ROCKY MOUNTAIN DEALERSHIPS

ANNUAL REPORT 2015

ROCKY MOUNTAIN DEALERSHIPS INC. ANNUAL REPORT 2015

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CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

This Annual Report contains certain statements or disclosures relating to Rocky Mountain Dealerships Inc. and its subsidiaries (hereinafter collectively “Rocky”) that are based on the estimates or expectations of its management as well as assumptions made by and information currently available to Rocky, which may constitute forward-looking statements or information under applicable securities laws. All such statements and disclosures, other than those of historical fact, which address activities, events, outcomes, results or developments that Rocky anticipates or expects may, or will occur in the future (in whole or in part) should be considered forward-looking statements. In most cases, forward-looking statements can be identified by terms such as “forecast”, “future”, “may”, “will”, “expect”, “anticipate”, “believe”, “hope”, “potential”, “enable”, “plan”, “continue”, “contemplate”, “should”, “intend”, or other comparable terminology suggesting future outcomes or events. Forward-looking statements may, among other things, relate to: Comments and discussion contained in the Message to Shareholders; comments contained in the individual quotation pages, including the comment about setting the groundwork for future growth; comments dealing with or implying continued inventory reductions and the economic benefits derived therefrom; discussion about achieving or maintaining per-store and per-employee revenue levels; statements about future facility improvement, expansion or construction; statements that our installed equipment base will yield balance sheet and cash flow benefits in the future; statements discussing future demand or financial benefits for our products and services, including our geomatics, technology and precision farming services; statements about our ability to achieve brand acceptance and profitability within our Industrial segment; statements that achievements during this past year have set the groundwork for future growth; and, statements about providing value to shareholders. Rocky cannot assure investors that Rocky’s actual performance or results will be consistent with these forward-looking statements. Rocky’s actual results could differ materially from those anticipated in the forward-looking statements contained in this Annual Report as a result of the risk factors set forth in Rocky's Annual Information Form dated March 15, 2016, available on SEDAR at www.sedar.com.

All forward-looking statements in this Annual Report are qualified in their entirety by the cautionary statements herein, as well as by the cautionary statements on forward-looking information contained in the Management’s Discussion and Analysis, which is found in this Annual Report.

MESSAGE TO SHAREHOLDERS

WE HAVE SET THE GROUNDWORK FOR FUTURE GROWTH.

MESSAGE TO SHAREHOLDERS

While 2015 offered its fair share of challenges, it was also a year where I saw our people truly rise up to meet those challenges. We were able to leverage market conditions to further our existing business initiatives and enhance our presence in the marketplace. As a result, Rocky was able to deliver strong gains in several key areas, and I believe we ended 2015 a better and stronger organization than we went in.

One of the biggest success stories for Rocky in 2015 was the meaningful inventory reduction we achieved, with minimal imapct on our margins. During 2015, we were able to reduce our inventory by $69.8 million, excluding the $43.6 million of inventory we acquired in April, 2015, as part of the Chabot Implements acquisition. While the disparity between the Canadian and U.S. Dollars created some headwinds for us to sell new equipment, it opened the door for us to sell a higher volume of used equipment to our customers throughout the year. This increase in our used equipment customer base also helped drive our parts and service business to another profitable year with record amounts of revenue. This continued focus on inventory rationalization has yielded year-over-year improvements to our balance sheet, improved cash generation, and solidified our foundation, on which we can continue to build.

During 2015, Rocky enacted a number of cost containment strategies, which in large measure helped to offset the costs acquired as part of our acquisitions, as well as ensure that our fixed-cost structure was better aligned with market conditions. We achieved success in our cost containment strategies in a number of ways, chief of which was through strategically amalgamating stores in key areas. As we continued to review and analyze our “bricks & mortar footprint” we saw opportunities that allowed us to maintain the same excellent level of service and dependability our customers expect, while at the same time ensuring that our fixed cost structure remained in check. We believe that each location needs to have the opportunity to generate a minimum of $20-25 million in revenue. Operating our individual locations on this scale allows for reasonable profitability and the ability to support the customers in each location efficiently and effectively. This initiative helped to ensure that our revenue per store continues to be industry-leading.

