Management's Report

The preparation and presentation of the Company's consolidated financial statements is the responsibility of management. The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and necessarily include estimates. The financial statements reflect amounts which must, of necessity, be based on the best estimates and judgment of management. Information contained elsewhere in the Annual Report is consistent, where applicable, with that contained in the financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss or unauthorized use and financial records are properly maintained to provide reliable information for preparation of financial statements.

Ernst & Young LLP, an independent firm of Chartered Professional Accountants, were appointed by the shareholders as external auditors to examine the consolidated financial statements in accordance with generally accepted auditing standards in Canada and provide an independent professional opinion. Their report is presented with the consolidated financial statements.

The Board of Directors, acting through an Audit Committee comprised solely of independent directors, is responsible for determining that management fulfills its responsibilities in the preparation of the consolidated financial statements and the financial control of operations. The Audit Committee recommends the independent auditors for appointment by the shareholders. It meets regularly with financial management and the internal and external auditors to discuss internal controls, auditing matters and financial reporting issues. The independent auditors have unrestricted access to the Audit Committee. The consolidated financial statements and Management's Discussion and Analysis have been approved by the Board of Directors for inclusion in this Annual Report, based on the review and recommendation of the Audit Committee.

Scott J. Medhurst
President and
Chief Executive Officer

Paul R. Jewer
Executive Vice President and
Chief Financial Officer

February 6, 2017
Toronto, Canada

Independent Auditors' Report

To the Shareholders of Toromont Industries Ltd.

We have audited the accompanying consolidated financial statements of Toromont Industries Ltd., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated income statements, and consolidated statements of comprehensive income, cash flows and changes in equity for the years ended December 31, 2016 and 2015, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Toromont Industries Ltd. as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years ended December 31, 2016 and 2015, in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Ernst & Young LLP
Chartered Professional Accountants
Licensed Public Accountants

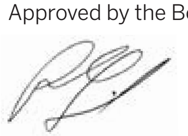
February 6, 2017
Toronto, Canada

Consolidated Statements of Financial Position

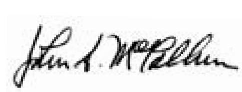
As at December 31 ($ thousands)	Note	2016	2015
Assets			
Current assets			
Cash		$ 188,735	$ 66,680
Accounts receivable	3	277,050	262,523
Inventories	4	435,757	463,210
Derivative financial instruments	11	1,197	2,445
Other current assets		5,236	4,278
Total current assets		907,975	799,136
Property, plant 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 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

Approved by the Board:



Robert M. Ogilvie
Director



John S. McCallum
Director

Consolidated Income Statements

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

Consolidated Statements of Comprehensive Income

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

Consolidated Statements of Cash Flows

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)
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

Consolidated Statements of Changes in Equity

($ thousands)	Share Capital				Accumulated other comprehensive income			
	Number	Amount	Contributed surplus	Retained earnings	Foreign currency translation adjustments	Cash flow hedges	Total	Total
At January 1, 2015	77,259,396	$ 287,002	$ 7,212	$ 371,781	$ 1,433	$ 647	$ 2,080	$ 668,075
Net earnings	—	—	—	145,666	—	—	—	145,666
Other comprehensive income (loss)	—	—	—	617	1,471	(113)	1,358	1,975
Total comprehensive income	—	—	—	146,283	1,471	(113)	1,358	147,641
Exercise of stock options	720,925	14,698	—	—	—	—	—	14,698
Stock-based compensation expense	—	—	2,568	—	—	—	—	2,568
Stock options exercised	—	—	(2,544)	—	—	—	—	(2,544)
Effect of stock compensation plans	720,925	14,698	24	—	—	—	—	14,722
Shares purchased for cancellation	(74,500)	(287)	—	(1,988)	—	—	—	(2,275)
Dividends	—	—	—	(52,882)	—	—	—	(52,882)
At December 31, 2015	77,905,821	$ 301,413	$ 7,236	$ 463,194	$ 2,904	$ 534	$ 3,438	$ 775,281
Net earnings	—	—	—	155,748	—	—	—	155,748
Other comprehensive loss	—	—	—	(1,076)	(277)	(225)	(502)	(1,578)
Total comprehensive income	—	—	—	154,672	(277)	(225)	(502)	154,170
Exercise of stock options	581,879	14,009	—	—	—	—	—	14,009
Stock-based compensation expense	—	—	3,261	—	—	—	—	3,261
Stock options exercised	—	—	(2,331)	—	—	—	—	(2,331)
Effect of stock compensation plans	581,879	14,009	930	—	—	—	—	14,939
Shares purchased for cancellation	(89,244)	(344)	—	(2,334)	—	—	—	(2,678)
Dividends	—	—	—	(56,280)	—	—	—	(56,280)
At December 31, 2016	78,398,456	$ 315,078	$ 8,166	$ 559,252	$ 2,627	$ 309	$ 2,936	$ 885,432

See accompanying notes

Notes to the Consolidated Financial Statements

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 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 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 recognize 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, 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.

Post-Employment 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

	2016	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
	$ 277,050	$ 262,523

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

	2016	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:

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

4. Inventories

	2016	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	539	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	$ 192,937
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).

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6. Other Assets

	2016	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
	$ 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

	2016	**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.

	2016	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 takeover 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:

	2016	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	2016	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 years 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 US dollar 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 ongoing 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 possible 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 change in future income tax rate	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 10-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	—	—
	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 liability for DSUs is recorded in accounts payable and accrued liabilities.

