TOROMONT

February 6, 2017

Toromont Announces 2016 Results and 6% Increase in Quarterly Dividend

TORONTO, ONTARIO--(Marketwired - Feb. 6, 2017) - Toromont Industries Ltd. (TSX:TIH) today reported financial results for the three and twelve-month periods ended December 31, 2016.

millions, except per share amounts	Three months ended December 31 2016	2015	% change	Twelve months ended December 31 2016	2015	% change
Revenues	$ 480.7	$ 472.0	2%	$ 1,867.3	$ 1,802.2	4%
Operating income	$ 62.9	$ 61.7	2%	$ 216.6	$ 204.5	6%
Net earnings	$ 45.5	$ 44.4	3%	$ 155.7	$ 145.7	7%
Basic earnings per share ("EPS")	$ 0.58	$ 0.57	2%	$ 1.99	$ 1.88	6%

"We are pleased with our overall 2016 results which reflect the realization of opportunities in generally challenging markets. Revenues grew 4% over last year with solid earnings growth of 7%, a reflection of the team's focus and commitment to operating disciplines," said Scott J. Medhurst, President and Chief Executive Officer of Toromont Industries Ltd. "CIMCO delivered outstanding results while performance in the Equipment Group reflects softness in certain of its business sectors. Product support activity continues to provide a strong foundation for growth in both Groups. The Company's strong balance sheet and free-cash flows position it well for future initiatives."

Considering the Company's solid financial position and positive long-term outlook, the Board of Directors today increased the quarterly dividend by 6% to 19 cents per share. The next dividend is payable April 3, 2017 to shareholders of record at the close of business on March 10, 2017. Toromont has paid dividends every year since going public in 1968 and this represents the 28th consecutive year of increases.

Highlights:

- Equipment Group - good product support contribution offsets the impact of challenging equipment market conditions

  - Revenues increased 1% or $17.4 million in the year to $1.6 billion with ongoing product support growth offsetting lower total equipment sales and rentals. Operating income(1) increased by $6.5 million or 3% and was up 30 basis points to 12.4% as a percentage of revenues.

  - For the fourth quarter, revenues of $407.2 million were relatively unchanged versus last year with higher product support, used equipment sales and rental revenues offsetting lower new equipment sales. Operating income margin(1) of 13.9% was also substantially unchanged from last year as improved gross margins were offset by a higher selling and administrative expense ratio.

  - Bookings(1) in 2016 of $814.0 million were up 4% from last year. Fourth quarter bookings of $224.0 million were 36% higher than last year with increases across most market segments. Backlogs(1) were $147.0 million at the end of 2016 compared to $92.0 million at this time last year. Most of the orders in backlog are expected to be delivered in 2017.

- CIMCO - record revenues and earnings in a tight pricing environment

  - Revenues increased to $280.4 million, up 20% from 2015 on continued growth in both Canada and the US. Operating income margin increased 90 basis points to 7.3% on a relatively lower selling and administrative expense ratio, partially offset by lower margins.

  - For the fourth quarter, revenues increased 11% to $73.4 million mainly due to higher package revenues in Canada. Product support revenues were lower in both Canada and the US due to timing of job completions and invoicing. Operating income margin increased 40 basis points to 8.5%.

  - Bookings increased 28% to $178.0 million for the year and represented a new all-time high. Fourth quarter bookings were up 14% to $41.0 million, with higher US bookings accounting for approximately 71% of the increase. Backlogs of $99.0 million at December 31, 2016 were up 13% from 2015 and represented the second highest level for this time of year. Substantially all backlog is expected to be realized as revenue in 2017.

- Net earnings for 2016 were $155.7 million ($1.99 EPS) up 7% from last year, largely due to continued product support growth from both Groups and strong package sales growth at CIMCO, together with a gain realized on the sale of internally-developed software.

- Net earnings for the fourth quarter were $45.5 million ($0.58 EPS) up 3% from last year, on higher revenues and improved gross profit margins, partially offset by a relatively higher selling and administrative expense ratio.

- Toromont continued to produce superior shareholder returns, delivering increased dividends, a 20.0% return on opening shareholders' equity(1) and a 24.5% pre-tax return on capital employed(1).

- The Company maintained a strong financial position. Leverage, as represented by the net debt to total capitalization(1) ratio at December 31, 2016 was -4%.

"We are encouraged by the long-term outlook for infrastructure spending and expect to have better visibility into future spending initiatives following 2017 budget announcements from the Federal and provincial governments. Equipment Group customers have been restrained with their capital spending pending clarity on government investment levels, and this has contributed to the softness experienced in many of the markets served. Performance at CIMCO was exceptional and has led to strong package sales and product support growth," continued Mr. Medhurst. "Across our organization, strong product support growth, together with diverse products and markets, provides a sound financial position, operational stability and opportunities for continued success."

Quarterly Conference Call and Webcast

Interested parties are invited to join the quarterly conference call with investment analysts, in listen-only mode, on Tuesday, February 7, 2017 at 8:00 a.m. (ET). The call may be accessed by telephone at 1-866-223-7781 (toll free) or 416-340-2218 (Toronto area). A replay of the conference call will be available until Tuesday, February 14, 2017 by calling 1-800-408-3053 or 905-694-9451 and quoting passcode 1169295.

Both the live webcast and the replay of the quarterly conference call can be accessed at www.toromont.com.

Advisory

Information in this press release that is not a historical fact is "forward-looking information". Words such as "plans", "intends", "outlook", "expects", "anticipates", "estimates", "believes", "likely", "should", "could", "will", "may" and similar expressions are intended to identify statements containing forward-looking information. Forward-looking information in this press release is based on current objectives, strategies, expectations and assumptions which management considers appropriate and reasonable at the time including, but not limited to, general economic and industry growth rates, commodity prices, currency exchange and interest rates, competitive intensity and shareholder and regulatory approvals.

By its nature, forward-looking information is subject to risks and uncertainties which may be beyond the ability of Toromont to control or predict. The actual results, performance or achievements of Toromont could differ materially from those expressed or implied by forward-looking information. Factors that could cause actual results, performance, achievements or events to differ from current expectations include, among others, risks and uncertainties related to: business cycles, including general economic conditions in the countries in which Toromont operates; commodity price changes, including changes in the price of precious and base metals; changes in foreign exchange rates, including the Cdn$/US$ exchange rate; the termination of distribution or original equipment manufacturer agreements; equipment product acceptance and availability of supply; increased competition; credit of third parties; additional costs associated with warranties and maintenance contracts; changes in interest rates; the availability of financing; and, environmental regulation.

Any of the above mentioned risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied in the forward-looking information and statements included in this press release. For a further description of certain risks and uncertainties and other factors that could cause or contribute to actual results that are materially different, see the risks and uncertainties set out in the "Risks and Risk Management" and "Outlook" sections of Toromont's most recent annual or interim Management Discussion and Analysis, as filed with Canadian securities regulators at www.sedar.com and may also be found at www.toromont.com. Other factors, risks and uncertainties not presently known to Toromont or that Toromont currently believes are not material could also cause actual results or events to differ materially from those expressed or implied by statements containing forward-looking information.

Readers are cautioned not to place undue reliance on statements containing forward-looking information that are included in this press release, which are made as of the date of this press release, and not to use such information for anything other than their intended purpose. Toromont disclaims any obligation or intention to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable securities legislation.

About Toromont

Toromont Industries Ltd. operates through two business segments: the Equipment Group and CIMCO. The Equipment Group includes one of the larger Caterpillar dealerships by revenue and geographic territory in addition to industry leading rental operations and an expanding agricultural equipment business. CIMCO is a market leader in the design, engineering, fabrication and installation of industrial and recreational refrigeration systems. Both segments offer comprehensive product support capabilities. This press release and more information about Toromont Industries Ltd. can be found at www.toromont.com.

FOOTNOTES

1 These financial metrics do not have a standardized meaning under International Financial Reporting Standards, which are also referred to herein as Generally Accepted Accounting Principles (GAAP), and may not be comparable to similar measures used by other issuers. The Company's Management's Discussion and Analysis (MD&A) includes additional information regarding these financial metrics, including definitions, under the heading "Description of Additional GAAP and Non-GAAP Measures."

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") comments on the operations, performance and financial condition of Toromont Industries Ltd. ("Toromont" or the "Company") as at and for the three and twelve months ended December 31, 2016, compared to the preceding year. This MD&A should be read in conjunction with the attached unaudited consolidated financial statements and related notes for the twelve months ended December 31, 2016, the annual MD&A contained in the 2015 Annual Report and the audited annual consolidated financial statements for the year ended December 31, 2015.

The consolidated financial statements reported herein have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in Canadian dollars. The information in this MD&A is current to February 6, 2017.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's 2015 Annual Report and 2016 Annual Information Form. These filings are available on SEDAR at www.sedar.com and on the Company's website at www.toromont.com.

CORPORATE PROFILE AND BUSINESS SEGMENTATION

As at December 31, 2016, Toromont employed over 3,600 people in more than 100 locations across Canada and the United States. Toromont is listed on the Toronto Stock Exchange under the symbol TIH.

Toromont has two reportable operating segments: the Equipment Group and CIMCO.

The Equipment Group includes Toromont CAT, one of the world's larger Caterpillar dealerships, Battlefield - The CAT Rental Store, an industry-leading rental operation, and AgWest, an agricultural equipment and solutions dealer representing AGCO, CLAAS and other manufacturers' products. Performance in the Equipment Group is driven by activity in several industries: road building and other infrastructure-related activities; mining; residential and commercial construction; power generation; aggregates; waste management; steel; forestry; and agriculture. Significant activities include the sale, rental and service of mobile equipment for Caterpillar and other manufacturers; sale, rental and service of engines used in a variety of applications including industrial, commercial, marine, on-highway trucks and power generation; and sale of complementary and related products, parts and service. Territories include Ontario, Manitoba, Newfoundland and most of Labrador and Nunavut.

CIMCO is a market leader in the design, engineering, fabrication, installation and after-sale support of refrigeration systems in industrial and recreational markets. Results of CIMCO are influenced by conditions in the primary market segments served: beverage and food processing; cold storage; food distribution; mining; and recreational ice rinks. CIMCO offers systems designed to optimize energy usage through proprietary products such as ECO CHILL(R). CIMCO has manufacturing facilities in Canada and the United States and sells its solutions globally.

PRIMARY OBJECTIVE AND MAJOR STRATEGIES

The primary objective of the Company is to build shareholder value through sustainable and profitable growth, supported by a strong financial foundation. To guide its activities in pursuit of this objective, Toromont works toward specific, long-term financial goals (see section heading "Key Performance Measures" in this MD&A) and each of its operating groups consistently employs the following broad strategies:

Expand Markets

Toromont serves diverse markets that offer significant long-term potential for profitable expansion. Each operating group strives to achieve or maintain leading positions in markets served. Incremental revenues are derived from improved coverage, market share gains and geographic expansion. Expansion of the installed base of equipment provides the foundation for product support growth and leverages the fixed costs associated with the Company's infrastructure.

Strengthen Product Support

Toromont's parts and service business is a significant contributor to overall profitability and serves to stabilize results through economic downturns. Product support activities also represent opportunities to develop closer relationships with customers and differentiate the Company's product and service offering. The ability to consistently meet or exceed customers' expectations for service efficiency and quality is critical, as after-market support is an integral part of the customer's decision-making process when purchasing equipment.

Broaden Product Offerings

Toromont delivers specialized capital equipment to a diverse range of customers and industries. Collectively, hundreds of thousands of different parts are offered through the Company's distribution channels. The Company expands its customer base through selectively extending product lines and capabilities. In support of this strategy, Toromont represents product lines that are considered leading and generally best-in-class from suppliers and business partners who continually expand and develop their offerings. Strong relationships with suppliers and business partners are critical in achieving growth objectives.

Invest in Resources

The combined knowledge and experience of Toromont's people is a key competitive advantage. Growth is dependent on attracting, retaining and developing employees with values that are consistent with Toromont's. A highly principled culture, share ownership and profitability based incentive programs result in a close alignment of employee and shareholder interests. By investing in employee training and development, the capabilities and productivity of employees continually improve to better serve shareholders, customers and business partners.

Toromont's information technology represents another competitive differentiator in the marketplace. The Company's selective investments in technology, inclusive of e-commerce initiatives, strengthen customer service capabilities, generate new opportunities for growth, drive efficiency and increase returns to shareholders.

Maintain a Strong Financial Position

A strong, well-capitalized balance sheet creates stability and financial flexibility, and has contributed to the Company's long-term track record of profitable growth. It is also fundamental to the Company's future success.

CONSOLIDATED ANNUAL OPERATING RESULTS

	Twelve months ended December 31			
($ thousands, except per share amounts)	2016	2015	$ change	% change
REVENUES	$ 1,867,283	$ 1,802,233	$ 65,050	4%
Cost of goods sold	1,399,695	1,356,630	43,065	3%
Gross profit (1)	467,588	445,603	21,985	5%
Selling and administrative expenses	255,964	241,093	14,871	6%
Gain on sale of internally-developed software	(4,939)	-	(4,939)	nm
OPERATING INCOME(1)	216,563	204,510	12,053	6%
Interest expense	7,242	8,668	(1,426)	(16%)
Interest and investment income	(4,006)	(3,422)	(584)	17%
Income before income taxes	213,327	199,264	14,063	7%
Income taxes	57,579	53,598	3,981	7%
NET EARNINGS	155,748	145,666	10,082	7%
BASIC EARNINGS PER SHARE	$ 1.99	$ 1.88	$ 0.11	6%

KEY RATIOS:		
Gross profit margin (1)	25.0%	24.7%
Selling and administrative expenses as a % of revenues	13.7%	13.4%
Operating income margin (1)	11.6%	11.3%
Income taxes as a % of income before income taxes	27.0%	26.9%
Return on capital employed (1)	24.5%	24.3%
Return on equity (1)	20.8%	21.6%

(1) Defined in the section titled "Description of Additional GAAP and Non-GAAP Measures".

Revenues increased 4% to $1.9 billion. CIMCO accounted for the majority of the increase in revenues on record package sales and product support revenues. The Equipment Group reported a 1% increase in revenues on higher product support and used equipment revenues partially offset by lower new equipment sales and rentals.

Gross profit margin was slightly higher than last year, up 30 basis points ("bps") to 25.0% largely due to a favorable sales mix of product support to total revenues. Challenging market conditions have continued to exert downward pressures on margins for each category of sales across most of the business.

Selling and administrative expenses increased $14.9 million or 6% and were up 30 bps as a percentage of revenues versus last year. The majority of the increase related to higher compensation costs up ($9.3 million) and higher mark-to-market adjustments on Deferred Share Units ("DSUs") ($3.1 million) due to the increased share price. Bad debt expenses were down $0.7 million on an improved aging profile of receivables.

In the third quarter of 2016, Toromont sold its licences related to internally-developed software modules, designed to work with dealer-based systems (DBS). The pre-tax gain on this sale was $4.9 million. Annual royalty revenue from the previous royalty arrangements averaged $0.6 million over the preceding three years.

Interest expense decreased on lower average debt balances and lower effective interest rates realized in a late-2015 refinancing.

Interest income increased on higher conversions of equipment on rent with a purchase option ("RPO") and increased investment income on higher average cash balances.

The effective income tax rate for 2016 was 27.0% compared to 26.9% in 2015.

Net earnings in 2016 were $155.7 million and basic earnings per share ("EPS") were $1.99, up 7% from 2015.

Comprehensive income in 2016 was $154.2 million (2015 - $147.6 million). Other comprehensive loss in 2016 was $1.6 million, including an actuarial loss on defined benefit pension plans of $1.1 million which resulted from a decrease in the discount rate.

BUSINESS SEGMENT ANNUAL OPERATING RESULTS

The accounting policies of the segments are the same as those of the consolidated entity. Management evaluates overall business segment performance based on revenue growth, operating income relative to revenues and return on capital employed. Corporate expenses are allocated based on each segment's revenue. Interest expense and interest and investment income are not allocated.

Equipment Group

	Twelve months ended December 31			
($ thousands)	2016	2015	$ change	% change
Equipment sales and rentals				
New	$ 518,808	$ 595,441	$ (76,633)	(13%)
Used	239,447	192,445	47,002	24%
Rentals	221,009	222,562	(1,553)	(1%)
Total equipment sales and rentals	979,264	1,010,448	(31,184)	(3%)
Power generation	12,242	11,173	1,069	10%
Product support	595,383	547,878	47,505	9%
Total revenues	$ 1,586,889	$ 1,569,499	$ 17,390	1%
Operating income	$ 196,124	$ 189,630	$ 6,494	3%
Capital expenditures:				
Rental	$ 98,668	$ 119,737	$ (21,069)	(18%)
Other	22,938	29,331	(6,393)	(22%)
Total	$ 121,606	$ 149,068	$ (27,462)	(18%)

KEY RATIOS:		
Product support revenues as a % of total revenues	37.5%	34.9%
Operating income margin	12.4%	12.1%
Group total revenues as a % of consolidated revenues	85.0%	87.1%
Return on capital employed	21.8%	22.2%

The Equipment Group has faced challenging market conditions this year. The weakened Canadian dollar has resulted in higher new equipment prices versus recent years and delays in the roll-out of the announced Federal infrastructure investment has resulted in customers being more cautious with their capital expenditures. Consequently, customers have been seeking alternatives such as used, rebuilds and to a certain extent, rental purchase options. Additionally, weakness in other geographic markets has resulted in a migration of rental fleets, inventory and contractors into the relatively more active Ontario market. This led to increasing competitive conditions across all segments. In total, equipment sales were down $29.6 million or 4%.