On that point, during 2015 we invested in facility improvements, to better meet the needs of our growing customer base. We were pleased to open a new facility in Neepawa, Manitoba, during 2015. On April 1, 2016, we were proud to open the doors of our new facility in Yorkton, Saskatchewan, which we believe will have the size and scale to service that community for many years to come. We expect this new store to be a flagship store for that region, helping to solidify our commitment to the marketplace there, while laying the groundwork for the business to come. As we continue to evaluate and fine-tune our facility strategy, I expect that the coming years will see further investment into new flagship locations, showing Rocky’s commitment to being a first-class dealer across its entire territory.

Sales process changes, as well as point-of-sale training and development for our staff, helped Rocky to maintain relatively consistent same-store agriculture equipment sales year-over-year. This is a particularly significant takeaway from 2015, a year in which our industry saw decreases in overall equipment demand. We also continued to focus on furthering our higher-margin product support business. Our sales initiatives, combined with our increased equipment installed-base, helped drive same-store product support sales in 2015. We continue to see product support as an area of growth for Rocky as the elevated levels of equipment inventory in our market continues to age. These successes in sales, combined with our drive to keep facility and staffing footprints in line with our overall demand, helped us maintain revenue-per-employee numbers that are ahead of industry averages.

While weather conditions continue to have a major influence on the success of our industry, the simple fact is that the business, and more specifically the technology, of farming has advanced by leaps and bounds during the past several years. Advances in precision farming techniques have enabled farmers to minimize their input costs while at the same time maximize their yields. And to that point, Rocky continues to strive to be at the forefront of the technological revolution taking place in this industry. In early 2015, we acquired NGF Geomatics, a geomatics company specializing in geo-spatial imaging using LiDAR technology and unmanned aerial vehicles (or “drones”). This new division of Rocky, called RME Geomatics, is able to provide vast amounts of vital data to our agriculture customers, to assist them in assessing and formulating their crop management decisions. Furthermore, we have engaged in strategic partnerships and alliances with other organizations who see the vast potential that the area of precision farming holds. And while these services do not currently contribute materially to Rocky’s results, they do show our continued commitment to be a leader in the industry and both an equipment and technology partner to our customers.

Continuing on the acquisitions front, in 2015 we were able to grow our Case IH distribution footprint in Manitoba with the acquisition of Chabot Implements. With four stores across Manitoba, this long-standing distributor of Case IH equipment represented a strategic growth opportunity, allowing us to solidify our position as a major equipment distributor in the Manitoba region. We look forward to showing to our new customers in that region the advantages that come from having our powerful dealer network at their disposal.

One area where we saw some setbacks this year was in our Industrial segment. This was due primarily to the precipitous drop in oil prices, and the resultant effects it had on the Alberta economy in 2015. While our Industrials segment is not reliant on doing business directly within Alberta’s oil patch, the indirect effects of a slowdown in that industry does impact us. As infrastructure projects were shelved and housing starts waned, the demand for industrial products decreased significantly over 2015. We continue to work on initiatives to further our brand and ultimately achieve profitability in this segment, despite the challenges ahead.

While we acknowledge that 2015 saw a drop in Rocky’s overall profitability, we believe that our achievements during this past year have set the groundwork for future growth. It is Rocky’s people who truly make us unique in this industry. We have a passionate group of individuals who are personally invested in ensuring the long-term success of Rocky. I would like to briefly mention our colleague Paul Walters, who after nearly nine years on our Board of Directors, has decided to step down to pursue other interests. Paul was one of Rocky’s original directors, having been with us since our IPO in 2007. His dedication to our company, combined with his insights gained from a lifetime of experience in the retail industry, made him an invaluable member of our Board of Directors. He will be missed, and I, on behalf of all of Rocky, would like to thank Paul for his efforts and contributions over the years.

With a solid team of dedicated individuals in place, I am excited by the value we can provide shareholders as we strive to be the safe, dependable equipment partner of choice to our customers.

GARRETT GANDEN
President & Chief Executive Officer

ROCKY
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MANAGEMENT'S DISCUSSION & ANALYSIS

WE ACHIEVED MEANINGFUL INVENTORY REDUCTION.