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

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 for every $3 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 assets 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
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)
Contributions by the 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			2015		
	Defined benefit obligations	**Plan assets**	**Accrued pension liability**	**Defined benefit obligations**	**Plan assets**	**Accrued pension asset (liability)**
Powell Plan	$ 56,723	$ 55,234	$ (1,489)	$ 54,429	$ 54,844	$ 415
Executive Plan	18,377	—	(18,377)	18,373	—	(18,373)
Other plan assets and obligations	8,270	5,566	(2,704)	8,976	5,839	(3,137)
	$ 83,370	$ 60,800	$ (22,570)	$ 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).

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).

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.

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:

	2016	**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)
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		Consolidated	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Equipment/package sales	$ 758,255	$ 787,886	$ 161,614	$ 119,516	$ 919,869	$ 907,402
Rentals	221,009	222,562	—	—	221,009	222,562
Product support	595,383	547,878	118,780	113,218	714,163	661,096
Power generation	12,242	11,173	—	—	12,242	11,173
Total revenues	$ 1,586,889	$ 1,569,499	$ 280,394	$ 232,734	$ 1,867,283	$ 1,802,233
Operating income	$ 196,124	$ 189,630	$ 20,439	$ 14,880	$ 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		Consolidated	
As at December 31	2016	2015	2016	2015	2016	2015
Identifiable assets	$1,125,582	$1,113,290	$ 77,079	$ 69,784	$1,202,661	$1,183,074
Corporate assets					207,910	93,003
Total assets					$1,410,571	$1,276,077
Identifiable liabilities	$ 259,769	$ 244,800	$ 53,176	$ 49,464	$ 312,945	$ 294,264
Corporate liabilities					212,194	206,532
Total liabilities					$ 525,139	$ 500,796
Capital expenditures	$ 121,606	$ 149,068	$ 1,888	$ 1,038	$ 123,494	$ 150,106
Depreciation	$ 74,812	$ 71,878	$ 1,435	$ 1,556	$ 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.

Ten-Year Financial Review[1]

For the years ended December 31 ($ thousands, except where otherwise indicated)	2016	2015	2014	2013
Operating Results				
Revenues	1,867,283	1,802,233	1,660,390	1,593,431
Net earnings	155,748	145,666	133,196	123,031
Net interest expense (income)[2]	3,236	5,246	4,034	4,900
Capital expenditures[2]	123,494	150,107	107,815	94,803
Dividends declared	56,280	52,882	46,267	39,854
Financial Position				
Working capital	575,382	486,293	294,753	356,347
Capital assets	454,104	429,824	371,661	341,152
Total assets	1,410,571	1,276,077	1,107,802	1,030,555
Long-term debt[3]	150,717	152,079	4,942	130,948
Shareholders' equity	885,432	775,281	668,075	576,557
Financial Ratios				
Working capital	2.7:1	2.6:1	1.7:1	2.2:1
Return on opening shareholders' equity (%)[4]	20.0	21.6	23.0	25.7
Total debt, net of cash, to shareholders' equity	(.04):1	.11:1	.07:1	.11:1
Per Share Data ($)				
Basic earnings per share	1.99	1.88	1.73	1.61
Diluted earnings per share	1.98	1.86	1.71	1.59
Dividends declared	0.72	0.68	0.60	0.52
Book value (shareholders' equity)	11.29	9.95	8.65	7.50
Shares outstanding at year end	78,398,456	77,905,821	77,259,396	76,844,897
Price range[5]				
High	44.44	37.61	28.97	26.94
Low	27.25	26.70	24.48	21.12
Close	42.35	31.55	28.51	26.65

(1) 2010–2016 results were prepared in accordance with IFRS. Results for 2009 and prior were prepared in accordance with Canadian GAAP.
(2) Figures for 2010–2016 are presented on a continuing operations basis.
(3) In 2015, debentures totalling $125.0 million matured and as such were shown as "Current portion of long-term debt" in 2014.
(4) 2011 ROE was calculated excluding earnings and equity from discontinued operations.
(5) On June 1, 2011, Toromont completed the spinoff of Enerflex. Toromont shareholders received one share of Enerflex for each Toromont share held.
(6) The Company adopted revisions to IAS 19 – *Employee Benefits*, effective January 1, 2013. As a result, certain 2012 amounts were restated – refer to Note 1 of the 2013 audited financial statements.

	2012(6)	2011	2010	2009	2008	2007
	1,507,173	1,381,974	1,207,028	1,824,592	2,121,209	1,886,761
	119,473	246,459	103,912	120,516	140,524	122,280
	5,740	5,798	8,826	2,460	(3,246)	9,331
	101,311	82,877	71,143	61,041	96,475	97,108
	36,728	36,968	47,716	38,848	36,391	31,061
	302,919	251,122	478,289	539,264	509,276	466,859
	316,925	287,290	556,991	369,666	402,647	341,159
	936,170	913,331	2,271,763	1,364,667	1,533,450	1,356,861
	158,395	132,815	413,040	144,051	158,112	203,425
	476,575	403,861	1,196,838	854,063	779,103	654,730
	2.2:1	1.7:1	1.8:1	2.6:1	1.9:1	2.0:1
	29.9	28.9	9.1	15.5	21.5	21.6
	.33:1	.15:1	.21:1	(.06):1	.05:1	.2:1
	1.56	3.20	1.36	1.86	2.16	1.89
	1.55	3.18	1.35	1.86	2.15	1.88
	0.48	0.48	0.62	0.60	0.56	0.48
	6.24	5.27	15.50	13.17	12.06	10.08
	76,407,658	76,629,777	77,149,626	64,867,467	64,620,677	64,943,497
	25.00	33.25	32.40	27.80	32.90	30.00
	18.61	15.39	22.86	19.26	19.03	22.30
	21.10	21.32	30.76	27.79	22.99	28.26