based on the banker's acceptance ("BA") rate plus 2.0% – 3.5%. The Company pays standby fees of between 0.4% and 0.7% per annum (2013 – 0.5% and 0.8%) on any undrawn portion of the Syndicated Facility. The Syndicated Facility matures on June 1, 2017 however, it is the Company's intention to renew this facility prior to its maturity date.

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The facilities included in the Syndicated Facility have the following limits:

	DECEMBER 31, 2014 $	DECEMBER 31, 2013 $
Operating Facility	30,000	30,000
Flooring Facility	125,000	100,000
Acquisition Facility	30,000	30,000
Fleet Facility	10,000	10,000
Debenture Repayment Facility	26,250	29,750
Real Estate Facility	15,000	-

In addition to the Flooring Facility, the Company has additional floor plan facilities of approximately $412,000 as at December 31, 2014 (2013 – $488,100).

The Company assesses its liquidity based on the expected period in which cash flows will occur. The following tables summarize the Company's undiscounted cash flows expected for its financial liabilities as at December 31. The analysis is based on foreign exchange rates and interest rates in effect at the consolidated balance sheet date, and includes both principal and interest cash flows.

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AS AT DECEMBER 31, 2014	INTEREST AND PRINCIPAL OUTSTANDING $	2015 $	2016-2017 $	2018-2019 $	THERE-AFTER $
Trade payables, accruals and other[1]	33,711	33,711	-	-	-
Floor plan payable	395,375	395,375	-	-	-
Long-term debt[2]	46,408	12,074	32,427	1,893	14
Obligations under finance leases	501	492	9	-	-
Derivative financial instruments	3,592	1,150	1,453	799	190
	479,587	442,802	33,889	2,692	204

AS AT DECEMBER 31, 2013	INTEREST AND PRINCIPAL OUTSTANDING $	2014 $	2015-2016 $	2017-2018 $	THERE-AFTER $
Trade payables, accruals and other[1]	34,620	34,620	-	-	-
Floor plan payable	355,853	355,853	-	-	-
Long-term debt	56,187	12,159	20,339	23,655	34
Obligations under finance leases	1,406	850	556	-	-
Derivative financial instruments	2,442	1,197	1,245	-	-
	450,508	404,679	22,140	23,655	34

[1] *-Trade payables, accruals and other excludes DSUs and SARs which are not financial instruments.*

[2] *-Includes long-term debt associated with assets held for sale*

In the event that the Syndicated Facility is not renewed prior to its maturity, the cash outflow for the long-term debt outstanding as at December 31, 2014 would be $34,040 in 2015-2016 and $Nil in subsequent periods (December 31, 2013 – $42,895 for 2014-2015 and $Nil in subsequent periods).

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25.4. Fair value of financial instruments carried at amortized cost

The carrying amounts of cash, trade receivables and other, bank indebtedness and trade payables, accruals and other (excluding DSUs and SARs) approximate their fair values because of the short-term maturities of these items. The carrying amounts of floor plan payable, long-term debt and obligations under finance leases approximate their fair values as the interest rates are consistent with market rates for similar debt. Substantially all short- and long-term interest expense pertains to financial liabilities that are not at FVTPL.

25.5. Fair value measurements recognized in the consolidated balance sheet

The financial instruments of the Company are measured subsequent to initial recognition at fair value and are grouped into categories accordingly:

- Level 1 financial instruments are those which can be derived from quoted market prices (unadjusted) in active markets for similar financial assets or liabilities. The Company does not have any Level 1 financial instruments.
- Level 2 financial instruments are those whose fair value can be derived from inputs that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The Company's Level 2 financial instruments consist of derivatives in the form of interest rate swaps and total return swaps, which had a fair value of $3,282 at December 31, 2014 (2013 – $1,706).
- Level 3 financial instruments are those derived from valuation techniques that include inputs for the financial asset or liability which are not based on observable market data (unobservable inputs). The Company has no Level 3 financial instruments.

There were no transfers between Level 1 and 2 during the year 2014 and 2013.