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ROCKY MOUNTAIN DEALERSHIPS INC. MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2015

This Management's Discussion and Analysis ("MD&A") was prepared as of March 15, 2016 and is provided to assist readers in understanding Rocky Mountain Dealerships Inc.'s financial performance for the year ended December 31, 2015. It should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2015 and 2014 together with the notes thereto and the auditor's report thereon. The results reported herein have been derived from consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and are presented in Canadian dollars.

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

Rocky's common shares trade on the Toronto Stock Exchange under the symbol 'RME' and on the OTCQX under the symbol 'RCKXF'. Additional information relating to Rocky, including the Company's Annual Information Form, dated March 15, 2016 ("AIF"), is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com.

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

SUMMARY OF THE YEAR ENDED DECEMBER 31, 2015

- Total revenues increased by 1.0% to $975.5 million.
- Same store agriculture sales were held flat despite softer industry demand.
- Used equipment sales increased by 24.4% to $377.5 million.
- Gross profit decreased by 2.5% to $142.0 million (14.6% of sales).
- Adjusted Diluted Earnings per Share[(1)] declined by 26.8% to $0.71.
- Adjusted EBITDA[(1)] declined 18.9% to $28.6 million.
- Inventory decreased by $69.8 million to $499.8 million[(2)].
- Expanded our sales territory through the acquisition of Chabot.
- Completed the construction of our new facility in Neepawa, Manitoba.

SUMMARY OF THE QUARTER ENDED DECEMBER 31, 2015

- Total revenues decreased by 2.9% to $285.6 million.
- Used equipment sales increased by 16.1% to $92.7 million.
- Gross profit decreased by 4.9% to $37.5 million (13.1% of sales).
- Adjusted Diluted Earnings per Share[(1)] declined by 21.9% to $0.25.
- Adjusted EBITDA[(1)] declined 16.6% to $9.0 million.
- Inventory increased by $10.1 million to $499.8 million.

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

[(2)]Excluding $43.6 million of inventory acquired through the Chabot acquisition.

COMPANY OVERVIEW

Headquartered in Calgary, Alberta, Rocky is Canada's largest agriculture equipment dealer with a network of full-service agriculture and industrial equipment stores across the Canadian Prairie Provinces.

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

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

The Company's operations in Alberta, Saskatchewan and Manitoba are conducted through RME Canada under the name Rocky Mountain Equipment.

On January 1, 2015, the Corporation's wholly-owned subsidiaries, Hi-Way Service Ltd., Hammer Equipment Ltd. and Miller Equipment Ltd. were amalgamated pursuant to the Business Corporations Act (Alberta) to form RMDAC.

On February 12, 2015, the Company acquired 100% of the issued and outstanding common shares of NGF Geomatics Inc. ("NGF"), a geomatics company specializing in the collection of geospatial survey data using unmanned aerial vehicles. NGF is a start-up company with minimal assets and liabilities and is included in our agriculture segment.

On April 1, 2015, the Company acquired 100% of the issued and outstanding shares of the entities forming Chabot Implements ("Chabot"), a Manitoba-based dealer of Case IH agriculture equipment with locations in Portage La Prairie, Steinbach and Elie. Chabot also represented various short-lines including Bourgault, MacDon and Kubota through its Neepawa, Manitoba location.

MARKET FUNDAMENTALS AND OUTLOOK

AGRICULTURE MARKET

Our agriculture equipment sales are made primarily to grain, pulse and oilseed crop farmers in Western Canada. Demand for our equipment is largely driven by agricultural commodity prices, input costs and weather. Changes in these demand drivers can cause our customers' buying patterns to shift. Equipment utilization rates, by contrast, are comparatively less volatile as agricultural equipment incurs hours in the field regardless of weather or economic conditions. Farmers are required to work their fields each year, however circumstances may exist whereby farmers opt for used equipment in lieu of new equipment, or they may elect to maintain rather than replace their fleets. The breadth of Rocky's product offering enables us to meet these shifts in buying patterns and provides a measure of stability within our agriculture segment's financial results.

The 2015 growing season ended on a much more positive note than was originally forecasted. Late summer rainfalls provided some much needed moisture across the Canadian Prairies which had otherwise experienced a very arid growing season. The improved moisture levels helped to restore forecasted yields for 2015, with Canadian grain and oilseed production now expected to exceed their 2014 levels by 3.9% according to Statistics Canada.