New equipment sales were down $76.6 million or 13% versus last year, tracking industry declines based on Company estimates, with decreases reported across most industries served. Toromont's new equipment sales into construction markets declined $40.0 million or 11%, while sales into mining markets were down $34.2 million or 45%. Power Systems revenues were off $10.9 million or 14%, due to delayed timing for certain project completions together with softness in most sectors. Deliveries into certain other market segments increased, including waste and landfill (up $8.6 million or 104%) and forestry (up $1.1 million or 7%). Agriculture revenues were relatively unchanged from last year despite very soft markets.

Offsetting the decline in new, used equipment sales increased to a new record of $239.4 million led by strong mining deliveries and increases across most other market segments. Used equipment sales include used equipment purchased for resale, equipment received on trade-in, rent with purchase option ("RPO") returns and sales of Company-owned rental fleet units.

Rental revenues decreased $1.6 million or 1% as lower rental rates across all segments more than offset increased time utilization in the larger rental asset categories. Light equipment rentals were up 3% on larger fleets (up 12%) and two additional locations. Heavy equipment rentals were down 5% on lower time utilization exacerbated by changes in the competitive landscape which adversely affected demand. Power rentals decreased 17% against a tough prior year comparator, which included good activity surrounding the Toronto Pan-Am games, increased penetration of the entertainment market and the conversion of a large rental package. Rental revenues from RPO were down 8% largely due to rental rate pressures as the average RPO fleet investment increased 3% year-over-year. The ending RPO fleet at December 31st, 2016, was $61.0 million versus $49.8 million at the end of 2015.

Power generation revenues from Toromont-owned and managed plants increased $1.1 million or 10% over last year on higher electricity sales from the Waterloo Landfill site and Sudbury Hospital plant in addition to higher thermal revenue from the Sudbury Downtown and Hospital plants.

Product support revenues increased $47.5 million or 9%, benefitting from the larger installed base of equipment in our territory and good activity levels for equipment in the field. Parts revenues increased 11% over 2015, led by substantial parts deliveries into mining (up 22%), construction (up 2%) and agriculture (up 25%) markets. Higher parts sales also reflect changes in pricing as a consequence of the weakened Canadian dollar. We estimate that on a constant dollar basis, parts sales increased 5%. Service revenues were up 2% largely due to good construction activity levels. Product support was also lifted by increased rebuild activity in mining.

Gross margins improved 60 bps on a favorable sales mix of product support revenues to total revenues (37.5% compared to 34.9% in 2015). Competitive market conditions were experienced across most lines of business during the year. Lower depreciation charges on the rental fleets as a result of updated estimates of estimated useful lives and residual values served to offset the impact of lower financial utilization of the rental fleets. The net impact of these changes reduced depreciation by $4.1 million for the year versus applying the previous estimates.

Selling and administrative expenses increased $12.6 million or 6% compared to last year. Compensation costs (up $6.0 million), customer allowances (up $2.0 million) and information technology expenses (up $1.4 million) accounted for the majority of the increase. As a percentage of revenues, expenses were 60 bps higher than 2015 (13.4% vs. 12.8%).

The $4.9 million pre-tax gain on the sale of internally-developed software is included in the Equipment Group results. Excluding this gain, operating income increased $1.6 million versus last year but was down 10 bps to 12.0% as a percentage of revenues.

Capital expenditures in the Equipment Group were $27.5 million (18%) lower year-over-year. Replacement and expansion of the rental fleet accounted for $98.7 million of total investment in 2016. Other capital expenditures include $11.2 million for service and delivery vehicles, $6.1 million for new and expanded facilities to meet current and future growth requirements, $2.7 million for machinery and equipment and $1.5 million for upgrades and enhancements to the information technology infrastructure.

Bookings and Backlogs

($ millions)	2016	2015	$ change	% change
Bookings - year ended December 31	$ 814	$ 779	$ 35	4%
Backlogs - as at December 31	$ 147	$ 92	$ 55	60%

Bookings increased 4% to $814.0 million with increases in mining (29%), agriculture (18%) and power systems (7%) orders partially offset by lower construction (1%) orders.

Backlogs of $147.0 million were up 60% from this time last year with increases across most market segments. At December 31st, 2016, the backlog related to mining (32%), construction (28%), power systems (26%) and agriculture (14%). Most of the backlog is expected to be delivered in 2017. Backlogs can vary significantly from period to period on large project activities, especially in mining and power systems, the timing of orders and deliveries and the availability of equipment from either equipment or suppliers.

CIMCO

	Twelve months ended December 31			
($ thousands)	2016	2015	$ change	% change
Package sales	$ 161,614	$ 119,516	$ 42,098	35%
Product support	118,780	113,218	5,562	5%
Total revenues	$ 280,394	$ 232,734	$ 47,660	20%
Operating income	$ 20,439	$ 14,880	$ 5,559	37%
Capital expenditures	$ 1,888	$ 1,039	$ 849	82%

KEY RATIOS:	2016	2015
Product support revenues as a % of total revenues	42.4%	48.6%
Operating income margin	7.3%	6.4%
Group total revenues as a % of consolidated revenues	15.0%	12.9%
Return on capital employed	73.8%	47.5%

CIMCO reported record results for the year on continued growth in both Canada and the US. Translation of US operations did not have a significant impact on results.

Package revenues reflect work performed using the percentage-of-completion method, which reflects timing of projects and construction schedules largely under our customers' control. In Canada, package revenues were $25.2 million or 26% higher than last year with terrific growth in Ontario, Quebec and Atlantic Canada partially offset by a decline in Western Canada. Industrial markets were up $30.4 million or 47% while recreational markets were down $5.2 million or 17%. In the US, package revenues increased $16.9 million or 71% versus last year with recreational activity more than doubling (up 120%) and industrial activity increasing 12%. Increased sales coverage in the US has yielded positive results and remains an area with significant growth potential.

Product support revenues increased $5.6 million or 5% versus last year largely due to higher activity levels in Canada (up 6%) while US revenues were relatively in line with last year. Focus remains on continued expansion into US markets with traction expected over the longer term as the installed based increases.

Gross margins were down 130 bps on lower average package margins and an increased proportion of package sales versus higher margin product support sales, partially offset by improved product support margins. Lower package margins reflect the tight pricing environment and higher warranty costs partially offset by improved execution and a favorable foreign exchange impact. Higher product support margins reflect execution experience despite increasingly competitive market conditions. Product support revenues were 42.4% as a percentage of total revenues in 2016 compared to 48.6% in 2015.

Selling and administrative expenses increased $2.2 million or 6% compared to last year on higher compensation costs (up $3.2 million) partially offset by lower bad debt expenses (down $0.6 million). Certain other expense categories were lower including professional fees, insurance and depreciation. As a percentage of revenues, expenses were 220 bps lower than last year (15.3% vs. 17.5%).

Operating income increased 37% to $20.4 million on the higher revenues and lower relative expense levels, partially offset by lower margins. Operating income margin increased 90 bps to 7.3%.

Capital expenditures were up 82% to $1.9 million with the majority of expenditures in 2016 related to additional service vehicles ($1.0 million), machinery and equipment ($0.4 million) and information technology infrastructure enhancements and upgrades ($0.3 million).

Bookings and Backlogs

($ millions)	2016	2015	$ change	% change
Bookings - year ended December 31	$ 178	$ 139	$ 39	28%
Backlogs - as at December 31	$ 99	$ 88	$ 11	13%

Bookings increased 28% to a new high of $178.0 million with increases in both Canada and the US. Industrial bookings were up 45% with strong growth in both Canada (up 33%) and the US (up 211%). Recreational bookings were up 6% with increases in the US (up 20%) partially offset by a decrease in Canada (down 4%).

Backlogs increased 13% to $99.0 million also with increases in both Canada and the US and represented the second highest level for this time of year. Recreational backlogs were up 24% with increases in Canada (up 29%) and the US (up 19%). Industrial backlogs were up 4% as strong US activity levels (up 85%) were partially offset by softer Canadian levels (down 5%). Substantially all of the backlog is expected to be realized as revenue in 2017.

CONSOLIDATED FINANCIAL CONDITION

The Company has maintained a strong financial position for many years. At December 31, 2016, the ratio of net debt to total capitalization was -4% (cash exceeded total debt).

Non-Cash Working Capital

The Company's investment in non-cash working capital was $388.5 million at December 31, 2016. The major components, along with the changes from December 31, 2015, are identified in the following table.

($ thousands)	December 31 2016	December 31 2015	$ change	% change
Accounts receivable	$ 277,050	$ 262,523	$ 14,527	6%
Inventories	435,757	463,210	(27,453)	(6%)
Other current assets	5,236	4,278	958	22%
Accounts payable, accrued liabilities and provisions	(264,198)	(240,203)	(23,995)	10%
Income taxes payable	(1,262)	(3,052)	1,790	(59%)
Derivative financial instruments	1,197	2,445	(1,248)	(51%)
Dividends payable	(14,111)	(13,253)	(858)	6%
Deferred revenues	(51,211)	(54,645)	3,434	(6%)
Total non-cash working capital	$ 388,458	$ 421,303	$ (32,845)	(8%)

Accounts receivable increased $14.5 million or 6% compared to 2015 mainly due to the 2% increase in revenues in the fourth quarter. Equipment Group accounts receivable increased $9.3 million or 4% while CIMCO accounts receivable increased $5.2 million or 11%. Days sales outstanding (DSO) was relatively in line with last year at 45 days with the Equipment Group holding constant and CIMCO down 2 days.

Inventories decreased $27.5 million (6%) to $435.8 million versus a year ago.

-- Equipment Group inventories were $29.2 million (7%) lower than this time last year with decreases in equipment (down $21.5 million or 7%), parts (down $6.8 million or 6%) and service work-in-process (down $0.9 million or 5%). Managing inventory levels remains a focus.

-- CIMCO inventories were $1.7 million (10%) higher than this time last year mainly on increases in work-in-process on the timing of projects.

Accounts payable and accrued liabilities at December 31, 2016 increased $24.0 million or 10% from this time last year. The increase was primarily due to the timing of payments related to inventory purchases and related payments for other supplies in addition to the impact of the weaker Canadian dollar on accounts payable to US based vendors.

Income taxes payable reflects the difference between tax installments and current tax expense.

Higher dividends payable year over year reflect the higher dividend rate. In 2016, the quarterly dividend rate was increased from $0.17 per share to $0.18 per share, a 6% increase.

Deferred revenues represent billings to customers in excess of revenue recognized. In the Equipment Group, deferred revenues arise on sales of equipment with residual value guarantees, extended warranty contracts and other long-term customer support agreements as well as on progress billings on long-term construction contracts. Equipment Group deferred revenues were 12% lower in 2016 than in 2015 on Customer Service Agreements ("CSAs"). In CIMCO, deferred revenues arise on progress billings in advance of revenue recognition. CIMCO deferred revenues were 10% higher in 2016 than in 2015.

Goodwill and Intangibles

The Company performs impairment tests on its goodwill and intangibles with indefinite lives on an annual basis or as warranted by events or circumstances. The assessment entails estimating the fair value of operations to which the goodwill and intangibles relate, using the present value of expected discounted future cash flows. This assessment affirmed goodwill and intangibles values as at December 31, 2016. See Note 7 to the unaudited consolidated financial statements.

Employee Share Ownership

The Company employs a variety of stock-based compensation plans to align employees' interests with corporate objectives.

The Company maintains an Executive Stock Option Plan for its senior employees. Non-employee directors have not received grants under this plan since 2013. Stock options vest 20% per year on each anniversary date of the grant and are exercisable at the designated common share price, which is fixed at prevailing market prices at the date the option is granted. Stock options granted in 2013 and after have a ten-year term while those granted prior to 2013 have a seven-year term. At December 31, 2016, 2.4 million options to purchase common shares were outstanding, of which 0.9 million were exercisable.

The Company offers an Employee Share Ownership Plan whereby employees can purchase shares by way of payroll deductions. Under the terms of this plan, eligible employees may purchase common shares of the Company in the open market at the then current market price. The Company pays a portion of the purchase price, matching contributions at a rate of $1 dollar for every $3 dollars contributed, to a maximum of the greater of 2.5% of an employee's base salary or $1,000 per annum. Company contributions vest to the employee immediately. Company contributions amounting to $1.8 million in 2016 (2015 - $1.1 million) were charged to selling and administrative expense when paid. Approximately 50% (2015 - 48%) of employees participate in this plan. The Plan is administered by an independent third party.

The Company also offers a deferred share unit (DSU) plan for certain executives and non-employee directors, whereby they may elect, on an annual basis, to receive all or a portion of their performance incentive bonus or fees, respectively, in DSUs. Non-employee directors also receive DSUs as part of their compensation, aligning at-risk and cash compensation components. A DSU is a notional unit that reflects the market value of a single Toromont common share and generally vests immediately. DSUs will be redeemed on cessation of employment or directorship. DSUs have dividend equivalent rights, which are expensed as earned. The Company records the cost of the DSU Plan as compensation expense in selling and administrative expenses.

As at December 31, 2016, 407,731 DSUs were outstanding with a total value of $17.3 million (2015 - 377,311 units at a value of $12.0 million). The liability for DSUs is included in accounts payable, accrued liabilities and provisions on the consolidated statement of financial position.

Employee Future Benefits

Defined Contribution Plans

The Company sponsors pension arrangements for substantially all of its employees, primarily through defined contribution plans in Canada and a 401(k) matched savings plan in the United States. Certain unionized employees do not participate in Company-sponsored plans, and contributions are made to their retirement programs in accordance with the respective collective bargaining agreements. In the case of defined contribution plans, regular contributions are made to the individual employee accounts, which are administered by a plan trustee in accordance with the plan documents.

Defined Benefit Plans

The Company sponsors three defined benefit plans (Powell Plan, Executive Plan and Toromont Plan) for approximately 91 qualifying employees. The Powell and Toromont Plans are administered by a separate Fund that is legally separated from the Company and as described fully in Note 18 to the unaudited consolidated financial statements.

The funded status of these plans changed by $1.5 million (an increase in the accrued pension liability) as at December 31, 2016.

The Executive Plan is a supplemental plan and is solely the obligation of the Company. All members of the plan are retired. The Company is not obligated to fund the plan but is obligated to pay benefits under the terms of the plan as they come due. The Company has posted letters of credit to secure the obligations under this plan, which were $17.2 million as at December 31, 2016. As there are no plan assets, there is no impact on pension expense and contributions.

The Company expects pension expense and cash pension contributions for 2017 to be similar to 2016 levels.

A key assumption in pension accounting is the discount rate. This rate is set with regard to the yield on high-quality corporate bonds of similar average duration to the cash flow liabilities of the Plans. Yields are volatile and can deviate significantly from period to period.

Off-Balance Sheet Arrangements

Other than the Company's operating leases, the Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on its results of operations or financial condition.

Legal and Other Contingencies

Due to the size, complexity and nature of the Company's operations, various legal matters are pending. Exposure to these claims is mitigated through levels of insurance coverage considered appropriate by management and by active management of these matters. In the opinion of management, none of these matters will have a material effect on the Company's consolidated financial position or results of operations.

Normal Course Issuer Bid

Toromont believes that, from time to time, the purchase of its common shares at prevailing market prices may be a worthwhile investment and in the best interests of both Toromont and its shareholders. As such, the normal course issuer bid with the TSX was renewed in 2016. This issuer bid allows the Company to purchase up to approximately 6.7 million of its common shares, representing 10% of common shares in the public float, in the year ending August 30, 2017. The actual number of shares purchased and the timing of any such purchases will be determined by Toromont. All shares purchased under the bid will be cancelled.

During the year ended December 31, 2016, the Company purchased and cancelled 89,244 common shares for $2.6 million (average cost of $28.84 per share, including transaction costs) under its NCIB program (2015 - 74,500 common shares for $2.2 million at an average cost of $29.95 per share, including transaction costs).

Outstanding Share Data

As at the date of this MD&A, the Company had 78,417,956 common shares and 2,411,371 share options outstanding.

Dividends

Toromont pays a quarterly dividend on its outstanding common shares and has historically targeted a dividend rate that approximates 30 - 40% of trailing earnings from continuing operations.

During 2016, the Company declared dividends of $0.72 per common share, $0.18 per quarter (2015 - $0.68 per common share or $0.17 per quarter).

Considering the Company's solid financial position and positive long-term outlook, the Board of Directors announced it is increasing the quarterly dividend to 19 cents per share effective with the dividend payable on April 3rd, 2017. This represents a 6% increase in Toromont's regular quarterly cash dividend. The Company has paid dividends every year since going public in 1968 and this represents the 28th consecutive year it has announced an increase.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity

Toromont's liquidity requirements can be met through a variety of sources, including cash generated from operations, long- and short-term borrowings and the issuance of common shares. Borrowings are obtained through a variety of senior debentures, notes payable and committed long-term credit facilities.

The Company has a committed credit facility of $250.0 million with a maturity of September 7, 2020. Debt under the facility is unsecured and ranks pari passu with debt outstanding under Toromont's existing debentures. The facility includes covenants, restrictions and events of default typical for credit facilities of this nature.

As at December 31, 2016 and 2015, no amounts were drawn on the facility. Letters of credit utilized $21.7 million of the facility (2015 - $21.9 million).

On September 30, 2015, the Company issued senior unsecured debentures in an aggregate principal amount of $150.0 million (the "Debentures"). The Debentures mature in 2025 and bear interest at a rate of 3.71% per annum, payable semi-annually. The Debentures are unsecured, unsubordinated and rank pari passu with other unsecured, unsubordinated debt.