25.6. Derivative financial instruments and hedges

The Company has long and short-term debt raised at floating interest rates and hedges a portion of this risk by using floating-to-fixed interest rate swaps. Under the interest rate swaps, the Company hedges interest rate risk by exchanging, at monthly intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts. The interest rate swaps hedge the Company's exposure to interest rate fluctuations on the Debenture Repayment Facility as well as portions of the Acquisition and Flooring Facilities. Interest rate swaps outstanding at December 31, 2014 mature between May 2016 and September 2020 (2013 – between May 2016 and August 2020). During 2014, the Debenture and Acquisition Facility interest rate swaps were no longer effective and as such, hedge accounting was discontinued. The accumulated amounts recognized within accumulated other comprehensive loss will be reversed into net earnings over the remainder of the term of the derivatives. Future charges in fair value will be recognized within net earnings in the period in which they arise.

The combined notional principal amounts of interest rate swaps outstanding at December 31, 2014 was $90,892 (2013 – $97,668). At December 31, 2014, the effective fixed interest rate on the underlying debt was 4.5% (2013 – 4.7%) and the effective floating rate using the Bankers' Acceptance rate was 3.3% (2013 – 3.5%).

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During the year, the Company entered into two total return swaps to hedge the exposure associated with increases in its share value on its outstanding DSUs and SARs. The DSUs are notional grants of shares and are to be settled in cash within 30 days of a Director's termination date. The Company does not apply hedge accounting to this relationship and as such, gains and losses arising from marking the derivative to market are recognized in earnings in the period in which they arise.

Derivative financial instruments recognized as liabilities are as follows:

	DECEMBER 31, 2014 $	DECEMBER 31, 2013 $
Total return swaps	108	-
Interest rate swaps	3,174	1,706
Derivative financial instruments	3,282	1,706

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

	DECEMBER 31, 2014 $	DECEMBER 31, 2013 $
Opening derivative financial instruments	1,706	1,438
Loss (gain) recognized in net earnings	68	(225)
Loss recognized in accumulated other comprehensive loss – net of tax	1,122	365
Tax on loss recognized in accumulated other comprehensive loss	386	128
Ending derivative financial instruments	3,282	1,706

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

During the years presented and cumulatively to date, changes in counterparty credit risk have not significantly contributed to the overall changes in the fair value of these derivative financial instruments.

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26. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are:

(a) To maintain a flexible capital structure which optimizes the cost of capital at acceptable risk; and

(b) To maintain capital in a manner which balances the interests of equity and debt holders.

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

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

The Company monitors debt to equity capitalization. This ratio is a non-IFRS measure which does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other issuers.

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

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The debt to equity ratio target excluding floor plan payable is between 0.3 and 0.5 to 1. As at December 31, 2014, the Company is lower than its target range due to deleveraging of the balance sheet. The debt to equity ratio target for the Company including floor plan payable is debt between 2.5 and 3.0 to 1.0. As at December 31, 2014 and 2013, the Company was within its target range. The components of debt to equity ratios are as follows:

	DECEMBER 31, 2014 $	DECEMBER 31, 2013 $
Current portion of long-term debt	10,560	10,656
Current portion of obligations under finance leases	453	823
Liabilities associated with assets held for sale	253	-
Long-term debt	32,776	41,681
Obligations under finance leases	9	541
Total debt excluding floor plan payable	44,051	53,701
Floor plan payable	382,081	342,364
Total debt including floor plan payable	426,132	396,065
Shareholders' equity	168,407	157,421
Debt equity ratios		
- excluding floor plan payable	0.26	0.34
- including floor plan payable	2.53	2.52

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Pursuant to agreements with lenders, the Company is also required to monitor and report certain non-IFRS measures on a quarterly basis. These measures and the applicable compliance ranges are as follows:

	DECEMBER 31, 2014 $	DECEMBER 31, 2013 $
Fixed charge coverage of at least	1.25-1.50:1	1.25-1.50:1
Debt to tangible net worth less than	4.00-5.00:1	4.00-5.00:1
Current ratio of at least	1.15-1.20:1	1.15-1.20:1

Each lender has its own definition of which account balances are to be included in these computations. As at December 31, 2014 and 2013, the Company was in compliance with all externally imposed capital requirements. As at December 31, 2014, the Company's compliance with the fixed charge coverage ratio on the Syndicated Facility is however, marginal. Based on our projected results, we expect to remain in compliance with this, and other covenants, however, our estimated results are subject to numerous risks and uncertainties, some of which are beyond our control. The Company will continue to closely monitor its financial covenants accordingly.