Prices for key Western Canadian crops remain strong as Rocky's agriculture customer base primarily plants cereal grains, pulses and oilseeds, which have not experienced the same price decline as has been experienced with corn of late. Depreciation in the Canadian dollar, relative to the U.S. dollar, is expected to continue to support higher prices in Canada, while sustained cost reductions in fuel and fertilizer prices are providing relief to farmers for their input costs.

Agriculture and Agri-Food Canada is estimating that 2015 will yield 2% increases in both crop and livestock receipts and expects a similar level of crop receipts in 2016. While Canadian farm operators continue to enjoy earnings growth, such growth has been outpaced in recent years by increases in equipment pricing. This has resulted in a shift in equipment buying patterns including the deferral of fleet replacement and the purchase of used rather than new equipment.

The Association of Equipment Manufacturers reported a 13.9% decrease in the number of new tractors and self-propelled combines sold in Canada during 2015, as compared to the same period last year. The lack of moisture early in the growing season softened demand for agriculture equipment in general, while the added costs associated with the depreciating Canadian dollar further reduced demand for new agriculture equipment. Notwithstanding these macro factors, Western Canadian farmers continue to hold strong balance sheets with ample working capital due to a number of consecutive years of healthy crop receipts. They also continue to require equipment to work their fields. As a result, we have seen our equipment sales mix shift towards used equipment as many of our customers reassess the economics of purchasing new equipment. We have also experienced strong product support demand as some customers are electing to maintain rather than replace their fleets. We expect a similar mix to persist into 2016.

Agriculture, as a whole, exhibits cyclical surges in demand and profitability driven by the aforementioned macroeconomic and other factors. At present, we remain at the low end of the demand cycle as a result of elevated equipment levels throughout the industry. However, we reiterate the stability of the fundamentals underlying the agriculture industry. Furthermore, while weather continues to have a significant influence on our overall demand, advances made in farming practices, seed technology and application techniques, have helped to mitigate this exposure to an extent.

Within the Canadian agriculture sector, the trend towards larger farms continues to support farm equipment sales. These operators typically require larger, more productive equipment along with specialized support. Furthermore, these operators tend to replace their equipment more frequently to capitalize on the latest technological advances and equipment efficiencies. These larger operators tend to value the per-acre cost certainty that comes with maintaining a newer fleet.

As part of their drive to improve productivity and reduce cost per acre, farmers are continually investing in new equipment to drive better results on both the input cost and output efficiency sides of their business. New equipment technology enables lower input costs by reducing the number of field passes, per-hour fuel consumption and overlapping seed and spray patterns. New equipment technology on the harvest side of the business also reduces fuel consumption, increases the speed per acre harvested and reduces process waste on the field. The emergence of GPS-enabled precision farming techniques acts as a multiplier for all of these advantages as well as a driver of demand and total spend.

INDUSTRIAL MARKET

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

The success of Rocky's industrial segment is largely correlated to investment in residential housing as well as overall infrastructure spending in Alberta. The significant decline in the Alberta economy has tempered spending in all sectors and we continue to feel the effects on our industrial business.

While we do not have a significant direct presence in Alberta's oil industry, we are prone to the indirect effects that a downturn in that industry may have. For instance, the weakening economic environment has curtailed housing starts in Alberta of late. The Canadian Mortgage and Housing Corporation reported a 6.9% decline in Alberta housing starts during 2015 as compared to the same period last year.

As these industry headwinds persist, it is anticipated that overall infrastructure and residential housing investment may be further curtailed which, in turn, is likely to negatively impact our industrial segment results.

In response, we have implemented a number of cost rationalization measures to offset the expected reduction in gross profit and will react further as required depending on market conditions in the coming quarters. Given the size of the Company's industrial segment relative to the agriculture segment, our overall exposure to the drop in oil prices is substantially mitigated.

OVERALL

In response to new emission standards implemented in recent years, equipment manufacturers incorporated technologies to improve fuel efficiency and emissions handling into their product offerings. In some instances, these technologies brought with them considerable pricing increases. Additionally, the recent weakening of the Canadian dollar relative to the U.S. dollar has, and is expected to continue contributing to, a further premium on new equipment pricing.