Cash at December 31st, 2016 was $188.7 million, compared to $66.7 million at December 31, 2015.

The Company expects that continued cash flows from operations in 2017 and currently available credit facilities will be more than sufficient to fund requirements for investments in working capital and capital assets.

Principal Components of Cash Flow

Cash from operating, investing and financing activities, as reflected in the Consolidated Statements of Cash Flows, are summarized in the following table:

	Twelve months ended December 31	
($ thousands)	2016	2015
Cash, beginning of year	$ 66,680	$ 85,962
Cash, provided by (used in):		
Operating activities		
Operations	215,795	205,131
Change in non-cash working capital and other	34,744	(91,251)
Net rental fleet additions	(61,726)	(86,138)
	188,813	27,742
Investing activities	(18,575)	(27,728)
Financing activities	(48,112)	(19,623)
Effect of foreign exchange on cash balances	(71)	327
Increase (decrease) in cash in the year	122,055	(19,282)
Cash, end of year	$ 188,735	$ 66,680

Cash Flows from Operating Activities

Operating activities provided significantly higher cash flow in 2016 compared to 2015. Net earnings adjusted for items not requiring cash were up 5% over last year. Non-cash working capital provided significant cash inflow due to lower inventories and higher accounts payable, accrued liabilities and provisions, partially offset by higher accounts receivables. Net rental fleet additions (purchases less proceeds of dispositions) were lower as investment levels were ramped up in 2015 in response to market demand and in light of the existing fleet age profile at that time.

The components and changes in working capital are discussed in more detail in this MD&A under the heading "Consolidated Financial Condition".

Cash Flows from Investing Activities

Investing activities used $18.6 million in 2016 compared to $27.7 million in 2015.

Investments in property, plant and equipment accounted for the majority of the cash use and included the following additions:

-- $12.2 million for service vehicles (2015 - $11.3 million);

-- $6.3 million for land and buildings for new and expanded branches (2015 - $11.8 million);

-- $3.1 million for machinery and equipment (2015 - $4.1 million); and

-- $1.7 million for upgrades and enhancements to information technology infrastructure (2015 - $3.2 million).

The Company also recorded proceeds on the disposal of internally-developed software of $4.9 million during 2016 (2015 - $nil).

Cash Flows from Financing Activities

Financing activities used $48.1 million in 2016 compared to $19.6 million in 2015.

In 2015, the Company issued $150.0 million in long-term senior debentures and repaid the $125.0 million long-term senior debentures which matured. Financing costs of $1.7 million were incurred related to the issuance and amendments to the credit facility in 2015.

The Company paid dividends of $55.4 million or $0.71 per share in 2016 (2015 - $51.2 million or $0.66 per share).

The Company received $11.6 million on the exercise of stock in 2016 (2015 - $12.1 million).

In 2016, the Company purchased and cancelled 89,244 common shares for $2.6 million (average cost of $28.84, including transaction costs) under its NCIB program (2015 - 74,500 common shares for $2.2 million (average cost of $29.95, including transaction costs)).

OUTLOOK

The Equipment Group's parts and service business has provided momentum driven by the larger installed base of equipment working in the field, providing a measure of stability in a variable business environment. There was also a shift to used equipment and rebuild activity during the past year. The Company continues to hire technicians in anticipation of an increase in demand, including the opportunity for increased equipment rebuilds and readying used iron. Broader product lines, investment in rental equipment, expanding the agricultural business and developing product support technologies supporting remote diagnostics and telematics are expected to contribute to longer-term growth. In the near-term, national and global economic conditions are leading national and international players to allocate additional resources to Toromont's local markets, creating challenging conditions.

We are encouraged by the long-term outlook for infrastructure spending and expect to get better visibility into future spending initiatives following the 2017 Budget announcements from the Federal and various provincial governments.

The mining industry has been capital constrained and focused on cost reduction initiatives for a number of years now, although increased enquiries point to the potential for a somewhat increased opportunity to come. In the meantime, mine production continues generating product support opportunities and incremental equipment to support the operations and expansion of these existing mines. With the substantially increased base of installed equipment, product support activity should continue to grow so long as mines remain active.

AgWest expands our footprint in the important agricultural equipment market. Sales coverage and operational processes will continue to be a focus in order to generate longer term financial returns. Weak end markets together with increased industry inventory levels are expected to continue to dampen results in the near term.

CIMCO's growth in performance in recent years represents the nascent realization of focused strategies. Recent booking activity and current backlogs bode well for future prospects. Increasing product support levels is also a positive signal for future trends. CIMCO has a wide product offering using natural refrigerants including innovative CO2 solutions, which are expected to contribute to growth. In addition, CIMCO is focused on its growth strategy in the US, which represents a significant market opportunity.

The diversity of the businesses, expanding product offering and services, financial strength and disciplined operating culture position the Company for continued growth in the long term.

CONTRACTUAL OBLIGATIONS

Contractual obligations are set out in the following table. Management believes that these obligations will be met comfortably through cash on hand, cash generated from operations and existing long-term financing facilities.

Payments due by period							
($ thousands)	2017	2018	2019	2020	2021	Thereafter	Total
Long-term debt							
- principal	$ 1,811	$ 1,941	$ 1,022	$ -	$ -	$ 150,000	$154,774
- interest	5,871	5,741	5,601	5,565	5,565	20,857	49,200
Accounts payable	278,309	-	-	-	-	-	278,309
Operating leases	3,166	2,255	1,635	1,056	716	1,874	10,702
	$ 289,157	$ 9,937	$ 8,258	$ 6,621	$ 6,281	$ 172,731	$492,985

KEY PERFORMANCE MEASURES

Management reviews and monitors its activities and the performance indicators it believes are critical to measuring success. Some of the key financial performance measures are summarized in the following table. Others include, but are not limited to, measures such as market share, fleet utilization, customer and employee satisfaction and employee health and safety.

Years ended December 31,	2016	2015	2014	2013	2012
EXPANDING MARKETS AND BROADENING PRODUCT OFFERINGS					
Revenue growth	3.6%	8.5%	4.2%	5.7%	9.1%
Revenue per employee (thousands)	$ 521	$ 524	$ 501	$ 491	$ 481
STRENGTHENING PRODUCT SUPPORT					
Product support revenue growth	8.0%	17.3%	12.4%	2.5%	13.2%
INVESTING IN OUR RESOURCES					
Investment in information technology (millions)	$ 15.2	$ 14.0	$ 13.4	$ 12.0	$ 12.6
Return on capital employed (1)	24.5%	24.3%	26.0%	26.5%	28.5%
STRONG FINANCIAL POSITION					
Non-cash working capital (millions) (1)	$ 388	$ 421	$ 335	$ 282	$ 302
Net debt to total capitalization					

(1)	-4%	10%	6%	10%	25%
Book value (shareholders' equity) per share	$11.29	$ 9.95	$ 8.65	$ 7.50	$ 6.24
BUILD SHAREHOLDER VALUE					
Basic earnings per share growth	6.3%	8.5%	7.6%	2.9%	17.1%
Dividends per share growth	5.9%	13.3%	15.4%	8.3%	17.0%
Return on equity (1)	20.0%	21.6%	23.0%	25.7%	29.9%

(1) Defined in the section titled "Description of Additional GAAP and Non-GAAP Measures".

Measuring Toromont's results against these strategies over the past five years illustrates that the Company has and continues to make significant progress.

Since 2012, revenues increased at an average annual rate of 6.2%. Product support revenue growth has averaged 10.7% annually. Revenue growth has been a result of:

- Increased customer demand in certain market segments, most notably construction and mining;
- Additional product offerings over the years from Caterpillar and other suppliers;
- Organic growth through increased rental fleet size and additional branches;
- Increased customer demand for formal product support agreements;
- Governmental funding programs such as the RinC program which provided support for recreational spending; and,
- Acquisitions, primarily within the Equipment Group's rental operations and through business combinations.

Over the same five-year period, revenue growth has been constrained at times by a number of factors including:

- General economic weakness and uncertainty in specific sectors;
- Competitive conditions;
- Inability to source equipment from suppliers to meet customer demand or delivery schedules; and,
- Declines in underlying market conditions such as depressed US industrial markets.

Changes in the Canadian/U.S. exchange rate also affect reported revenues as the exchange rate impacts the purchase price of equipment that in turn is reflected in selling prices. Since 2012 there has been fluctuations in the average yearly exchange rate of Canadian dollar against the US dollar - 2012 - on par, 2013 - US$0.97, 2014 - US$0.91, 2015 - US$0.78 and 2016 - US$0.75.

Toromont has generated a significant competitive advantage over the past years by investing in its resources, in part to increase productivity levels, and we will continue this into the future as it is a crucial element to our success in the marketplace.

Toromont continues to maintain a strong balance sheet. Leverage, as represented by the ratio of net debt to total capitalization, was -4% (cash exceed total debt), well within targeted levels.

Toromont has paid dividends consistently since 1968 and has increased the dividend in each of the last 28 years. The regular quarterly dividend rate was increased 6% from $0.17 to $0.18 per share in 2016 and a further 6% to $0.19 per share in 2017, evidencing our commitment to delivering exceptional shareholder value.

CONSOLIDATED FOURTH QUARTER OPERATING RESULTS

Three months ended December 31

($ thousands, except per share amounts)	2016	2015	$ change	% change
REVENUES	$ 480,653	$ 471,951	$ 8,702	2%
Cost of goods sold	351,503	350,416	1,087	-
Gross profit	129,150	121,535	7,615	6%
Selling and administrative expenses	66,262	59,862	6,400	11%
OPERATING INCOME	62,888	61,673	1,215	2%
Interest expense	1,853	2,236	(383)	(17%)
Interest and investment income	(1,377)	(1,144)	(233)	20%
Income before income taxes	62,412	60,581	1,831	3%
Income taxes	16,883	16,177	706	4%
NET EARNINGS	$ 45,529	$ 44,404	$ 1,125	3%
BASIC EARNINGS PER SHARE	$ 0.58	$ 0.57	$ 0.01	2%

KEY RATIOS:		
Gross profit margin	26.9%	25.8%
Selling and administrative expenses as a % of revenues	13.8%	12.7%
Operating income margin	13.1%	13.1%
Income taxes as a % of income before income taxes	27.1%	26.7%

Revenues were 2% higher in the fourth quarter of 2016 largely due to higher revenues at CIMCO as the Equipment Group revenues were relatively unchanged from last year.

Gross profit margin increased 110 bps to 26.6% in the quarter versus last year mainly on improved margins in the Equipment Group partially offset by decreased margins at CIMCO.

Selling and administrative expenses were up $6.4 million or 11% and were 110 bps higher as a percentage of revenues. Accounting for the majority of the increase was higher mark-to-market adjustments on DSUs (up $1.8 million), compensation costs (up $0.9 million) and bad debt expenses (up $0.9 million). Certain other expense categories increased on the higher sales activity.

Interest expense was lower than in the similar period last year on lower average debt balances.

Interest income was up from last year on increased investment income resulting from higher average cash balances.

The effective income tax rate for the fourth quarter of 2016 was 27.1% compared to 26.7% in the same period last year and largely reflects the mix of income by tax jurisdiction.

Net earnings in the quarter were up 3% to $45.5 million while basic EPS was up 2% to $0.58.

BUSINESS SEGMENT FOURTH QUARTER OPERATING RESULTS

Equipment Group

Three months ended December 31

($ thousands)	2016	2015	$ change	% change
Equipment sales and rentals				
New	$ 131,664	$ 158,123	$ (26,459)	(17%)
Used	66,270	45,978	20,292	44%
Rentals	64,294	61,368	2,926	5%
Total equipment sales and rentals	262,228	265,469	(3,241)	(1%)
Power generation	3,137	2,694	443	16%
Product support	141,858	137,797	4,061	3%
Total revenues	$ 407,223	$ 405,960	$ 1,263	-
Operating income	$ 56,651	$ 56,318	$ 333	1%
Bookings ($ millions)	$ 224	$ 165	$ 59	36%

KEY RATIOS:		
Product support revenues as a % of total revenues	34.8%	33.9%
Operating income margin	13.9%	13.9%
Group total revenues as a % of consolidated revenues	84.7%	86.0%

Equipment Group results were slightly higher than last year. Revenues were relatively unchanged from last year as higher product support and rental revenues were offset by lower total equipment sales.

On a combined basis, given the interplay between new and used equipment sales described earlier, total equipment sales were down 3% versus last year. Deliveries into construction (down 11%) and power systems (down 28%) markets were lower while sales into mining (up 63%) and other market segments were higher.

Rental revenues were up 5% compared to last year with increases in light equipment (up 5%), heavy equipment (up 2%) and equipment on rent with a purchase option (up 8%). Power rentals were down 6% mainly due to a large power project last year which boosted revenues.

Product support revenues were up $4.1 million or 3% over 2015 with increases in both parts (up $2.4 million or 2%) and service (up $1.7 million or 5%). Activity was good across most markets.

Gross profit margins increased 150 bps in the quarter versus last year. Improved equipment margins and a favorable sales mix of product support revenues to total were partially offset by lower product support and rental margins. Rental margins decreased on lower financial utilization, partially offset by lower depreciation charges as a result of the changes in estimates described earlier. The net impact of the changes reduced depreciation by $1.0 million in the fourth quarter versus applying the previous estimates.

Selling and administrative expenses increased by $6.3 million or 13% versus last year mainly due to higher customer allowances (up $1.4 million), compensation costs (up $0.3 million) and bad debt expenses (up $0.9 million). Certain other expense categories such as professional fees, information technology expenses and warranty were higher. As a percentage of revenues, expenses increased 150 bps over 2015 levels (13.6% vs. 12.1%).

Operating income margin was relatively unchanged from last year at 13.9%.

Bookings in the fourth quarter of 2016 were $224.0 million, up 36% from the similar period last year with increases across most market segments.

CIMCO

Three months ended December 31

($ thousands)	2016	2015	$ change	% change
Package sales	$ 43,152	$ 33,100	$ 10,052	30%
Product support	30,278	32,891	(2,613)	(8%)
Total revenues	$ 73,430	$ 65,991	$ 7,439	11%

Operating income	$ 6,237	$ 5,355	$ 882	16%
Bookings ($ millions)	$ 41	$ 36	$ 5	14%

KEY RATIOS:		
Product support revenues as a % of total revenues	41.2%	49.8%
Operating income margin	8.5%	8.1%
Group total revenues as a % of consolidated revenues	15.3%	14.0%

CIMCO reported terrific results for the fourth quarter largely due to good momentum in Canada. Translation of US operations did not have a significant impact on results.

Package revenues increased 30% as higher activity in Canada (up 51%) was partially offset by a decrease in the US (down 21%). In Canada, higher industrial (up 96%) were partially offset by recreational (down 32%) sales. In the US, both market segments were lower where strong booking activity levels did not translate into revenues as a result of delays in customers' construction schedules.

Product support revenues decreased 8% versus last year. Both Canadian and US activity levels were lower due to timing of job completions and invoicing.

Gross margins decreased 90 bps on lower package margins and an unfavorable sales mix partially offset by improved product support margins. Product support revenues as a percentage of total revenues were 41.2% compared to 49.8% in the fourth quarter of 2015.

Selling and administrative expenses were relatively unchanged from last year but were 150 bps lower as a percentage of revenues (14.9% versus 16.4% last year).

Operating income increased 16% mainly on the higher revenues and was 8.5% as a percentage of revenues compared to 8.1% in 2015.

Bookings in the quarter totalled $41.0 million, up 14% from the comparable period last year. Higher US bookings (up 35%) accounted for approximately 71% of the increase.

QUARTERLY RESULTS

The following table summarizes unaudited quarterly consolidated financial data for the eight most recently completed quarters. This quarterly information is unaudited but has been prepared on the same basis as the 2016 annual unaudited consolidated financial statements.

($ thousands, except per share amounts)	Q1 2016	Q2 2016	Q3 2016	Q4 2016
REVENUES				
Equipment Group	$ 327,644	$ 441,677	$ 410,346	$ 407,223
CIMCO	50,072	68,979	87,912	73,430
Total revenues	$ 377,716	$ 510,656	$ 498,258	$ 480,653
NET EARNINGS	$ 24,170	$ 38,406	$ 47,643	$ 45,529
PER SHARE INFORMATION:				
Basic earnings per share	$ 0.31	$ 0.49	$ 0.61	$ 0.58
Diluted earnings per share	$ 0.31	$ 0.49	$ 0.60	$ 0.58
Dividends paid per share	$ 0.17	$ 0.18	$ 0.18	$ 0.18
Weighted average common shares outstanding - Basic (in thousands)	77,898	78,056	78,211	78,344

($ thousands, except per share amounts)	Q1 2015	Q2 2015	Q3 2015	Q4 2015
REVENUES				
Equipment Group	$ 296,670	$ 427,565	$ 439,305	$ 405,960
CIMCO	43,526	56,968	66,248	65,991
Total revenues	$ 340,196	$ 484,533	$ 505,553	$ 471,951
NET EARNINGS	$ 20,137	$ 36,395	$ 44,730	$ 44,404
PER SHARE INFORMATION:				
Basic earnings per share	$ 0.26	$ 0.47	$ 0.58	$ 0.57
Diluted earnings per share	0.26	0.46	0.57	0.57
Dividends paid per share	$ 0.15	$ 0.17	$ 0.17	$ 0.17
Weighted average common shares outstanding - Basic (in thousands)	77,422	77,625	77,773	77,904

Interim period revenues and earnings historically reflect significant variability from quarter to quarter.