27. SEGMENTED REPORTING

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

The agriculture segment primarily includes sales of agricultural equipment, parts and services and the construction segment includes sales of construction equipment, parts and services. The Company's branches have been aggregated based on the primary industry which they serve. In the case where certain branches serve both industries, the primary industry served is agriculture and therefore, these facilities have been categorized as such. As a result, certain construction related results are included in the agriculture segment for the purposes of segmented financial reporting shown below.

Comparative information presented for 2013 has been derived using allocations and estimated made by management.

The accounting policies of the reportable operating segments are the same as those described in Note 3 – Summary of significant accounting policies.

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DECEMBER 31, 2014	AGRICULTURE $	CONSTRUCTION $	TOTAL $
Sales			
New equipment	473,715	48,032	521,747
Used equipment	300,277	3,259	303,536
Parts	87,387	14,235	101,622
Service	29,478	5,586	35,064
Other	2,731	707	3,438
	893,588	71,819	965,407
Cost of sales	761,158	58,627	819,785
Gross profit	132,430	13,192	145,622
Selling, general and administrative	91,837	13,919	105,756
Interest on short-term debt	10,346	1,137	11,483
Interest on long-term debt	1,963	219	2,182
Earnings (loss) before income taxes	28,284	(2,083)	26,201
Income taxes	7,854	(578)	7,276
Net earnings (loss)	20,430	(1,505)	18,925

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DECEMBER 31, 2013	AGRICULTURE $	CONSTRUCTION $	TOTAL $
Sales			
New equipment	484,046	39,476	523,522
Used equipment	354,043	4,818	358,861
Parts	79,210	13,389	92,599
Service	24,050	5,371	29,421
Other	2,574	785	3,359
	943,923	63,839	1,007,762
Cost of sales	808,845	58,511	867,356
Gross profit	135,078	5,328	140,406
Selling, general and administrative	90,823	14,627	105,450
Interest on short-term debt	9,355	2,341	11,696
Interest on long-term debt	1,973	260	2,233
Earnings (loss) before income taxes	32,927	(11,900)	21,027
Income taxes	8,948	(3,234)	5,714
Net earnings (loss)	23,979	(8,666)	15,313

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2014 and 2013
Expressed in Thousands of Canadian Dollars Except Per Share and Per Option Amounts

Balance Sheet Information:

DECEMBER 31, 2014	AGRICULTURE $	CONSTRUCTION $	TOTAL $
Inventory	480,320	45,683	526,003
Goodwill	14,692	-	14,692
Other assets	83,525	19,596	103,121
Total assets	578,537	65,279	643,816

DECEMBER 31, 2013	AGRICULTURE $	CONSTRUCTION $	TOTAL $
Inventory	425,038	54,292	479,330
Goodwill	14,692	-	14,692
Other assets	93,679	11,701	105,380
Total assets	533,409	65,993	599,402

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2014 and 2013
Expressed in Thousands of Canadian Dollars Except Per Share and Per Option Amounts

28. ECONOMIC DEPENDENCE

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

29. SUBSEQUENT EVENT

On February 12, 2015, the Company acquired 100% of the outstanding common shares of NGF Geomatics Inc. (“NGF”), a geometrics company specializing in the collection of geospatial survey data using unmanned aerial vehicles. The purchase price was $840 and was funded with cash. The Company is in the process of determining the purchase price allocation.