For some customers, these pricing increases have altered their historical buying patterns as they reassess the economic viability of purchasing new equipment. In many cases, these customers are electing instead to populate their fleets with used equipment due to its lower relative cost, or alternatively, maintaining their existing fleets longer. To the extent we are able to replace new equipment demand with used, we are able to reduce equipment procurement thereby decreasing overall equipment inventory and balance sheet risk.

The depreciation in the Canadian dollar relative to the U.S. dollar is also expected to continue to generate incremental demand for used equipment from U.S. customers looking to capitalize on the favourable exchange rate.

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

We also continue to consolidate our bricks and mortar footprint to better scale the associated fixed costs and rationalize our product offering to focus our efforts on key product lines. We believe that for a store to be truly successful, ensuring the business can support the customers and the communities effectively, an annual revenue of between $20-25 million is required. With the changes we made in 2015 and are continuing to enact in 2016, the majority of our locations will have the opportunity to achieve these targets as the market recovers.

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

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

SELECTED ANNUAL FINANCIAL INFORMATION

$ THOUSANDS, EXCEPT PER SHARE AMOUNTS	2015		2014		2013	
Sales						
New equipment	449,997	46.1%	521,747	54.0%	523,522	51.9%
Used equipment	377,482	38.7%	303,536	31.4%	358,861	35.6%
Parts	107,509	11.0%	101,622	10.5%	92,599	9.2%
Service	35,865	3.7%	35,064	3.6%	29,421	2.9%
Other	4,603	0.5%	3,438	0.5%	3,359	0.4%
	975,456	100.0%	965,407	100.0%	1,007,762	100.0%
Cost of sales	833,475	85.4%	819,785	84.9%	867,356	86.1%
Gross profit	141,981	14.6%	145,622	15.1%	140,406	13.9%
Selling, general and administrative	111,776	11.5%	105,756	11.0%	105,450	10.5%
Interest on short-term debt	12,747	1.3%	11,483	1.2%	11,696	1.2%
Interest on long-term debt	2,060	0.2%	2,182	0.2%	2,233	0.1%
Earnings before income taxes	15,398	1.6%	26,201	2.7%	21,027	2.1%
Provision for income taxes	4,105	0.4%	7,276	0.7%	5,714	0.6%
Net earnings	11,293	1.2%	18,925	2.0%	15,313	1.5%
Earnings per share						
Basic	0.58		0.98		0.80	
Diluted	0.58		0.98		0.80	
Dividends per share	0.4600		0.4450		0.3675	
Non-IFRS Measures[1]						
Adjusted Diluted Earnings per Share	0.71		0.97		0.79	
Adjusted EBITDA	28,622	2.9%	35,303	3.7%	29,563	2.9%
Operating SG&A	100,612	10.3%	98,836	10.2%	99,147	9.8%
Floor Plan Neutral Operating Cash Flow	92,193	9.5%	(22,993)	(2.4%)	42,342	4.2%

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

SEGMENTED FINANCIAL REPORTING

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

$ THOUSANDS	2015			2014		
	AGRICULTURE	INDUSTRIAL	TOTAL	AGRICULTURE	INDUSTRIAL	TOTAL
Sales						
New equipment	423,107	26,890	449,997	473,715	48,032	521,747
Used equipment	372,954	4,528	377,482	300,277	3,259	303,536
Parts	94,558	12,951	107,509	87,387	14,235	101,622
Service	31,090	4,775	35,865	29,478	5,586	35,064
Other	4,008	595	4,603	2,731	707	3,438
	925,717	49,739	975,456	893,588	71,819	965,407
Gross profit	130,998	10,983	141,981	132,430	13,192	145,622
Gross margin	14.2%	22.1%	14.6%	14.8%	18.4%	15.1%
Net income (loss)	14,081	(2,788)	11,293	20,430	(1,505)	18,925

REVENUE AND GROSS PROFIT

The Company uses the terms "acquired" versus "same store" in assessing its revenue. Each acquired store has an average historical level of sales prior to being acquired by Rocky. When the Company discusses "acquired" results, it is referring to these average historical levels. This base level of activity continues to be classified as acquired until such time as the acquired store has been included in our dealership network for twelve months after which point, all activity is classified as same store. For the year ended December 31, 2015, all acquired growth pertains to the agriculture segment of the Company. As a start-up entity, the historical sales for NGF were negligible and have not been presented as acquired sales.