The Equipment Group has historically had a distinct seasonal trend in activity levels. Lower revenues are recorded during the first quarter due to winter shutdowns in the construction industry. The fourth quarter had typically been the strongest due in part to the timing of customers' capital investment decisions, delivery of equipment from suppliers for customer-specific orders and conversions of equipment on rent with a purchase option. This pattern is impacted by the timing of significant sales to mining and other customers, resulting from the timing of mine site development and access, and construction project schedules.

CIMCO has also had a distinct seasonal trend in results historically, due to timing of construction activity. Lower revenues are recorded during the first quarter on slower construction schedules due to winter weather. Revenues increase in subsequent quarters as construction schedules ramp up. This trend can be, and has been, impacted somewhat by significant governmental funding initiatives and significant industrial projects.

Historically, inventories have increased through the year to meet the expected demand for higher deliveries in the third and fourth quarters of the fiscal year. This seasonal sales trend also leads accounts receivable to be at their highest level at year-end.

SELECTED ANNUAL INFORMATION

(in thousands, except per share amounts)	2016	2015	2014
Revenues	$ 1,867,283	$ 1,802,233	$ 1,660,390
Net earnings	$ 155,748	$ 145,666	$ 133,196
Earnings per share			
- Basic	$ 1.99	$ 1.88	$ 1.73
- Diluted	$ 1.98	$ 1.86	$ 1.71
Dividends declared per share	$ 0.72	$ 0.68	$ 0.60
Total assets	$ 1,410,571	$ 1,276,077	$ 1,107,802
Total long-term debt	$ 152,528	$ 153,769	$ 131,518
Weighted average common shares outstanding, basic (millions)	78.1	77.7	77.1

Revenues grew 4% in 2016 mainly through strong performance at CIMCO as the Equipment Group continued to face competitive market conditions which led to a modest increase on continued product support growth. In 2015, revenues grew 9% through strong performance in both the Equipment Group and CIMCO.

Net earnings increased 7% in 2016 on the higher revenues and slightly improved gross margins partially offset by a higher selling and administrative expense ratio. In 2015, net earnings improved 9% on higher revenues and a lower selling and administrative expense ratio, partially offset by slightly lower margins.

Earnings per share have generally followed earnings with basic EPS increasing 6% in 2016 and 9% in 2015.

Dividends have generally increased in proportion to trailing earnings growth. The quarterly dividend rate was increased in 2014 by 15% to $0.15 per share, in 2015 by 13% to $0.17 per share, in 2016 by 6% to $0.18 per share and 6% to $0.19 per share in 2017. The Company has paid dividends every year since 1968.

Total assets increased in 2016 by 11% and by 15% in 2015. The increase reflects growth in the Company's operations and supports the higher revenues and earnings.

Long-term debt decreased in 2016 mainly due to principal repayments on the senior debenture due in March 2019, net of the amortization of debt issuance costs. In 2015, the Company issued $150.0 million in long-term senior debentures to replace $125.0 million of maturing debentures. The increased amount of debentures issued provides added flexibility for future investments in rental fleet, operational assets and business acquisitions. Net debt to total capitalization at December 31, 2016 was -4% (cash exceed total debt), well within targeted levels.

RISKS AND RISK MANAGEMENT

In the normal course of business, Toromont is exposed to risks that may potentially impact its financial results in any or all of its business segments. The Company and each operating segment employ risk management strategies with a view to mitigating these risks on a cost-effective basis.

Business Cycle

Expenditures on capital goods have historically been cyclical, reflecting a variety of factors including interest rates, foreign exchange rates, consumer and business confidence, commodity prices, corporate profits, credit conditions and the availability of capital to finance purchases. Toromont's customers are typically affected, to varying degrees, by these factors and trends in the general business cycle within their respective markets. As a result, Toromont's financial performance is affected by the impact of such business cycles on the Company's customer base.

Commodities prices, and, in particular, changes in the view on long-term trends, affect demand for the Company's products and services in the Equipment Group. Commodity price movements in base and precious metals sectors in particular can have an impact on customers' demands for equipment and service. With lower commodity prices, demand is reduced as development of new projects is often stopped and existing projects can be curtailed, both leading to less demand for heavy equipment.

The business of the Company is diversified across a wide range of industry market segments, serving to temper the effects of business cycles on consolidated results. Continued diversification strategies such as expanding the Company's customer base, broadening product offerings and geographic diversification are designed to moderate business cycle impacts. The Company has focused on the sale of specialized equipment and ongoing support through parts distribution and skilled service. Product support growth has been, and will continue to be, fundamental to the mitigation of downturns in the business cycle. The product support business contributes significantly higher profit margins and is typically subject to less volatility than equipment supply activities.

Product and Supply

The Equipment Group purchases most of its equipment inventories and parts from Caterpillar under a dealership agreement that dates back to 1993. As is customary in distribution arrangements of this type, the agreement with Caterpillar can be terminated by either party upon 90 days' notice. In the event Caterpillar terminates, it must repurchase substantially all inventories of new equipment and parts at cost. Toromont has maintained an excellent relationship with Caterpillar for 24 years and management expects this will continue going forward.

Toromont is dependent on the continued market acceptance of Caterpillar's products. It is believed that Caterpillar has a solid reputation as a high-quality manufacturer, with excellent brand recognition and customer support as well as leading market shares in many of the markets it serves. However, there can be no assurance that Caterpillar will be able to maintain its reputation and market position in the future. Any resulting decrease in the demand for Caterpillar products could have a material adverse impact on the Company's business, results of operations and future prospects.

Toromont is also dependent on Caterpillar for timely supply of equipment and parts. From time to time during periods of intense demand, Caterpillar may find it necessary to allocate its supply of particular products among its dealers. Such allocations of supply have not, in the past, proven to be a significant impediment in the conduct of business. However, there can be no assurance that Caterpillar will continue to supply its products in the quantities and timeframes required by customers.

Competition

The Company competes with a large number of international, national, regional and local suppliers in each of its markets. Although price competition can be strong, there are a number of factors that have enhanced the Company's ability to compete throughout its market areas including: the range and quality of products and services; ability to meet sophisticated customer requirements; distribution capabilities including number and proximity of locations; financing offered by Caterpillar Finance; e-commerce solutions; reputation; and, financial strength.

Increased competitive pressures or the inability of the Company to maintain the factors that have enhanced its competitive position to date could adversely affect the Company's business, results of operations or financial condition.

The Company relies on the skills and availability of trained and experienced tradesmen and technicians in order to provide efficient and appropriate services to customers. Hiring and retaining such individuals is critical to the success of these businesses. Demographic trends are reducing the number of individuals entering the trades, making access to skilled individuals more difficult. The Company has several remote locations which make attracting and retaining skilled individuals more difficult.

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash equivalents, accounts receivable and derivative financial instruments. The carrying amount of assets included on the balance sheet represents the maximum credit exposure.

When the Company has cash on hand it may be invested in short-term instruments, such as money-market deposits. The Company has deposited cash with reputable financial institutions, from which management believes the risk of loss to be remote.

The Company has accounts receivable from a large diversified customer base, and is not dependent on any single customer or industry. The Company has accounts receivable from customers engaged in various industries including construction, mining, food and beverage, and governmental agencies. Management does not believe that any single customer represents significant credit risk. These customers are based predominately in Canada.

The credit risk associated with derivative financial instruments arises from the possibility that the counterparties may default on their obligations. In order to minimize this risk, the Company enters into derivative transactions only with highly rated financial institutions.

Warranties and Maintenance Contracts

Warranties are provided for most of the equipment sold, typically for a one-year period following sale. The warranty claim risk is generally shared jointly with the equipment manufacturer. Accordingly, liability is generally limited to the service component of the warranty claim, while the manufacturer is responsible for providing the required parts.

The Company also enters into long-term maintenance and repair contracts, whereby it is obligated to maintain equipment for its customers. The length of these contracts varies generally from two to five years. The contracts are typically fixed price on either machine hours or cost per hour, with provisions for inflationary and exchange adjustments. Due to the long-term nature of these contracts, there is a risk that maintenance costs may exceed the estimate, thereby resulting in a loss on the contract. These contracts are closely monitored for early warning signs of cost overruns. In addition, the manufacturer may, in certain circumstances, share in the cost overruns if profitability falls below a certain threshold.

Foreign Exchange

The Company transacts business in multiple currencies, the most significant of which are the Canadian dollar and the U.S. dollar. As a result, the Company has foreign currency exposure with respect to items denominated in foreign currencies.

The rate of exchange between the Canadian and U.S. dollar has an impact on revenue trends. The Canadian dollar averaged US$0.75 in 2016 compared to US$0.78 in 2015, a 4% decrease. As substantially all of the equipment and parts sold in the Equipment Group are sourced in U.S. dollars, and Canadian dollar sales prices generally reflect changes in the rate of exchange, a stronger Canadian dollar can adversely affect revenues. The impact is not readily estimable as it is largely dependent on when customers order the equipment versus when it was sold. Bookings in a given period would more closely follow period-over-period changes in exchange rates. Sales of parts come from inventories maintained to service customer requirements. As a result, constant parts replenishment means that there is a lagging impact of changes in exchange rates. In CIMCO, sales are largely affected by the same factors. In addition, revenues from CIMCO's US subsidiary reflect changes in exchange rates on the translation of results, although this is not significant.

Foreign exchange contracts reduce volatility by fixing landed costs related to specific customer orders and establishing a level of price stability for high-volume goods such as spare parts. The Company does not enter into foreign exchange forward contracts for speculative purposes. The gains and losses on the foreign exchange forward contracts designated as cash flow hedges are intended to offset the translation losses and gains on the hedged foreign currency transactions when they occur. As a result, the foreign exchange impact on earnings with respect to transactional activity is not significant.

Interest Rate

The Company minimizes its interest rate risk by managing its portfolio of floating and fixed-rate debt, as well as managing the term to maturity.

At December 31, 2016, the Company's debt portfolio included $154.8 million in fixed-rate debt (38%) and a $250.0 million floating-rate credit facility (62%).

Fixed-rate debt amortizes or matures between 2017 and 2025. Fixed-rate debt exposes the Company to future interest rate movements upon refinancing the debt at maturity. Further, the fair value of the Company's fixed rate debt obligations may be negatively affected by declines in interest rates, thereby exposing the Company to potential losses on early settlements or refinancing.

Floating-rate debt exposes the Company to fluctuations in short-term interest rates by causing related interest payments and finance expense to vary.

The Company does not intend to settle or refinance any existing debt before maturity.

Financing Arrangements

The Company requires capital to finance its growth and to refinance its outstanding debt obligations as they come due for repayment. If the cash generated from the Company's business, together with the credit available under existing bank facilities, is not sufficient to fund future capital requirements, the Company will require additional debt or equity financing in the capital markets. The Company's ability to access capital markets, on terms that are acceptable, will be dependent upon prevailing market conditions, as well as the Company's future financial condition. Further, the Company's ability to increase its debt financing may be limited by its financial covenants or its credit rating objectives. The Company maintains a conservative leverage structure and although it does not anticipate difficulties, there can be no assurance that capital will be available on suitable terms and conditions, or that borrowing costs and credit ratings will not be adversely affected.

Environmental Regulation

Toromont's customers are subject to significant and ever-increasing environmental legislation and regulation. This legislation can impact Toromont in two ways. First, it may increase the technical difficulty in meeting environmental requirements in product design, which could increase the cost of these businesses' products. Second, it may result in a reduction in activity by Toromont's customers in environmentally sensitive areas, in turn reducing the sales opportunities available to Toromont.

Toromont is also subject to a broad range of environmental laws and regulations. These may, in certain circumstances, impose strict liability for environmental contamination, which may render Toromont liable for remediation costs, natural resource damages and other damages as a result of conduct that was lawful at the time it occurred or the conduct of, or conditions caused by, prior owners, operators or other third parties. In addition, where contamination may be present, it is not uncommon for neighbouring land owners and other third parties to file claims for personal injury, property damage and recovery of response costs. Remediation costs and other damages arising as a result of environmental laws and regulations, and costs associated with new information, changes in existing environmental laws and regulations or the adoption of new environmental laws and regulations could be substantial and could negatively impact Toromont's business, results of operations or financial condition.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's significant accounting policies are described in Note 1 to the unaudited consolidated financial statements.

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Management reviews its estimates and judgments on an ongoing basis.

In the process of applying the Company's accounting policies, management has made the following judgments, estimates and assumptions which have the most significant effect on the amounts recognized in the consolidated financial statements. The critical accounting policies and estimates described below affect the operating segments similarly, and therefore are not discussed on a segmented basis.

Property, Plant and Equipment

Depreciation is calculated based on the estimated useful lives of the assets and estimated residual values. Depreciation expense is sensitive to the estimated service lives and residual values determined for each type of asset. Actual lives and residual values may vary depending on a number of factors including technological innovation, product life cycles and physical condition of the asset, prospective use, and maintenance programs.

Impairment of Non-financial Assets

Judgment is used in identifying an appropriate discount rate and growth rate for the calculations required in assessing potential impairment of non-financial assets. Judgment is also used in identifying the CGUs to which the intangible assets should be allocated to, and the CGU or group of CGUs at which goodwill is monitored for internal management purposes. The impairment calculations require the use of estimates related to the future operating results and cash generating ability of the assets. The key assumptions used to determine the recoverable amount for the different groups of CGUs, including a sensitivity analysis, are disclosed and further explained in Note 7.

Income Taxes

Estimates and judgments are made for uncertainties which exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income.

Revenue Recognition

Recording revenues from the assembly and manufacture of equipment using the percentage-of-completion method requires management to make a number of estimates and assumptions about: the expected profitability of the contract; the estimated degree of completion based on cost progression; and other detailed factors. These factors are routinely reviewed as part of the project management process.

The Company also generates revenue from long-term maintenance and repair contracts whereby it is obligated to maintain equipment for its customers. The contracts are typically fixed price on either machine hours or cost per hour, with provisions for inflationary and exchange adjustments. Revenue is recognized using the percentage-of-completion method based on work completed. This method requires management to make a number of estimates and assumptions surrounding: machine usage, machine performance, future parts and labour pricing, manufacturers' warranty coverage and other detailed factors. These factors are routinely reviewed as part of the contract management process.

Inventories

Management is required to make an assessment of the net realizable value of inventory at each reporting period. These estimates are determined on the basis of age, stock levels, current market prices, current economic trends and past experience in the measurement of net realizable value.

Allowance for Doubtful Accounts

The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that may have been incurred but not yet specifically identified. By their nature, these are estimates based on management's judgment and historical experience.

Share-based Compensation

The option pricing model used to determine the fair value of share-based payments requires various estimates relating to volatility, interest rates, dividend yields and expected life of the options granted. Fair value inputs are subject to market factors as well as internal estimates. The Company considers historic trends together with any new information to determine the best estimate of fair value at the date of grant. Separate from the fair value calculation, the Company is required to estimate the expected forfeiture rate of equity-settled share-based payments.

Deferred Benefit Plans

The Company has defined benefit pension plans and other post-employment benefit plans that provide certain benefits to its employees. Actuarial valuations of these plans are based on assumptions which include discount rates, retail price inflation, mortality rates, employee turnover and salary escalation rates. Judgment is exercised in setting these assumptions. These assumptions impact the measurement of the net employee benefit obligation, funding levels, the net benefit cost and the actuarial gains and losses recognized in other comprehensive income.

FUTURE ACCOUNTING STANDARDS

A number of new standards and amendments to standards have been issued but are not yet effective for the financial year ending December 31, 2016, and accordingly, have not been applied in preparing these consolidated financial statements.

Statement of Cash Flows - Amendments to IAS 7 - Statement of Cash Flows, introduce new disclosure requirements of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows. The amendments are effective for annual periods beginning on or after January 1, 2017, with early adoption permitted.

Share-based Payment - Amendments to IFRS 2 - Share-based Payment, clarify how to account for certain types of share-based payment transactions. The amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

Revenue Recognition - In May 2014, the IASB issued IFRS 15 - Revenue from Contracts with Customers, which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Entities chose either a full retrospective approach with some limited relief provided or a modified retrospective approach for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

Financial Instruments - In July 2014, the IASB issued the final version of IFRS 9 - Financial Instruments, which replaces all phases of the financial instruments project, IAS 39 - Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

Leases - In January 2016, the IASB issued IFRS 16 - Leases, which requires lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 - Leases. The new standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted provided the new revenue standard, IFRS 15 - Revenue from Contracts with Customers, has been applied, or is applied at the same date.

The Company is currently assessing the impact of these amendments and new standards on its financial statements. Refer to Note 1 to the unaudited consolidated financial statements for further information.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in this MD&A and the accompanying consolidated financial statements, and has in place appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is materially complete and reliable. In addition, the Company's Audit Committee, on behalf of the Board of Directors, provides an oversight role with respect to all public financial disclosures made by the Company, and has reviewed and approved this MD&A and the accompanying consolidated financial statements. The Audit Committee is also responsible for determining that management fulfills its responsibilities in the financial control of operations, including disclosure controls and procedures and internal control over financial reporting.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer and the Chief Financial Officer, together with other members of management, have evaluated the effectiveness of the Company's disclosure controls and procedures and internal controls over financial reporting as at December 31, 2016, using the internal control integrated framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on that evaluation, they have concluded that the design and operation of the Company's disclosure controls and procedures were adequate and effective as at December 31, 2016, to provide reasonable assurance that a) material information relating to the Company and its consolidated subsidiaries would have been known to them and by others within those entities, and b) information required to be disclosed is recorded, processed, summarized and reported within required time periods. They have also concluded that the design and operation of internal controls over financial reporting were adequate and effective as at December 31, 2016, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reporting in accordance with IFRS.