On March 10, 2015, the Company announced that it had entered into an agreement to purchase 100% of the issued and outstanding shares of the entities forming Chabot Implements (“Chabot”). Chabot is a Manitoba-based dealer of Case IH agriculture equipment with locations in Portage La Prairie, Steinbach and Elie. Chabot also sells Kubota equipment through its Neepawa, Manitoba location. The purchase consideration of $6,790 is subject to a minimum working capital requirement and will be adjusted based on actual working capital delivered. The acquisition is expected to close effective April 1, 2015.

CORPORATE INFORMATION

Early Fall | Mature Wheat Field

CORPORATE INFORMATION[1]

DIRECTORS

MATTHEW C. CAMPBELL
Calgary, Alberta

DEREK I. STIMSON
Coaldale, Alberta

PAUL S. WALTERS[2][3][4]
Toronto, Ontario

DENNIS J. HOFFMAN[2][3]
Calgary, Alberta

PATRICK J. PRIESTNER[2][3]
Edmonton, Alberta

ROBERT K. MACKAY[3]
Vancouver, British Columbia

SCOTT A. TANNAS[2]
High River, Alberta

TRACEY L. ZEHL[2][3]
Calgary, Alberta

[1] *Information provided as at April 1, 2015*
[2] *Audit Committee Member*
[3] *Compensation, Governance and Nominating Committee Member*
[4] *Lead Independent Director*

OFFICERS

GARRETT A.W. GANDEN
President and Chief Executive Officer

DAVID J. ASCOTT
Chief Financial Officer

JERALD D. PALMER JR.
General Counsel & Corporate Secretary

AUDITOR
PricewaterhouseCoopers LLP
Calgary, Alberta

EXTERNAL LEGAL COUNSEL
Dentons Canada LLP
Calgary, Alberta

BANKER
HSBC Bank Canada

STOCK EXCHANGE LISTING
Toronto Stock Exchange
Symbol **RME (RCKXF on the OTCQX)**

TRANSFER AGENT
Computershare Trust Company of Canada
Calgary, Alberta

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Fall | New Holland CR9.90 Combine

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Late Fall | CASE IH Axial Flow Combine

Rocky Mountain Dealerships Inc. | Annual Report | 2014
Layout and Design | Kristin Knudson, B. Des.; RME Marketing

DEALERSHIP LOCATIONS

ALBERTA

BALZAC	CASE IH
BARRHEAD	NEW HOLLAND
BOW ISLAND	CASE IH
CALGARY	CASE CE
CAMROSE	CASE IH | NEW HOLLAND
DRUMHELLER	CASE IH
EDMONTON	CASE CE
EDMONTON	METSO
FALHER	CASE IH
GRANDE PRAIRIE	CASE IH | CASE CE
GRIMSHAW	CASE IH | NEW HOLLAND
HIGH RIVER	CASE IH
KILLAM	CASE IH
LETHBRIDGE	CASE IH | CASE CE
MEDICINE HAT	CASE IH | CASE CE
MILK RIVER	CASE IH
OYEN	CASE IH
PICTURE BUTTE	CASE IH
RED DEER	CASE CE
RED DEER	NEW HOLLAND
TABER	CASE IH | CASE CE
VEGREVILLE	CASE IH
VERMILION	CASE IH
WESTLOCK	CASE IH
WESTLOCK	NEW HOLLAND

SASKATCHEWAN

KINDERSLEY	CASE IH
MOOSOMIN	CASE IH
PREECEVILLE	CASE IH
YORKTON	CASE IH
YORKTON	UNI-SELECT

MANITOBA

BOISSEVAIN	CASE IH
BRANDON	CASE IH
DAUPHIN	CASE IH
ELIE	CASE IH
KILLARNEY	CASE IH
NEEPAWA	CASE IH
NEEPAWA	SHORT LINES
PORTAGE LA PRAIRIE	CASE IH
RUSSELL	CASE IH
SHOAL LAKE	CASE IH
STEINBACH	CASE IH
WINKLER	CASE IH

Dealership Locations as of April 1st, 2015