Agriculture Segment

$ THOUSANDS	2015	2014	CHANGE		
			TOTAL	ACQUIRED	SAME STORE
Sales					
New equipment	423,107	473,715	(50,608)	20,295	(70,903)
Used equipment	372,954	300,277	72,677	6,672	66,005
Parts	94,558	87,387	7,171	4,722	2,449
Service	31,090	29,478	1,612	899	713
Other	4,008	2,731	1,277	-	1,277
	925,717	893,588	32,129	32,588	(459)
Gross profit	130,998	132,430	(1,432)		
Gross margin	14.2%	14.8%	(0.6%)		

For the year ended December 31, 2015, total sales for the agriculture segment increased by $32.1 million or 3.6% over the same period in 2014. This increase includes $32.6 million of acquired sales for the year.

The mix within equipment sales has shifted towards used equipment during the year. New equipment pricing increases associated with government-mandated emissions standards were further compounded in 2015 by the depreciation of the Canadian dollar. These factors altered the economics of purchasing new equipment for many farmers, who opted instead to invest in lightly-used equipment or defer their fleet replacement altogether.

As a result of the appreciating U.S. dollar relative to the Canadian dollar, demand from U.S.-based customers has increased, which also supported the strength in our used equipment sales during 2015. We continue to see this as a driver towards incremental used equipment sales in the near term, provided the current disparity between the currencies remains or increases.

Same store product support sales for the year ended December 31, 2015 increased by $3.2 million or 2.7% over the same period in 2014. Fleet replacement deferrals translated into increased product support demand during 2015 as new equipment price increases caused certain customers to opt to maintain their fleets. Procurement synergies, sales training and initiatives geared toward technician efficiency as well as market penetration of non-captive product lines have also contributed to the growth in our product support revenues. Acquired sales contributed an additional $5.6 million of product support revenue growth during 2015.

Gross profit for 2015 decreased by $1.4 million or 1.1% year-over-year. Gross margin for the year ended December 31, 2015, declined by 0.6% over last year. Efforts undertaken to reduce equipment inventory compressed margins, most notably early in the year when arid weather conditions created pessimism amongst farmers and heightened competitive pressures within the agriculture equipment market. The shift in our equipment sales mix towards lower-margin used equipment contributed to additional margin dilution as did a $2.6 million reduction in manufacturer incentives recognized year-over-year, due in part to the reduction in new equipment sales.

Industrial Segment

$ THOUSANDS	2015	2014	CHANGE
Sales			
New equipment	26,890	48,032	(21,142)
Used equipment	4,528	3,259	1,269
Parts	12,951	14,235	(1,284)
Service	4,775	5,586	(811)
Other	595	707	(112)
	49,739	71,819	(22,080)
Gross profit	10,983	13,192	(2,209)
Gross margin	22.1%	18.4%	3.7%

For the year ended December 31, 2015, total sales for the industrial segment decreased by $22.1 million or 30.7%.

Equipment sales for the year ended December 31, 2015 decreased by $19.9 million or 38.7% over 2014. Persistent low oil prices have reduced demand for, and use of, industrial equipment during the year. Although our business is not heavily concentrated in the oil and gas sector, the impact of low oil prices has had a negative impact on Alberta's overall GDP and our industrial segment sales.

The decrease in equipment revenues is also attributable to the disposition of the Company's rock truck inventory during the first quarter of 2014 for proceeds of $7.0 million, which increased prior year equipment sales.

Product support sales for the year ended December 31, 2015 decreased by $2.1 million or 10.6% compared to last year. The reduction in product support revenues during the year reflects the slowing of the Alberta economy as many of the units in our installed base were either idle or, where possible, had repairs deferred or performed in-house.

Gross profit for the year ended December 31, 2015 decreased by $2.2 million or 16.7% year-over-year as a result of the contraction in top-line revenues.