There have been no changes in the design of the Company's internal controls over financial reporting during 2016 that would materially affect, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

While the Officers of the Company have evaluated the effectiveness of disclosure controls and procedures and internal control over financial reporting as at December 31, 2016 and have concluded that these controls and procedures are being maintained as designed, they expect that the disclosure controls and procedures and internal controls over financial reporting may not prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

DESCRIPTION OF ADDITIONAL GAAP AND NON-GAAP MEASURES

Additional GAAP Measures

IFRS mandates certain minimum line items for financial statements and also requires presentation of additional line items, headings and subtotals when such presentation is relevant to an understanding of the Company's financial position or performance. IFRS also requires the notes to the financial statements to provide information that is not presented elsewhere in the financial statements, but is relevant to understanding them. Such measures outside of the minimum mandated line items are considered additional GAAP measures. The Company's consolidated financial statements and notes thereto include certain additional GAAP measures where management considers such information to be useful to the understanding of the Company's results.

Gross Profit

Gross Profit is defined as total revenues less cost of goods sold.

Operating Income

Operating income is defined as net earnings before interest expense, interest and investment income and income taxes and is used by management to assess and evaluate the financial performance of its operating segments. Financing and related interest charges cannot be attributed to business segments on a meaningful basis that is comparable to other companies. Business segments and income tax jurisdictions are not synonymous, and it is believed that the allocation of income taxes distorts the historical comparability of the performance of the business segments.

	Three months ended December 31		Twelve months ended December 31	
($ thousands)	2016	2015	2016	2015
Net earnings	$ 45,529	$ 44,404	$ 155,748	$ 145,666
plus: Interest expense	1,853	2,236	7,242	8,668
less: Interest and investment income	(1,377)	(1,144)	(4,006)	(3,422)
plus: Income taxes	16,883	16,177	57,579	53,598
Operating income	$ 62,888	$ 61,673	$ 216,563	$ 204,510

Net Debt to Total Capitalization

Net debt to total capitalization is calculated as net debt divided by total capitalization, both defined below, and is used by management as a measure of the Company's financial leverage.

Net debt is calculated as long-term debt plus current portion of long-term debt less cash. Total capitalization is calculated as shareholders' equity plus net debt.

The calculation is as follows:

($ thousands)	December 31 2016	December 31 2015
Long-term debt	$ 150,717	$ 152,079
Current portion of long-term debt	1,811	1,690
less: Cash	188,735	66,680
Net debt	$ (36,207)	$ 87,089
Shareholders' equity	$ 885,432	$ 775,281
Total capitalization	$ 849,225	$ 862,370
Net debt to total capitalization	-4%	10%

For the year ended December 31, 2016, cash exceeded total debt and effectively resulted in a negative net debt to total capitalization of 4% as illustrated above.

Non-GAAP Measures

Management believes that providing certain non-GAAP measures provides users of the Company's consolidated financial statements with important information regarding the operational performance and related trends of the Company's business. By considering these measures in combination with the comparable IFRS measures set out below, management believes that users are provided a better overall understanding of the Company's business and its financial performance during the relevant period than if they simply considered the IFRS measures alone.

The non-GAAP measures used by management do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Accordingly, these measures should not be considered as a substitute or alternative for net income or cash flow, in each case as determined in accordance with IFRS.

Working Capital

Working capital is defined as total current assets less total current liabilities. Management views working capital as a measure for assessing overall liquidity.

($ thousands)	December 31 2016	December 31 2015
Total current assets	$ 907,975	$ 799,136
less: Total current liabilities	332,593	312,843
Working capital	$ 575,382	$ 486,293

Non-Cash Working Capital

Non-cash working capital is defined as total current assets (excluding cash) less total current liabilities (excluding current portion of long-term debt).

($ thousands)	December 31 2016	December 31 2015
Total current assets	$ 907,975	$ 799,136
less: Cash	188,735	66,680
	$ 719,240	$ 732,456
Total current liabilities	$ 332,593	$ 312,843
less: Current portion of long-term debt	1,811	1,690
	$ 330,782	$ 311,153
Non-cash working capital	$ 388,458	$ 421,303

Key Performance Indicators ("KPIs")

Management uses key performance indicators to consistently measure performance against the Company's priorities across the organization. The Company's KPIs include gross profit margin, operating margin, order bookings and backlogs, return on capital employed and return on equity. Although some of these KPIs are expressed as ratios, they are non-GAAP financial measures that do not have a standardized meaning under IFRS and may not be comparable to similar measures used by other issuers.

Gross Profit Margin

This measure is defined as gross profit (defined above) divided by total revenues.

Operating Income Margin

This measure is defined as operating income (defined above) divided by total revenues.

Order Bookings and Backlogs

The Company's order bookings represent new equipment unit orders that management believes are firm. Backlogs are defined as the retail value of new equipment unit ordered by customers for future deliveries. Management uses order backlog as a measure of projecting future new equipment deliveries. There are no directly comparable IFRS measures for order bookings or backlog.

Return on Capital Employed ("ROCE")

ROCE is utilized to assess both current operating performance and prospective investments. The numerator used for the calculation is income before income taxes, interest expense and interest income (excluding interest on rental conversions). The denominator in the calculation is the monthly average capital employed, which is defined as net debt plus shareholders' equity or total capitalization.

($ thousands)	December 31 2016	December 31 2015
Net earnings	$ 155,748	$ 145,666
plus: Interest expense	7,242	8,668
less: Interest and investment income	(4,006)	(3,422)
plus: Interest income - rental conversions (see note 13)	2,811	2,500
plus: Income taxes	57,579	53,598
	$ 219,374	$ 207,010
Average capital employed	$ 894,765	$ 853,101
Return on Capital Employed	24.5%	24.3%

Return on Equity ("ROE")

ROE is monitored to assess the profitability of the consolidated Company and is calculated by dividing net earnings by opening shareholders' equity (adjusted for shares issued and redeemed during the year).

($ thousands)	December 31 2016	December 31 2015
Net earnings	$ 155,748	$ 145,666
Opening shareholders' equity (net of adjustments)	$ 778,896	$ 675,165
Return on Equity	20.0%	21.6%

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited)

As at December 31 ($ thousands)	Note	2016	2015
Assets			
Current assets			
Cash		$ 188,735	$ 66,680
Accounts receivable	3	277,050	262,523
Inventories	4	435,757	463,210
Derivative financial instruments	11	1,197	2,445
Other current assets		5,236	4,278
Total current assets		907,975	799,136
Property, plant and equipment	5	181,827	184,154
Rental equipment	5	272,277	245,670
Other assets	6	15,381	11,484
Deferred tax assets	14	5,610	8,102
Goodwill and intangible assets	7	27,501	27,531
Total assets		$ 1,410,571	$ 1,276,077

Liabilities

Current liabilities

Accounts payable, accrued liabilities and

	Note		
provisions	8	$ 278,309	$ 253,456
Deferred revenues		51,211	54,645
Current portion of long-term debt	9	1,811	1,690
Income taxes payable		1,262	3,052
Total current liabilities		332,593	312,843
Deferred revenues		19,259	14,779
Long-term debt	9	150,717	152,079
Accrued pension liability	18	22,570	21,095
Shareholders' equity			
Share capital	10	315,078	301,413
Contributed surplus		8,166	7,236
Retained earnings		559,252	463,194
Accumulated other comprehensive income		2,936	3,438
Shareholders' equity		885,432	775,281
Total liabilities and shareholders' equity		$ 1,410,571	$ 1,276,077

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED INCOME STATEMENTS

(Unaudited)

Years ended December 31 ($ thousands, except share amounts)	Note	2016	2015
Revenues	22	$ 1,867,283	$ 1,802,233
Cost of goods sold		1,399,695	1,356,630
Gross profit		467,588	445,603
Selling and administrative expenses		255,964	241,093
Gain on sale of internally-developed software		(4,939)	-
Operating income		216,563	204,510
Interest expense	13	7,242	8,668
Interest and investment income	13	(4,006)	(3,422)
Income before income taxes		213,327	199,264
Income taxes	14	57,579	53,598
Net earnings		$ 155,748	$ 145,666
Earnings per share			
Basic	15	$ 1.99	$ 1.88
Diluted	15	$ 1.98	$ 1.86
Weighted average number of shares outstanding			
Basic		78,127,400	77,681,337
Diluted		78,674,297	78,307,836

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

Years ended December 31 ($ thousands)	2016	2015
Net earnings	$ 155,748	$ 145,666
Other comprehensive (loss) income, net of income taxes:		
Items that may be reclassified subsequently to net earnings:		
Foreign currency translation adjustments	(277)	1,471
Unrealized (loss) gain on derivatives designated as cash flow hedges	(948)	12,255
Income tax recovery (expense)	248	(3,191)
Unrealized (loss) gain on cash flow hedges, net of income taxes	(700)	9,064
Realized loss (gain) on derivatives designated as cash flow hedges	644	(12,409)
Income tax (recovery) expense	(169)	3,232
Realized loss (gain) on cash flow hedges, net of income taxes	475	(9,177)
Items that will not be reclassified subsequently to net earnings:		
Actuarial (loss) gain on pension plans	(1,465)	834
Income tax recovery (expense)	389	(217)
Actuarial (loss) gain on pension plans, net of income taxes	(1,076)	617
Other comprehensive (loss) income	(1,578)	1,975
Total comprehensive income	$ 154,170	$ 147,641

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

Years ended December 31 ($ thousands)	Note	2016	2015
Operating activities			
Net earnings		$ 155,748	$ 145,666
Items not requiring cash:			
Depreciation and amortization	5,7,9	76,726	74,003
Stock-based compensation		3,261	2,568
Accrued pension liability		10	1,139
Deferred income taxes		2,960	(2,494)
Gain on sale of rental equipment and property, plant and equipment		(17,971)	(15,751)
Gain on sale of internally-developed software		(4,939)	-
		215,795	205,131
Net change in non-cash working capital and other	20	34,744	(91,251)
Additions to rental equipment		(98,668)	(119,737)
Proceeds on disposal of rental equipment		36,942	33,599
Cash provided by operating activities		188,813	27,742
Investing activities			
Additions to property, plant and equipment		(24,826)	(30,369)
Proceeds on disposal of property, plant and equipment		1,521	2,596
Proceeds on disposal of internally-developed software		4,939	-
(Increase) decrease in other assets		(209)	45
Cash used in investing activities		(18,575)	(27,728)

	Note	2016	2015
Financing activities			
Issue of senior debentures		-	150,000
Repayment of senior debentures		(1,690)	(126,576)
Financing costs		-	(1,713)
Dividends	10	(55,422)	(51,213)
Shares purchased for cancellation		(2,574)	(2,231)
Cash received on exercise of stock options		11,574	12,110
Cash used in financing activities		(48,112)	(19,623)
Effect of currency translation on cash balances		(71)	327
Increase (decrease) in cash		122,055	(19,282)
Cash, at beginning of year		66,680	85,962
Cash, at end of year		$ 188,735	$ 66,680

Supplemental cash flow information (note 20)

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited)

	Share Capital			
($ thousands)	Number	Amount	Contributed surplus	Retained earnings
At January 1, 2015	77,259,396	$ 287,002	$ 7,212	$ 371,781
Net earnings	-	-	-	145,666
Other comprehensive income (loss)	-	-	-	617
Total comprehensive income	-	-	-	146,283
Exercise of stock options	720,925	14,698	-	-
Stock-based compensation expense	-	-	2,568	-
Stock options exercised	-	-	(2,544)	-
Effect of stock compensation plans	720,925	14,698	24	-
Shares purchased for cancellation	(74,500)	(287)	-	(1,988)
Dividends	-	-	-	(52,882)
At December 31, 2015	77,905,821	$ 301,413	$ 7,236	$ 463,194
Net earnings	-	-	-	155,748
Other comprehensive loss	-	-	-	(1,076)
Total comprehensive income	-	-	-	154,672
Exercise of stock options	581,879	14,009	-	-
Stock-based compensation expense	-	-	3,261	-
Stock options exercised	-	-	(2,331)	-
Effect of stock compensation plans	581,879	14,009	930	-
Shares purchased for cancellation	(89,244)	(344)	-	(2,334)
Dividends	-	-	-	(56,280)
At December 31, 2016	78,398,456	$ 315,078	$ 8,166	$ 559,252

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited)

	Accumulated other comprehensive income			
($ thousands)	Foreign currency translation adjustments	Cash flow hedges	Total	Total
At January 1, 2015	$ 1,433	$ 647	$ 2,080	$ 668,075
Net earnings	-	-	-	145,666
Other comprehensive income (loss)	1,471	(113)	1,358	1,975
Total comprehensive income	1,471	(113)	1,358	147,641
Exercise of stock options	-	-	-	14,698
Stock-based compensation expense	-	-	-	2,568
Stock options exercised	-	-	-	(2,544)
Effect of stock compensation plans	-	-	-	14,722
Shares purchased for cancellation	-	-	-	(2,275)
Dividends	-	-	-	(52,882)
At December 31, 2015	$ 2,904	$ 534	$ 3,438	$ 775,281
Net earnings	-	-	-	155,748
Other comprehensive loss	(277)	(225)	(502)	(1,578)
Total comprehensive income	(277)	(225)	(502)	154,170
Exercise of stock options	-	-	-	14,009
Stock-based compensation expense	-	-	-	3,261
Stock options exercised	-	-	-	(2,331)
Effect of stock compensation plans	-	-	-	14,939
Shares purchased for cancellation	-	-	-	(2,678)
Dividends	-	-	-	(56,280)
At December 31, 2016	$ 2,627	$ 309	$ 2,936	$ 885,432

See accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

December 31, 2016

($thousands except where otherwise indicated)

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

Toromont Industries Ltd. (the "Company" or "Toromont") is a limited company incorporated and domiciled in Canada whose shares are publicly traded on the Toronto Stock Exchange under the symbol TIH. The registered office is located at 3131 Highway 7 West, Concord, Ontario, Canada.

Toromont operates through two reportable segments: the Equipment Group and CIMCO. The Equipment Group includes one of the larger Caterpillar dealerships by revenue and geographic territory in addition to industry leading rental operations and an expanding agricultural equipment business. CIMCO is a market leader in the design, engineering, fabrication and installation of industrial and recreational refrigeration systems. Both segments offer comprehensive product support capabilities. Toromont employs over 3,600 people in more than 100 locations.

Statement of Compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for issue by the Audit Committee of the Board of the Directors on February 6, 2017.

Basis of Preparation

These consolidated financial statements were prepared on a historical cost basis, except for derivative instruments that have been measured at fair value. The consolidated financial statements are presented in Canadian dollars and all values are rounded to the nearest thousands, except where otherwise indicated.

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses and unrealized gains and losses resulting from intra-group transactions are eliminated in full upon consolidation.

Business Combinations and Goodwill

When determining the nature of an acquisition, as either a business combination or an asset acquisition, management defines a business as 'an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants'. An integrated set of activities and assets requires two essential elements - inputs and processes applied to those inputs, which together are or will be used to create outputs. However, a business need not include all of the inputs or processes that the seller used in operating that business if the Company is capable of acquiring the business and continuing to produce outputs, for example, by integrating the business with their own inputs and processes. If the transaction does not meet the criteria of a business, it is accounted for as an asset acquisition.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of consideration transferred, measured at acquisition date fair value. Acquisition costs are expensed as incurred.

Goodwill is initially measured at cost, being the excess of the cost of the business combination over the Company's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statements.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units ("CGUs") that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the CGU retained.

Cash and Cash Equivalents

Cash consists of petty cash and demand deposits. Cash equivalents, when applicable, consist of short-term deposits with an original maturity of three months or less.

Accounts Receivable

Accounts receivable are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

Accounts receivable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

The Company maintains an allowance for doubtful accounts to provide for impairment of trade receivables. The expense relating to doubtful accounts is included within "Selling and administrative expenses" in the consolidated income statements.

Inventories

Inventories are valued at the lower of cost and net realizable value.

Cost of equipment, repair and distribution parts and direct materials include purchase cost and costs incurred in bringing each product to its present location and condition. Serialized inventory is determined on a specific-item basis. Non-serialized inventory is determined based on a weighted average actual cost.

Cost of work-in-process includes cost of direct materials, labour and an allocation of manufacturing overheads, excluding borrowing costs, based on normal operating capacity.

Cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognized in other comprehensive income, in respect of the purchase of inventory.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized principally on a straight-line basis over the estimated useful lives of the assets. Estimated useful lives range from 20 to 30 years for buildings, three to 10 years for equipment and 20 years for power generation assets. Leasehold improvements and lease inducements are amortized on a straight-line basis over the term of the lease. Land is not depreciated.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Rental Equipment

Rental equipment is recorded at cost, net of accumulated depreciation and any impairment losses. Cost is determined on a specific item basis. Rental equipment is depreciated to its estimated residual value over its estimated useful life on a straight-line basis, which ranges from one to 10 years.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

On January 1, 2016, the Company updated the estimated service lives and residual values of rental assets as to accurately reflect asset life cycles and residual values based on experience. All other assumptions used in the calculation remain unchanged. See note 5 for further details.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with a finite useful life are amortized on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions for warranty costs are recognized when the product is sold or service provided. Initial recognition is based on historical experience.

Financial Instruments

The Company determines the classification of its financial assets and liabilities at initial recognition. Initially, all financial assets and liabilities are recognized at fair value. Regular-way trades of financial assets and liabilities are recognized on the trade date. Transaction costs are expensed as incurred except for loans and receivables and loans and borrowings, in which case transaction costs are included in initial cost.

Financial Assets

Subsequent measurement of financial assets depends on the classification. The Company has made the following classifications:

-- Cash and cash equivalents are classified as held for trading and as such are measured at fair value, with changes in fair value being included in profit or loss.
-- Accounts receivable are classified as loans and receivables and are recorded at amortized cost using the effective interest rate method, less provisions for doubtful accounts.

The Company assesses at each statement of financial position date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Financial Liabilities

Subsequent measurement of financial liabilities depends on the classification. The Company has made the following classifications:

-- Accounts payable and accrued liabilities are classified as financial liabilities and as such are measured at amortized cost. The Company has not designated any financial liability at fair value through profit or loss.
-- Long-term debt is classified as loans and borrowings and as such is subsequently measured at amortized cost using the effective interest rate method. Discounts, premiums and fees on acquisition are taken into account in determining amortized cost.

Derivatives

Derivative assets and liabilities are classified as held for trading and are measured at fair value with changes in fair value being included in profit or loss, unless they are designated as hedging instruments, in which case changes in fair value are included in other comprehensive income.

Fair Value of Financial Instruments

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

-- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities.
-- Level 2 - other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.
-- Level 3 - techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Derivative Financial Instruments and Hedge Accounting

Derivative financial arrangements are used to hedge exposure to fluctuations in exchange rates. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

At inception, the Company designates and documents the hedge relationship, including identification of the transaction and the risk management objectives and strategy for undertaking the hedge. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The Company has designated certain derivatives as cash flow hedges. These are hedges of firm commitments and highly probable forecast transactions. The effective portion of changes in the fair value of derivatives that are designated as a cash flow hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. Additionally:

-- If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset, the associated gains or losses that were recognized in other comprehensive income are included in the initial cost or other carrying amount of the asset;
-- For cash flow hedges other than those identified above, amounts accumulated in other comprehensive income are recycled to the income statement in the period when the hedged item will affect earnings (for instance, when the forecast sale that is hedged takes place);
-- When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in other comprehensive income remains in other comprehensive income and is recognized when the forecast transaction is ultimately recognized in the income statement; and
-- When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately recognized in the income statement.

Impairment of Non-financial Assets

The Company assesses annually during the fourth quarter, whether goodwill or intangible assets with indefinite lives may be impaired. For the purpose of impairment testing, goodwill arising from acquisitions is allocated to each of the Company's CGUs or group of CGUs expected to benefit from the acquisition. The level at which goodwill is allocated represents the lowest level at which goodwill is monitored for internal management purposes, and is not higher than an operating segment. Intangible assets with indefinite lives that do not have separate identifiable cash flows are also allocated to CGUs or a group of CGUs. Any potential impairment of goodwill or intangible assets is identified by comparing the recoverable amount of a CGU or a group of CGUs to its carrying value. Recoverable amount is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than the carrying amount, then the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets pro-rata on the basis of the carrying amount of each asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. 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. Impairment losses are recognized in the income statement.

The Company bases its impairment calculation on detailed three-year budgets and extrapolated long-term growth rate for periods beyond the third year.

For non-financial assets other than goodwill and intangible assets with finite lives, an assessment is made at each reporting date whether there is any indication of impairment, or that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, sales taxes and duty. The following specific recognition criteria must also be met before revenue is recognized:

-- Revenues from the sale of equipment are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on shipment of the goods and/or invoicing.

-- The sale of equipment for which the Company has provided a guarantee to repurchase the equipment at predetermined residual values and dates are accounted for as operating leases. Revenues are recognized over the period extending to the date of the residual value guarantee.

-- Revenues from the sale of equipment systems involving design, manufacture, installation and start-up are recorded using the percentage-of-completion method. Percentage-of-completion is normally measured by reference to costs incurred to date as a percentage of total estimated cost for each contract. Periodically, amounts are received from customers in advance of the associated contract work being performed. These amounts are recorded as deferred revenue. Any foreseeable losses on such projects are recognized immediately in profit or loss as identified.

-- Revenues from equipment rentals are recognized in accordance with the terms of the relevant agreement with the customer, generally on a straight-line basis over the term of the agreement.

-- Product support services include sales of parts and servicing of equipment. For the sale of parts, revenues are recognized when the part is shipped to the customer. For servicing of equipment, revenues are recognized on completion of the service work.

-- Revenues from long-term maintenance contracts and separately priced extended warranty contracts are recognized on a percentage-of-completion basis proportionate to the service work that has been performed based on the parts and labour service provided. Any losses estimated during the term of the contract are recognized when identified. At the completion of the contract, any remaining profit on the contract is recognized as revenue.

-- Deferred revenues represent billings to customers in excess of revenue recognized and arise as a result of:

    a. Sales of equipment with residual value guarantees, extended warranty contracts and other long-term customer support agreements as well as on progress billings on long-term construction contracts; and

    b. Progress billings in advance of revenue recognition.

-- Interest income is recognized using the effective interest rate method.

Foreign Currency Translation

The functional and presentation currency of the Company is the Canadian dollar. Each of the Company's subsidiaries determines its functional currency.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction or at the average rate for the period when this is a reasonable approximation. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange as at the reporting date. All differences are taken directly to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

The assets and liabilities of foreign operations (having a functional currency other than the Canadian dollar) are translated into Canadian dollars at the rate of exchange prevailing at the statement of financial position date and the income statement is translated at the average exchange rate for the period. The exchange differences arising on translation are recognized in accumulated other comprehensive income in shareholders' equity. On disposal of a foreign operation, the deferred cumulative amount recognized in equity is recognized in the income statement.

Share-based Payment Transactions

The Company maintains both equity-settled and cash-settled share-based compensation plans under which the Company receives services from employees, including senior executives and directors, as consideration for equity instruments of the Company.

For equity-settled plans, which are no longer available to non-employee directors, expense is based on the fair value of the awards granted determined using the Black-Scholes option pricing model and the best estimate of the number of equity instruments that will ultimately vest. For awards with graded vesting, each tranche is considered to be a separate grant based on its respective vesting period. The fair value of each tranche is determined separately on the date of grant and is recognized as stock-based compensation expense, net of forfeiture estimate, over its respective vesting period.

For cash-settled plans, the expense is determined based on the fair value of the liability incurred at each award date. The fair value of the liability is measured by applying quoted market prices. Changes in fair value are recognized in the income statement in selling and administrative expenses.

Employee Future Benefits

For defined contribution plans, the pension expense recorded in the income statement is the amount of the contributions the Company is required to pay in accordance with the terms of the plans.

For defined benefit plans, the pension expense is determined separately for each plan using the following policies:

-- The cost of pensions earned by employees is actuarially determined using the projected unit credit method pro-rated on length of service and management's best estimate assumptions to value its pensions using a measurement date of December 31;

-- Net interest is calculated by applying the discount rate to the net defined benefit liability or asset;

-- Past service costs from plan amendments are recognized immediately in net earnings to the extent that the benefits have vested; otherwise, they are amortized on a straight-line basis over the vesting period; and

-- Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in retained earnings and included in the statement of comprehensive income in the period in which they occur.

Income Taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred taxes are provided for using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in income tax rates is recognized in the income statement in the period that includes the date of substantive enactment. The Company assesses recoverability of deferred tax assets based on the Company's estimates and assumptions. Deferred tax assets are recorded at an amount that the Company considers probable to be realized.

Current and deferred income taxes relating to items recognized directly in shareholders' equity are also recognized directly in shareholders' equity.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. Leases that transfer substantially all of the benefits and risks of ownership of the property to the lessee are classified as finance leases; all other leases are classified as operating leases. Classification is re-assessed if the terms of the lease are changed.

Toromont as Lessee

Operating lease payments are recognized as an operating expense in the income statement on a straight-line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are deferred and amortized on a straight-line basis over the term of the lease.

Toromont as Lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

Amendments to Standards Adopted in 2016

Certain amendments to standards that were adopted on January 1, 2016 are noted below.

a. Presentation of Financial Statements

The amendments to IAS 1 - Presentation of Financial Statements, give some guidance on how to apply the concept on materiality in practice. These amendments had no impact on the Company's financial position, performance or disclosures.

b. Employee Benefits

The amendment to IAS 19 - Employee Benefits, requires an entity to recognise a post-employment benefit obligation for its defined benefit plans. This obligation must be discounted using market rates on high quality corporate bonds or using government bond rates if a deep market for high quality corporate bonds does not exist. The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. The amendment must be applied prospectively. This amendment had no impact on the Company's financial position, performance or disclosures.

Standards Issued But Not Yet Effective

A number of new standards and amendments to standards have been issued but are not yet effective for the financial year ended December 31, 2016, and accordingly, have not been applied in preparing these consolidated financial statements.

a. Statement of Cash flows

In January 2016, the IASB issued amendments to IAS 7 - Statement of Cash Flows, which requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

The amendments are effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company is currently assessing the impact of adopting these amendments on its consolidated financial statements.

b. Share-based Payment

In June 2016, the IASB issued final amendments to IFRS 2 - Share-based payment, which clarifies how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: (i) the effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (ii) share-based payment transactions with a net settlement feature for withholding tax obligations; and (iii) a modification to the terms and conditions of a share-based payment that changes the classifications of the transaction from cash-settled to equity-settled.

The amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the impact of adopting these amendments on its consolidated financial statements.

c. Revenue Recognition

In May 2014, the IASB issued IFRS 15 - Revenue from Contracts with Customers, which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Entities choose either a full retrospective approach with some limited relief provided or a modified retrospective approach for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

The Company's transition project consists of three phases: diagnostic assessment, solutions development and implementation. Investments in training and other support resources will be made throughout the transition period.

We are completing the diagnostic phase and have begun solutions development in core areas. A work team has been formed to steer the project. The project is being reviewed by the Chief Financial Officer and Audit Committee on a regular basis.

While our work is well underway and on plan, continued progress is necessary before the Company can prudently increase the specificity of the impact of adopting this standard.

d. Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 - Financial Instruments, which replaces all phases of the financial instruments project, IAS 39 - Financial Instruments: Recognition and Measurement, and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the impact of adopting this new standard on its consolidated financial statements.

e. Leases

In January 2016, the IASB issued IFRS 16 - Leases, which requires lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 - Leases.

The new standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted provided the new revenue standard, IFRS 15, has been applied, or is applied at the same date. The Company is currently assessing the impact of adopting this new standard on its consolidated financial statements.

2. Significant Accounting Estimates and Assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Management reviews its estimates and judgments on an ongoing basis.

In the process of applying the Company's accounting policies, management has made the following judgments, estimates and assumptions which have the most significant effect on the amounts recognized in the consolidated financial statements.

Property, Plant and Equipment and Rental Equipment - Depreciation is calculated based on the estimated useful lives of the assets and estimated residual values. Depreciation expense is sensitive to the estimated service lives and residual values determined for each type of asset. Actual lives and residual values may vary depending on a number of factors including technological innovation, product life cycles and physical condition of the asset, prospective use, and maintenance programs.

Impairment of Non-financial Assets - Judgment is used in identifying an appropriate discount rate and growth rate for the calculations required in assessing potential impairment of non-financial assets. Judgment is also used in identifying the CGUs to which the intangible assets should be allocated to, and the CGU or group of CGUs at which goodwill is monitored for internal management purposes. The impairment calculations require the use of estimates related to the future operating results and cash generating ability of the assets. The key assumptions used to determine the recoverable amount for the different groups of CGUs, including a sensitivity analysis, are disclosed and further explained in Note 7.

Income Taxes - Estimates and judgments are made for uncertainties which exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income.

Revenue Recognition - Recording revenues from the assembly and manufacture of equipment using the percentage-of-completion method requires management to make a number of estimates and assumptions about: the expected profitability of the contract; the estimated degree of completion based on cost progression; and other detailed factors. These factors are routinely reviewed as part of the project management process.

The Company also generates revenue from long-term maintenance and repair contracts whereby it is obligated to maintain equipment for its customers. The contracts are typically fixed price on either machine hours or cost per hour, with provisions for inflationary and exchange adjustments. Revenue is recognized using the percentage-of-completion method based on work completed. This method requires management to make a number of estimates and assumptions surrounding: machine usage, machine performance, future parts and labour pricing, manufacturers' warranty coverage and other detailed factors. These factors are routinely reviewed as part of the contract management process.

Inventories - Management is required to make an assessment of the net realizable value of inventory at each reporting period. These estimates are determined on the basis of age, stock levels, current market prices, current economic trends and past experience in the measurement of net realizable value.

Allowance for Doubtful Accounts - The Company makes estimates for allowances that represent its estimate of potential losses in respect of trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that may have been incurred but not yet specifically identified.

Share-based Compensation - The option pricing model used to determine the fair value of share-based payments requires various estimates relating to volatility, interest rates, dividend yields and expected life of the options granted. Fair value inputs are subject to market factors as well as internal estimates. The Company considers historic trends together with any new information to determine the best estimate of fair value at the date of grant. Separate from the fair value calculation, the Company is required to estimate the expected forfeiture rate of equity-settled share-based payments.

Deferred Benefit Plans - The Company has defined benefit pension plans and other post-employment benefit plans that provide certain benefits to its employees. Actuarial valuations of these plans are based on assumptions which include discount rates, retail price inflation, mortality rates, employee turnover and salary escalation rates. Judgment is exercised in setting these assumptions. These assumptions impact the measurement of the net employee benefit obligation, funding levels, the net benefit cost and the actuarial gains and losses recognized in other comprehensive income.

3. ACCOUNTS RECEIVABLE

	December 31 2016	December 31 2015
Trade receivables	$ 256,985	$ 238,758
Less: allowance for doubtful accounts	(9,700)	(9,168)
Trade receivables - net	247,285	229,590
Other receivables	29,765	32,933
Trade and other receivables	$ 277,050	$ 262,523

The aging of gross trade receivables at each reporting date was as follows:

	December 31 2016	December 31 2015
Current to 90 days	$ 240,418	$ 221,854
Over 90 days	16,567	16,904
	$ 256,985	$ 238,758

The following table presents the movement in the Company's allowance for doubtful accounts:

	December 31 2016	December 31 2015
Balance, January 1	$ 9,168	$ 7,845
Provisions and revisions, net	532	1,323
Balance, December 31	$ 9,700	$ 9,168

4. INVENTORIES

	December 31 2016	December 31 2015
Equipment	$ 300,344	$ 321,825
Repair and distribution parts	99,297	106,094
Direct materials	4,001	4,117
Work-in-process	32,115	31,174
	$ 435,757	$ 463,210

The amount of inventory recognized as an expense in cost of goods sold (accounted for other than by the percentage-of-completion method) during 2016 was $1.1 billion (2015 - $1.1 billion). Cost of goods sold included inventory write-downs pertaining to obsolescence and aging together with recoveries of past write-downs upon disposition and during 2016 amounted to $0.3 million (2015 - $8.1 million).

5. PROPERTY, PLANT AND EQUIPMENT AND RENTAL EQUIPMENT

	Land	Buildings	Equipment	Power Generation	Property, Plant and Equipment	Rental Equipment
Cost						
January 1, 2016	$49,988	$143,223	$154,924	$ 38,771	$386,906	$438,607
Additions	530	4,912	16,850	56	22,357	98,696
Disposals	(371)	(20)	(13,030)	-	(13,421)	(57,749)
Currency translation effects	(5)	(85)	(98)	-	(188)	-
December 31, 2016	$50,151	$148,030	$158,646	$ 38,827	$395,654	$479,554
Accumulated depreciation						
January 1, 2016	$ -	$ 67,923	$108,413	$ 26,416	$202,752	$182,937
Depreciation charge	-	5,884	16,321	1,566	23,771	52,476
Depreciation of disposals	-	(18)	(12,604)	-	(12,622)	(38,136)
Currency translation effects	-	(7)	(67)	-	(74)	-
December 31, 2016	$ -	$ 73,782	$112,063	$ 27,982	$213,827	$207,277
Net book value - December 31, 2016	$50,151	$ 74,248	$ 46,583	$ 10,845	$181,827	$272,277

	Land	Buildings	Equipment	Power Generation	Property, Plant and Equipment	Rental Equipment
Cost						
January 1, 2015	$48,845	$134,818	$141,550	$ 38,744	$363,957	$368,041
Additions	1,268	10,250	19,932	27	31,477	119,851
Disposals	(154)	(2,304)	(7,069)	-	(9,527)	(49,285)
Currency translation effects	29	459	511	-	999	-
December 31, 2015	$49,988	$143,223	$154,924	$ 38,771	$386,906	$438,607
Accumulated depreciation						
January 1, 2015	$ -	$ 63,882	$ 98,822	$ 24,855	$187,559	$172,778
Depreciation						

charge	-	5,578	15,637	1,561	22,776	50,658
Depreciation of disposals	-	(1,565)	(6,323)	-	(7,888)	(30,499)
Currency translation effects	-	28	277	-	305	-
December 31, 2015	$ -	$ 67,923	$108,413	$ 26,416	$202,752	$192,937
Net book value - December 31, 2015	$49,988	$ 75,300	$ 46,511	$ 12,355	$184,154	$245,670

During 2016, depreciation expense of $69.4 million was charged to cost of goods sold (2015 - $67.2 million) and $6.8 million was charged to selling and administrative expenses (2015 - $6.2 million).

Depreciation expense was lower by $4.1 million in 2016 as a result of the change in estimate described in Note 1.

Operating income from rental operations for the year ended December 31, 2016 was $27.4 million (2015 - $32.7 million).