Gross margin for the year ended December 31, 2015 increased by 3.7%. The increase in gross margin pertains largely to the disposition of the Company's rock truck inventory during the first quarter of 2014. These assets were disposed of for proceeds of $7.0 million at negligible margins, depressing gross margin for the comparative period. Sales of equipment inventory procured in previous periods at favourable exchange rates and improved efficiencies within our service departments also contributed to improved margins in the industrial segment.

PRODUCT SUPPORT REVENUES

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

$ THOUSANDS	2015	2014
Parts activity		
Total activity	121,690	116,283
Internal activity eliminated	(14,181)	(14,661)
Reported revenues	107,509	101,622
Service activity		
Total activity	57,451	57,613
Internal activity eliminated	(21,586)	(22,549)
Reported revenues	35,865	35,064

SELLING, GENERAL AND ADMINISTRATIVE

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

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

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

For the year ended December 31, 2015, Operating SG&A increased by $1.8 million or 1.8% over 2014. Operating SG&A for the year includes $6.3 million associated with our four new Manitoba locations and our geomatics division. Excluding Operating SG&A acquired pursuant to these acquisitions, Operating SG&A decreased by $4.6 million or 4.6%. As a percentage of sales, Operating SG&A for the year ended December 31, 2015 remained relatively flat as compared to 2014 and slightly above our target range.

In response to market conditions in both the agriculture and industrial segments of our business, we implemented a number of cost containment measures to better align our resources deployed with industry demand. During the latter half of 2015, these cost reductions served to partially offset the Operating SG&A incurred by acquired locations.

We also continue to scale the business by amalgamating facilities were appropriate. Typically, we expect to generate a minimum of $20.0 – $25.0 million in revenue per location in order to meet our customers' needs and expectations while appropriately scaling the costs associated with a facility. During the year, we successfully completed the consolidation of our facilities in Westlock, Alberta, and Neepawa, Manitoba and are in the process of amalgamating stores in Edmonton, and Bow Island, Alberta as well as Yorkton, Saskatchewan in the first quarter of 2016.

INTEREST

The Company's short-term interest expense is attributable to the floor plan financing associated with its new and used equipment inventory as well as interest on its Operating Facility. Interest on long-term debt pertains primarily to the Company's Term Facility as well as its former Debenture Repayment, Acquisition, Real Estate and Fleet Facilities. During 2015, interest on short-term debt increased by $1.3 million or 11.0% as a result of a higher average balance of interest-bearing floor plan payable outstanding as well as draws on our Operating Facility utilized to extinguish debt assumed as part of the Chabot acquisition.

The increase in the Company's hedged position with respect to its short-term floating-rate debt has also increased its effective cost of funds, contributing to the increase in short-term interest expense.

NET EARNINGS

Net earnings for the year ended December 31, 2015 decreased by $7.6 million or $0.40 per share over 2014. As a result of the decline in the Company's share price as at December 31, 2015, the Company recognized non-cash charges associated with marking its total return swaps to market of $3.5 million as compared to $0.1 million during 2014. The Company expects this charge to reverse over future periods as its stock price recovers. The Company's net earnings were also impacted by weaker gross margins, largely as a result of reduced manufacturer incentives.

Adjusted Diluted Earnings per Share, which excludes the loss on the total return swaps, amounted to $0.71 for 2015, down from $0.97 last year. See the definition and reconciliation of Adjusted Diluted Earnings per Share in the "Non-IFRS Measures" and "Reconciliation of Non-IFRS Measures to IFRS" sections below.

SUMMARY OF QUARTERLY RESULTS

$ THOUSANDS, EXCEPT PER SHARE AMOUNTS	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Sales									
New equipment	162,424	80,432	95,393	111,748	182,555	81,837	133,086	124,269	179,359
Used equipment	92,676	125,534	75,487	83,785	79,810	102,354	70,621	50,751	84,925
Parts	20,614	37,918	31,989	16,988	21,320	35,568	29,216	15,518	18,099
Service	8,714	10,711	9,387	7,053	9,569	10,041	8,478	6,976	7,403
Other	1,159	1,391	1,204	849	838	995	953	652	795
	285,587	255,986	213,460	220,423	294,092	230,795	242,354	198,166	290,581
Cost of sales	248,049	215,944	180,519	188,963	254,623	191,680	204,548	168,934	257,329
Gross profit	37,538	40,042	32,941	31,460	39,469	39,115	37,806	29,232	33,252
Gross margin	13.1%	15.6%	15.4%	14.3%	13.4%	16.9%	15.6%	14.8%	11.4%
SG&A	27,449	30,334	26,363	27,630	27,548	27,165	25,985	25,058	27,249
Interest and taxes	5,509	5,356	4,549	3,498	5,700	5,746	5,925	3,570	3,937
Net earnings	4,580	4,352	2,029	332	6,221	6,204	5,896	604	2,066
EPS – basic	0.24	0.23	0.10	0.02	0.32	0.32	0.31	0.03	0.11
EPS – diluted	0.24	0.23	0.10	0.02	0.32	0.32	0.31	0.03	0.11