6. OTHER ASSETS

	December 31 2016	December 31 2015
Equipment sold with guaranteed residual values	$ 13,147	$ 9,459
Other	2,234	2,025
	$ 15,381	$ 11,484

7. GOODWILL AND INTANGIBLE ASSETS

	Goodwill	Distribution Network with indefinite useful life	Patents and Licenses with definite useful life	Total
Cost				
At January 1, 2015	$ 13,450	$ 13,669	$ 500	$ 27,619
At December 31, 2015	$ 13,450	$ 13,669	$ 500	$ 27,619
At December 31, 2016	$ 13,450	$ 13,669	$ 500	$ 27,619
Accumulated amortization				
At January 1, 2015	$ -	$ -	$ 59	$ 59
Amortization	-	-	29	29
At December 31, 2015	$ -	$ -	$ 88	$ 88
Amortization	-	-	30	30
At December 31, 2016	$ -	$ -	$ 118	$ 118
Net book value - At December 31, 2015	$ 13,450	$ 13,669	$ 412	$ 27,531
Net book value - At December 31, 2016	$ 13,450	$ 13,669	$ 382	$ 27,501

Impairment testing of Goodwill and Intangible Assets with indefinite lives

Goodwill and intangible assets with indefinite lives have been allocated to two groups of CGUs for impairment testing as follows:

-- Toromont CAT, included within the Equipment Group

-- CIMCO, which is also an operating and reportable segment

The respective carrying amounts have been allocated to the two groups of CGUs below:

	Goodwill		Intangible Assets		Total	
	2016	2015	2016	2015	2016	2015
Toromont CAT	$ 13,000	$ 13,000	$ 13,669	$ 13,669	$ 26,669	$ 26,669
CIMCO	450	450	-	-	450	450
Total	$ 13,450	$ 13,450	$ 13,669	$ 13,669	$ 27,119	$ 27,119

The Company performed the annual impairment test of goodwill and intangible assets allocated to Toromont CAT as at December 31, 2016. The recoverable amount of Toromont CAT has been determined based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a three-year period. Cash flow beyond the three-year period was extrapolated using a 2% growth rate which represents the expected growth in the Canadian economy. The pre-tax discount rate applied to future cash flows was 10.94%. As a result of the analysis, management determined there was no impairment for this CGU.

The Company performed the annual impairment test of goodwill allocated to CIMCO as at December 31, 2016. The recoverable amount of CIMCO has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a three-year period. Cash flow beyond the three-year period was extrapolated using a 2% growth rate which represents the expected growth in the Canadian economy. The pre-tax discount rate applied to future cash flows was 13.42%. As a result of the analysis, management determined there was no impairment for this CGU.

Key Assumptions to Value-in-Use Calculations

The calculation of value in use for Toromont CAT and CIMCO are most sensitive to the following assumptions:

-- Discount rates

-- Growth rate to extrapolate cash flows beyond the budget period

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate is derived from the CGU's weighted average cost of capital, taking into account both debt and equity.

The cost of equity is derived from the expected return on investment by the Company's shareholders. The cost of debt is based on the interest-bearing borrowings the Company is obliged to service.

Segment-specific risk is incorporated by applying different debt to equity ratios.

Growth rate estimates are based on published data, historical experiences and management's best estimate.

Sensitivity to Changes in Assumptions

Management believes that within reasonably possible changes to any of the above key assumptions, recoverable amounts exceed carrying values.

8. PAYABLES, ACCRUALS AND PROVISIONS

	December 31 2016	December 31 2015
Accounts payable and accrued liabilities	$ 248,104	$ 223,381
Dividends payable	14,111	13,253
Provisions	16,094	16,822
	$ 278,309	$ 253,456

Activities related to provisions were as follows:

	Warranty	Other	Total
Balance as at January 1, 2015	$ 7,777	$ 6,082	$ 13,859
New provisions	13,821	4,507	18,328
Charges/credits against provisions	(13,582)	(1,783)	(15,365)
Balance as at December 31, 2015	$ 8,016	$ 8,806	$ 16,822
New provisions	$ 17,420	1,290	18,710
Charges/credits against provisions	(14,636)	(4,802)	(19,438)
Balance as at December 31, 2016	$ 10,800	$ 5,294	$ 16,094

Warranty

At the time of sale, a provision is recognized for expected warranty claims on products and services, based on past experience and known issues. It is expected that most of these costs will be incurred in the next financial year.

Other

Other provisions relate largely to open legal and insurance claims and potential onerous contracts. No one claim is significant.

9. LONG-TERM DEBT

All debt is unsecured.

	December 31 2016	December 31 2015
3.71%, $150.0 million, due September 30, 2025(1)	$ 150,000	$ 150,000
7.06%, $15.0 million, due March 29, 2019(2)	4,774	6,464
Senior debentures	154,774	156,464
Debt issuance costs, net of amortization	(2,246)	(2,695)
Total long-term debt	$ 152,528	$ 153,769
Less: current portion of long-term debt	(1,811)	(1,690)
Non-current portion of long-term debt	$ 150,717	$ 152,079

(1) Interest payable semi-annually, principal due on maturity.

(2) Blended principal and interest payments payable semi-annually through to maturity.

The Company has a committed credit facility of $250.0 million with a maturity of September 7, 2020. Debt incurred under the facility is unsecured and ranks pari passu with debt outstanding under Toromont's existing debentures. Interest is based on a floating rate, primarily bankers' acceptances and prime, plus applicable margins and fees based on the terms of the credit facility.

At December 31, 2016, standby letters of credit issued utilized $21.7 million of the credit lines (2015 - $21.9 million).

On September 30, 2015, the Company issued senior unsecured debentures in an aggregate principal amount of $150.0 million (the "Debentures"). The Debentures mature in 2025 and bear interest at a rate of 3.71% per annum, payable semi-annually. The Debentures are unsecured, unsubordinated and rank pari passu with other unsecured, unsubordinated debt.

These credit arrangements include covenants, restrictions and events of default usually present in credit facilities of this nature, including requirements to meet certain financial tests periodically and restrictions on additional indebtedness and encumbrances.

The Company was in compliance with all covenants at December 31, 2016 and 2015.

Scheduled principal repayments and interest payments on long-term debt are as follows:

	Principal	Interest
2017	$ 1,811	$ 5,871
2018	1,941	5,741
2019	1,022	5,601
2020	-	5,565
2021	-	5,565
Thereafter	150,000	20,857
	$ 154,774	$ 49,200

Interest expense includes interest on debt initially incurred for a term greater than one year of $7.1 million (2015 - $7.8 million).

10. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of common shares (no par value) and preferred shares. No preferred shares have been issued.

Shareholder Rights Plan

The Shareholder Rights Plan is designed to encourage the fair treatment of shareholders in connection with any takeover offer for the Company. Rights issued under the plan become exercisable when a person, and any related parties, acquires or commences a take-over bid to acquire 20% or more of the Company's outstanding common shares without complying with certain provisions set out in the plan or without approval of the Company's Board of Directors. Should such an acquisition occur, each rights holder, other than the acquiring person and related parties, will have the right to purchase common shares of the Company at a 50% discount to the market price at that time. The plan expires in April 2018.

Normal Course Issuer Bid ("NCIB")

Toromont renewed its NCIB program in 2016. The current issuer bid allows the Company to purchase up to approximately 6.7 million of its common shares in the 12-month period ending August 30, 2017, representing 10% of common shares in the public float, as estimated at the time of renewal. The actual number of shares purchased and the timing of any such purchases will be determined by Toromont. All shares purchased under the bid will be cancelled.

During the year ended December 31, 2016, the Company purchased and cancelled 89,244 common shares for $2.6 million (average cost of $28.84 per share, including transaction costs) under its NCIB program (2015 - 74,500 common shares for $2.2 million at an average cost of $29.95 per share, including transaction costs).

Dividends

The Company paid dividends of $55.4 million ($0.71 per share) for the year ended December 31, 2016 and $51.2 million ($0.66 per share) for the year ended December 31, 2015.

Subsequent to the year ended December 31, 2016, the Board of Directors approved a quarterly dividend of $0.19 per share payable on April 3, 2017 to shareholders on record at the close of business on March 10, 2017.

11. FINANCIAL INSTRUMENTS

Financial Assets and Liabilities - Classification and Measurement

The following table highlights the carrying amounts and classifications of certain financial assets and liabilities:

	December 31 2016	December 31 2015
Other financial liabilities:		
Current portion of long-term debt	$ 1,811	$ 1,690
Long-term debt	150,717	152,079
Derivative financial instruments:		
Foreign exchange forward contracts	$ 1,197	$ 2,445

The fair value of derivative financial instruments is measured using the discounted value of the difference between the contract's value at maturity based on the contracted foreign exchange rate and the contract's value at maturity based on the comparable foreign exchange rate at period end under the same conditions. The financial institution's credit risk is also taken into consideration in determining fair value. The valuation is determined using Level 2 inputs which are observable inputs or inputs which can be corroborated by observable market data for substantially the full term of the asset or liability, most significantly foreign exchange spot and forward rates.

The fair value and carrying value of long-term debt is as follows:

Long-term debt	December 31 2016	December 31 2015
Fair value	$ 154,929	$ 158,123
Carrying value	154,774	156,464

The fair value was determined using the discounted cash flow method, a generally accepted valuation technique. The discounted factor is based on market rates for debt with similar terms and remaining maturities and based on Toromont's credit risk. The Company has no plans to prepay these instruments prior to maturity. The valuation is determined using Level 2 inputs which are observable inputs or inputs which can be corroborated by observable market data for substantially the full term of the asset or liability.

During the year ended December 31, 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements.

Derivative Financial Instruments and Hedge Accounting

Foreign exchange contracts are transacted with financial institutions to hedge foreign currency denominated obligations related to purchases of inventory and sales of products. As at December 31, 2016, the Company was committed to USD purchase contracts with a notional amount of $128.6 million at an average exchange rate of $1.3320, maturing between January and December 2017.

Management estimates that a gain of $1.2 million (2015 - $2.4 million) would be realized if the contracts were terminated on December 31, 2016. Certain of these forward contracts are designated as cash flow hedges, and accordingly, an unrealized gain of $0.4 million (2015 - $0.7 million) has been included in other comprehensive income. These gains will be reclassified to net earnings within the next 12 months and will offset losses recorded on the underlying hedged items, namely foreign denominated accounts payable. Certain of these forward contracts are not designated as cash flow hedges but are entered into for periods consistent with foreign currency exposure of the underlying transactions. A gain of $0.8 million (2015 - $1.7 million) on these forward contracts is included in net earnings, which offsets losses recorded on the foreign-denominated items, namely accounts payable.

All hedging relationships are formally documented, including the risk management objective and strategy. On an on-going basis, an assessment is made as to whether the designated derivative financial instruments continue to be effective in offsetting changes in cash flows of the hedged transactions.

12. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

In the normal course of business, Toromont is exposed to financial risks that may potentially impact its operating results in one or all of its reportable segments. The Company employs risk management strategies with a view to mitigating these risks on a cost-effective basis. Derivative financial agreements are used to manage exposure to fluctuations in exchange rates. The Company does not enter into derivative financial agreements for speculative purposes.

Currency Risk

The Canadian operations of the Company source the majority of its products and major components from the United States. Consequently, reported costs of inventory and the transaction prices charged to customers for equipment and parts are affected by the relative strength of the Canadian dollar. The Company mitigates exchange rate risk by entering into foreign currency contracts to fix the cost of imported inventory where appropriate. In addition, pricing to customers is customarily adjusted to reflect changes in the Canadian dollar landed cost of imported goods.

The Company maintains a hedging policy whereby all significant transactional currency risks are identified and hedged.

Sensitivity Analysis

The following sensitivity analysis is intended to illustrate the sensitivity to changes in foreign exchange rates on the Company's financial instruments and show the impact on net earnings and comprehensive income. It is provided as a reasonably possibly change in currency in a volatile environment. Financial instruments affected by currency risk include cash, accounts receivable, accounts payable and derivative financial instruments.

As at December 31, 2016, a 5% weakening (strengthening) of the Canadian dollar against the US dollar would result in a $0.3 million increase (decrease) in OCI for financial instruments held in foreign operations and a $0.6 million increase (decrease) in net earnings and $4.1 million increase (decrease) in OCI for financial instruments held in Canadian operations.

Credit Risk

Financial instruments that potentially subject the Company to credit risk consist of cash, accounts receivable and derivative financial instruments. The carrying amount of assets included on the consolidated statement of financial position represents the maximum credit exposure.

The Company has deposited cash with reputable financial institutions, from which management believes the risk of loss to be remote.

The Company has accounts receivable from customers engaged in various industries including mining, construction, food and beverage, and governmental agencies. These specific customers may be affected by economic factors that may impact accounts receivable. Management does not believe that any single customer represents significant credit risk. Credit risk concentration with respect to trade receivables is mitigated by the Company's large customer base.

The credit risk associated with derivative financial instruments arises from the possibility that the counterparties may default on their obligations. In order to minimize this risk, the Company enters into derivative transactions only with highly rated financial institutions.

Interest Rate Risk

The Company minimizes its interest rate risk by managing its portfolio of floating and fixed rate debt, as well as managing the term to maturity. The Company may use derivative instruments such as interest rate swap agreements to manage its current and anticipated exposure to interest rates. There were no interest rate swap agreements outstanding as at December 31, 2016 or 2015.

The Company did not have any floating rate debt at December 31, 2016 or 2015.

Liquidity Risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting obligations associated with financial liabilities. As at December 31, 2016, the Company had unutilized lines of credit of $228.3 million (2015 - $228.1 million).

Accounts payable are primarily due within 90 days and will be satisfied from current working capital.

The Company expects that continued cash flows from operations in 2017, together with currently available credit facilities, will be more than sufficient to fund its requirements for investments in working capital, capital assets and dividend payments through the next 12 months, and that the Company's credit ratings provide reasonable access to capital markets to facilitate future debt issuance.

13. INTEREST INCOME AND EXPENSE

The components of interest expense were as follows:

	2016	2015
Term loan facility	$ 820	$ 1,450
Senior debentures	6,422	7,218
	$ 7,242	$ 8,668

The components of interest and investment income were as follows:

	2016	2015
Interest income on rental conversions	$ 2,811	$ 2,500
Other	1,195	922
	$ 4,006	$ 3,422

14. INCOME TAXES

Significant components of the provision for income tax expense were as follows:

	2016	2015
Current income tax expense	$ 54,846	$ 56,150
Deferred income tax expense (recovery)	2,733	(2,552)
Total income tax expense	$ 57,579	$ 53,598

A reconciliation of income taxes at Canadian statutory rates with the reported income taxes was as follows:

	2016	2015
Statutory Canadian federal and provincial income tax rates	26.50%	26.50%
Expected taxes on income	$ 56,532	$ 52,805
Increase (decrease) in income taxes resulting from:		
Higher effective tax rates in other jurisdictions	490	302
Manufacturing and processing rate reduction	(330)	(266)
Expenses not deductible for tax purposes	1,539	1,363
Non-taxable gains	(853)	(260)
Effect of future income tax rate reductions	13	-
Other	188	(346)
Provision for income taxes	$ 57,579	$ 53,598
Effective income tax rate	27.0%	26.9%

The statutory income tax rate represents the combined Canadian federal and Ontario provincial income tax rates which are the relevant tax jurisdictions for the Company.

The source of deferred income taxes was as follows:

	2016	2015
Accrued liabilities	$ 15,267	$ 14,318
Deferred revenues	1,960	1,525
Accounts receivable	2,072	1,922
Inventories	5,245	4,881
Capital assets	(25,531)	(20,621)
Accrued pension liability	5,759	5,362
Other	946	902
Cash flow hedges in other comprehensive income	(108)	(187)
Deferred tax assets	$ 5,610	$ 8,102

The movement in net deferred tax assets was as follows:

	2016	2015
Balance, January 1	$ 8,102	$ 5,784
Tax (expense) recovery recognized in income	(2,733)	2,552
Tax recovery (expense) recognized in other comprehensive income	241	(234)
Balance, December 31	$ 5,610	$ 8,102

The aggregate amount of unremitted earnings in the Company's subsidiaries was $17.3 million (2015 - $13.8 million). These earnings can be remitted with no tax consequences.

15. EARNINGS PER SHARE

	2016	2015
Net earnings	$ 155,748	$ 145,666
Weighted average common shares outstanding	78,127,400	77,681,337
Dilutive effect of stock option conversion	546,897	626,499
Diluted weighted average common shares outstanding	78,674,297	78,307,836
Earnings per share		
Basic	$ 1.99	$ 1.88
Diluted	$ 1.98	$ 1.86

For the calculation of diluted earnings per share for the year ended December 31, 2016, 513,500 (2015 - 520,700) outstanding stock options with a weighted average exercise price of $39.79 (2015 - $36.65) were considered anti-dilutive (exercise price in excess of average market price during the year) and as such were excluded from the calculation.

16. EMPLOYEE BENEFITS EXPENSE

	2016	2015
Wages and salaries	$ 315,050	$ 302,626
Other employment benefit expenses	54,125	46,737
Share options granted to directors and employees	3,261	2,568
Pension costs	13,276	12,716
	$ 385,712	$ 364,647

17. STOCK-BASED COMPENSATION

The Company maintains a stock option program for certain employees. Under the plan, up to 7,000,000 options may be granted for subsequent exercise in exchange for common shares. It is the Company's policy that no more than 1% of outstanding shares or 779,058 share options may be granted in any one year. Stock options vest 20% per year on each anniversary date of the grant and are exercisable at the designated common share price, which is fixed at prevailing market prices of the common shares at the date the option is granted. Stock options granted in 2013 and after have a ten-year term while those granted prior to 2013 have a seven-year term. Toromont accrues compensation cost over the vesting period based on the grant date fair value.

A reconciliation of the outstanding options for the years ended December 31, 2016 and 2015 was as follows:

	2016		2015	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, January 1	2,512,250	$ 24.91	2,715,875	$ 20.50
Granted	517,500	39.79	520,700	36.65
Exercised (1)	(581,879)	19.89	(720,925)	16.80
Forfeited	(17,000)	29.06	(3,400)	20.77

Options outstanding, December 31	2,430,871	$ 29.25	2,512,250	$ 24.91
Options exercisable, December 31	931,056	$ 23.12	953,370	$ 20.11

(1) The weighted average share price at date of exercise for the year ended December 31, 2016 was $37.36 (2015 - $31.70).

The following table summarizes stock options outstanding and exercisable as at December 31, 2016.

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
$16.76 - $23.40	948,321	4.0	$ 20.95	664,766	$ 20.33
$23.41 - $26.79	466,110	7.6	$ 26.52	172,710	$ 26.52
$36.65	502,940	8.6	$ 36.65	93,580	$ 36.65
$39.79	513,500	9.6	$ 39.79	-	$ -
Total	2,430,871	6.8	$ 29.25	931,056	$ 23.12

The fair value of the stock options granted during 2016 and 2015 were determined at the time of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2016	2015
Fair value price per option	$ 7.61	$ 7.33
Share price	39.79	36.65
Expected life of options (years)	8.25	8.51
Expected stock price volatility	22.0%	22.0%
Expected dividend yield	1.81%	1.86%
Risk-free interest rate	0.96%	1.30%

Deferred Share Unit Plan

The Company offers a deferred share unit ("DSU") plan for executives and non-employee directors, whereby they may elect on an annual basis to receive all or a portion of their performance incentive bonus or fees, respectively, in DSUs. In addition, the Board may grant discretionary DSUs. Non-employee directors also receive a portion of their compensation in DSUs.

The following table summarizes information related to DSU activity:

	2016		2015	
	Number of DSUs	Value	Number of DSUs	Value
Outstanding, January 1	377,311	$ 12,000	334,709	$ 9,527
Units taken or taken in lieu and dividends	47,240	1,661	45,762	1,425
Redemptions	(16,820)	(683)	(3,160)	(106)
Fair market value adjustment	-	4,287	-	1,154
Outstanding, December 31	407,731	$ 17,265	377,311	$ 12,000

The liability for DSUs is recorded in accounts payable and accrued liabilities.

Employee Share Ownership Plan

The Company offers an Employee Share Ownership Plan (the "Plan") whereby employees who meet the eligibility criteria can purchase shares by way of payroll deductions. There is a Company match at the rate of $1 dollar for every $3 dollars contributed, to a maximum of the greater of 2.5% of an employee's base salary or $1,000 per annum. Company contributions amounting to $1.8 million in 2016 (2015 - $1.1 million) were charged to selling and administrative expenses when paid. The Plan is administered by a third party.

18. EMPLOYEE FUTURE BENEFITS

Defined Contribution Plans

The Company sponsors pension arrangements for substantially all of its employees, primarily through defined contribution plans in Canada and a 401(k) matched savings plan in the United States. Certain unionized employees do not participate in Company-sponsored plans, and contributions are made to these retirement programs in accordance with the respective collective bargaining agreements. In the case of defined contribution plans, regular contributions are made to the individual employee accounts, which are administered by a plan trustee in accordance with the plan documents.

Included in the net pension expense for the years ended December 31, were the following components of the defined contribution plans:

	2016	2015
Defined contribution plans	$ 11,140	$ 10,432
401(k) matched savings plans	248	202
Net pension expense	$ 11,388	$ 10,634

Defined Benefit Plans

The Company sponsors funded defined benefit plans as described below with approximately 91 qualifying employees.

a) Powell Plan - This is a legacy plan whose members were employees of Powell Equipment when it was acquired by Toromont in 2001. The plan is a contributory plan that provides pension benefits based on length of service and career average earnings. The plan is administered by the Toromont Pension Management Committee with assets held in a pension fund that is legally separate from the Company and cannot be used for any purpose other than payment of pension benefits and related administrative fees. The plan is registered with the Province of Manitoba. Manitoba's minimum funding regulations require special payments for Toromont to amortize any shortfalls of plan assets relative to the cost of settling all accrued benefit entitlements through the purchase of annuities or payments of an equivalent lump sum value (solvency funding basis). Security in the form of letters of credit is permitted in lieu of some or all of these solvency special payments. If the fair value of defined benefit assets were to exceed 105% of this solvency funding target, the excess can be applied to the cost of the defined benefits and defined contributions in future periods. The most recent actuarial valuation was completed as at December 31, 2013, with the next valuation scheduled for December 31, 2016.

b) Executive Plan - The plan is a supplemental pension plan and is solely the obligation of the Company. All members of the plan are retired. The Company is not obligated to fund the plan but is obligated to pay benefits under the terms of the plan as they come due. At December 31, 2016, the Company has posted letters of credit in the amount of $17.2 million to secure the obligations under this plan. The most recent actuarial valuation was completed as at December 31, 2016, with the next valuation scheduled for December 31, 2017.

c) Other plan assets and obligations - This plan provides for certain retirees and terminated vested employees of businesses previously acquired by the Company as well as for retired participants of the defined contribution plan at that time, that, in accordance with the plan provisions, had elected to receive a pension directly from the plan. The plan is administered by a Fund that is legally separated from the Company. The most recent actuarial valuation was completed on January 1, 2014, with the next valuation scheduled for January 1, 2017.

Risks

Defined benefit pension plans expose the Company to risks as described below:

- Investment risk - The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently, the plan has a relatively balanced investment in equity securities, debt instruments and real estate assets. The Toromont Pension Management Committee reviews the asset mix and performance of the plan assets on a quarterly basis with the balanced investment strategy intention.
- Interest rate risk - A decrease in the bond interest rates will increase the plan liability; however, this will be partially offset by an increase in the plan's holdings in debt instruments.
- Longevity risk - The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
- Salary risk - The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	2016	2015
Discount rate	3.60%	3.90%
Expected rate of salary increase	3.50%	3.50%

Amounts are recognized in comprehensive income in respect to these defined benefit plans as follows:

	2016	2015
Service cost	$ 1,055	$ 1,283
Net interest expense	833	799
Components of defined benefit costs recognized in net earnings	$ 1,888	$ 2,082

	2016	2015
Remeasurement on the net defined benefit liability:		
Actuarial gains arising from experience adjustments	$ (551)	$ (272)
Actuarial losses (gains) arising from changes in financial assumptions	3,096	(734)
Return on plan assets (excluding amounts included in net interest expense)	(1,080)	172
Components of defined benefit costs recognized in other comprehensive income	$ 1,465	$ (834)

The changes in the fair value of assets and the pension obligations of the defined benefit plans at year end were as follows:

	2016	2015
Defined benefit obligations:		
Balance, January 1	$ 81,778	$ 86,555
Current service cost	1,055	1,283
Interest cost	3,116	3,241
Remeasurement (gains) losses:		
Actuarial gains arising from experience adjustments	(551)	(272)
Actuarial losses (gains) arising from changes in financial assumptions	3,096	(734)
Benefits paid	(5,435)	(8,620)
Voluntary contributions by plan participants	311	325
Balance, December 31	83,370	81,778
Plan assets:		
Fair value, January 1	60,683	65,765
Interest income on plan assets	2,283	2,442
Remeasurement gain (loss):		
Return on plan assets (excluding amounts included in net interest expense)	1,080	(172)
Contributions from the Company	1,878	1,932
Contributions from the plan participants	311	325
Benefits paid	(5,435)	(8,620)
Transfer to Company defined contribution plan	-	(989)
Fair value, December 31	60,800	60,683
Accrued pension liability	$ 22,570	$ 21,095

The funded status of the Company's defined benefit pension plans at year end was as follows:

2016	Defined benefit obligations	Plan assets	Accrued pension liability
Powell Plan	$ 56,723	$ 55,234	$ (1,489)
Executive Plan	18,377	-	(18,377)
Other plan assets and obligations	8,270	5,566	(2,704)
	$ 83,370	$ 60,800	$ (22,570)

2015	Defined benefit obligations	Plan assets	Accrued pension asset (liability)
Powell Plan	$ 54,429	$ 54,844	$ 415
Executive Plan	18,373	-	(18,373)
Other plan assets and obligations	8,976	5,839	(3,137)
	$ 81,778	$ 60,683	$ (21,095)

The allocation of the fair value of the plan assets at the end of the reporting period was as follows:

	2016	2015
Equity securities	43.9%	44.8%
Debt securities	38.2%	37.2%
Real estate assets	17.8%	17.7%
Cash and cash equivalents	0.1%	0.3%

The fair values of the plan assets was determined based on the following methods:

-- Equity securities - generally quoted market prices in active markets.
-- Debt securities - generally quoted market prices in active markets.
-- Real estate assets - valued based on appraisals performed by a qualified external real estate appraiser. Real estate assets are located primarily in Canada.
-- Cash and cash equivalents - generally recorded at cost which approximates fair value.

The actual return on plan assets was $3.4 million (2015 - $2.3 million).

Sensitivity Analysis

Significant actuarial assumptions for the determination of the defined obligation are the discount rate and the life expectancy. The sensitivity analyses have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

As at December 31, 2016, the following quantitative analysis shows changes to the significant actuarial assumptions and the corresponding impact to the defined benefit obligation:

	Discount Rate		Life expectancy	
	1% Increase	1% Decrease	Increase by 1 year	Decrease by 1 year
Powell Plan	$ (7,377)	$ 8,480	$ 1,526	$ (1,526)
Executive Plan	(1,593)	1,744	551	(551)
Other plan assets and obligations	(707)	782	361	(361)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

The Company expects to contribute $1.9 million to the defined benefit plans during 2017.

The weighted average duration of the defined benefit plan obligation at December 31, 2016 was 13.4 years (2015 - 13.3 years).

19. CAPITAL MANAGEMENT

The Company defines capital as the aggregate of shareholders' equity and long-term debt less cash.

The Company's capital management framework is designed to maintain a flexible capital structure that allows for optimization of the cost of capital at acceptable risk while balancing the interests of both equity and debt holders.

The Company generally targets a net debt to total capitalization ratio of 33%, although there is a degree of variability associated with the timing of cash flows. Also, if appropriate opportunities are identified, the Company is prepared to significantly increase this ratio depending upon the opportunity.

The Company's capital management criteria can be illustrated as follows:

	December 31 2016	December 31 2015
Long-term debt	$ 150,717	$ 152,079
Current portion of long-term debt	1,811	1,690
less: Cash	188,735	66,680
Net debt	(36,207)	87,089
Shareholders' equity	885,432	775,281
Total capitalization	$ 849,225	$ 862,370

Net debt to total capitalization	-4%	10%

The Company is subject to minimum capital requirements relating to bank credit facilities and senior debentures. The Company has met these minimum requirements during the years ended December 31, 2016 and 2015.

There were no changes in the Company's approach to capital management during the years ended December 31, 2016 and 2015.

20. SUPPLEMENTAL CASH FLOW INFORMATION

	2016	2015
Net change in non-cash working capital and other		
Accounts receivable	$ (14,527)	$ (22,751)
Inventories	27,453	(96,017)
Accounts payable, accrued liabilities and provisions	23,995	11,974
Deferred revenues	1,046	24,662
Income taxes payable	(1,790)	(834)
Other	(1,433)	(8,285)
	$ 34,744	$ (91,251)

	2016	2015
Cash paid during the year for:		
Interest	$ 6,587	$ 7,956
Income taxes	$ 57,328	$ 58,190
Cash received during the year for:		
Interest	$ 3,599	$ 2,914
Income taxes	$ 1,845	$ 2,229

21. COMMITMENTS

The Company has entered into leases on buildings, vehicles and office equipment. The vehicle and office equipment leases generally have an average life between three and five years with no renewal options. The building leases have a maximum lease term of 20 years including renewal options. Some of the contracts include a lease escalation clause, which is usually based on the Consumer Price Index.

Future minimum lease payments under non-cancellable operating leases as at December 31, 2016 were as follows:

2017	$ 3,166
2018	2,255
2019	1,635
2020	1,056
2021	716
Thereafter	1,874
	$ 10,702

22. SEGMENTED INFORMATION

The Company has two reportable segments: the Equipment Group and CIMCO, each supported by the corporate office. These segments are strategic business units that offer different products and services, and each is managed separately. The corporate office provides finance, treasury, legal, human resources and other administrative support to the segments. The accounting policies of each of the reportable segments are the same as the significant account policies described in Note 1.

The operating segments are being reported based on the financial information provided to the Chief Executive Officer and Chief Financial Officer, who have been identified as the Chief Operating Decision Makers ("CODMs") in monitoring segment performance and allocating resources between segments. The CODMs assesses segment performance based on segment operating income, which is measured differently than income from operations in the consolidated financial statements. Corporate overheads are allocated to the segments based on revenue. Income taxes, interest expense, interest and investment income are managed at a consolidated level and are not allocated to the reportable operating segments. Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to the segments as they are also managed on a consolidated level.

The aggregation of the operating segments is based on the economic characteristics of the business units. These business units are considered to have similar economic characteristics including nature of products and services, class of customers and markets served and similar distribution models.

No reportable segment is reliant on any single external customer.

Equipment Group

The Equipment Group comprises the following business units:

-- Toromont CAT - supplies, rents and provides support services for specialized mobile equipment and industrial engines.
-- Battlefield - the CAT Rental Store - supplies and rents specialized mobile equipment as well as specialty supplies and tools.
-- AgWest - supplies specialized mobile equipment to the agriculture industry.
-- Toromont Energy - develops distributed generators and combined heat and power projects using Caterpillar engines.
-- SITECH - supplies control systems for specialized mobile equipment.

CIMCO

Provider of design, engineering, fabrication, installation, and product support of industrial and recreational refrigeration systems.

Corporate Office

The corporate office does not meet the definition of a reportable operating segment as defined in IFRS 8 - Operating Segments, as it does not earn revenue.

The following table sets forth information by segment for the years ended December 31:

	Equipment Group		CIMCO	
	2016	2015	2016	2015
Equipment/package sales	$ 758,255	$ 787,886	$161,614	$119,516
Rentals	221,009	222,562	-	-
Product support	595,383	547,878	118,780	113,218
Power generation	12,242	11,173	-	-
Total revenues	$1,586,889	$ 1,569,499	$280,394	$232,734
Operating income	$ 196,124	$ 189,630	$ 20,439	$ 14,880
Interest expense				
Interest and investment income				
Income taxes				
Net earnings				

	Consolidated	
	2016	2015
Equipment/package sales	$ 919,869	$ 907,402
Rentals	221,009	222,562
Product support	714,163	661,096
Power generation	12,242	11,173
Total revenues	$1,867,283	$1,802,233
Operating income	$ 216,563	$ 204,510
Interest expense	7,242	8,668
Interest and investment income	(4,006)	(3,422)
Income taxes	57,579	53,598
Net earnings	$ 155,748	$ 145,666

Selected statements of financial position information:

	Equipment Group		CIMCO	
As at December 31	2016	2015	2016	2015
Identifiable assets	$ 1,125,582	$ 1,113,290	$ 77,079	$ 69,784
Corporate assets				
Total assets				
Identifiable liabilities	$ 259,769	$ 244,800	$ 53,176	$ 49,464
Corporate liabilities				
Total liabilities				

Capital expenditures	$ 121,606	$ 149,068	$ 1,888	$ 1,039
Depreciation	$ 74,812	$ 71,878	$ 1,435	$ 1,556

	Consolidated	
As at December 31	2016	2015
Identifiable assets	$ 1,202,661	$ 1,183,074
Corporate assets	207,910	93,003
Total assets	$ 1,410,571	$ 1,276,077
Identifiable liabilities	$ 312,945	$ 294,264
Corporate liabilities	212,194	206,532
Total liabilities	$ 525,139	$ 500,796
Capital expenditures	$ 123,494	$ 150,107
Depreciation	$ 76,247	$ 73,434

Operations are based in Canada and the United States. The following summarizes the final destination of revenues to customers and the capital assets held in each geographic segment:

	2016	2015
Revenues		
Canada	$ 1,777,439	$ 1,732,854
United States	88,523	66,799
International	1,321	2,580
	$ 1,867,283	$ 1,802,233

	2016	2015
Capital Assets and Goodwill		
Canada	$ 462,937	$ 438,948
United States	4,617	4,326
	$ 467,554	$ 443,274

23. RELATED PARTY DISCLOSURES

Key management personnel and director compensation comprised:

	2016	2015
Salaries	$ 3,273	$ 3,088
Stock options and DSU awards	1,912	1,562
Annual non-equity incentive based plan compensation	2,799	2,968
Pension	607	583
All other compensation	118	147
	$ 8,709	$ 8,348

The remuneration of directors and key management is determined by the Human Resources Committee having regard to the performance of the individual and Company and market trends.

24. ECONOMIC RELATIONSHIP

The Company, through its Equipment Group, sells and services heavy equipment and related parts. Distribution agreements are maintained with several equipment manufacturers, of which the most significant are with subsidiaries of Caterpillar Inc. The distribution and servicing of Caterpillar products account for the major portion of the Equipment Group's operations. Toromont has had a strong relationship with Caterpillar since inception in 1993.

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