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

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

Weather conditions, such as a late spring, excess moisture or drought conditions may positively or negatively impact sales activity for any given period. The early spring in 2015 drove a considerable amount of equipment sales activity associated with seeding and other spring work into the first quarter, whereas in 2014, much of this activity was deferred until the second quarter.

BALANCE SHEET SUMMARY

$ THOUSANDS	DECEMBER 31, 2015	DECEMBER 31, 2014	DECEMBER 31, 2013
Assets			
Inventory	499,760	526,003	479,330
Other current assets	63,824	69,049	74,520
Total current assets	563,584	595,052	553,850
Property and equipment	39,888	32,886	30,860
Deferred tax asset	2,367	1,186	-
Intangible assets	671	-	-
Goodwill	18,802	14,692	14,692
Total assets	625,312	643,816	599,402
Liabilities and equity			
Floor plan payable	356,568	382,081	342,364
Other current liabilities	53,893	57,261	53,113
Total current liabilities	410,461	439,342	395,477
Long-term debt	40,080	32,776	41,681
Obligations under finance leases	154	9	541
Deferred tax liability	-	-	2,576
Derivative financial liabilities	4,859	3,282	1,706
	455,554	475,409	441,981
Shareholders' equity	169,758	168,407	157,421
Total liabilities and equity	625,312	643,816	599,402

Current assets at December 31, 2015, consisted primarily of new and used equipment inventory of approximately $172.3 million and $287.8 million, respectively (2014 – $213.7 million and $273.3 million, respectively). The Company's new and used equipment inventory is comprised predominantly of agriculture equipment. Rocky has a diverse customer base for its agriculture equipment and strives to carry an appropriate mix of both new and used equipment to best serve our customers. Typically, our agriculture customers trade in their used equipment when making equipment purchases. Industrial equipment, by contrast, is generally utilized to the end of its useful life by one owner. Trades of used industrial equipment are less common and as such, the Company carries less used industrial equipment relative to new.

Excluding $43.6 million of inventory acquired pursuant to the acquisition of Chabot, total inventories have decreased by $69.8 million or 13.3% since December 31, 2014, due largely to the shift in our equipment sales mix towards used equipment. To the extent that customers elect to buy used instead of new equipment, we are able to reduce our equipment procurement and consequently, our overall inventory and balance sheet risk.

These reductions in inventory come despite recent increases in equipment valuation driven by the incorporation of more stringent emissions standards and the depreciation of the Canadian dollar. These factors have combined to increase equipment prices in recent years, and have partially offset progress made on our inventory reduction initiatives over the same period.

Rightsizing our inventory levels to our sales volume continues to be a top priority for Rocky. The realization of such rightsizing is not expected to occur in a linear manner. Inventory balances will fluctuate period-over-period based on several factors including, but not limited to, the timing of new equipment deliveries from OEMs to coincide with market cycles, trades taken as consideration for new and used equipment sales and overall customer demand.

The Company continues to closely manage its inventory and remains committed to its stated objective of inventory rightsizing in the coming quarters and years by maintaining an appropriate range of units at competitive values.

Current liabilities consist predominantly of floor plan payable for financed inventory of approximately $356.6 million as at December 31, 2015 (2014 – $382.1 million). As a percentage of equipment inventory, floor plan payable has decreased to 77.5% as at December 31, 2015, down 1.0% from a year ago.

LIQUIDITY AND CAPITAL RESOURCES

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

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

SUMMARY OF CASH INFLOWS (OUTFLOWS)

$ THOUSANDS	2015	2014	2013
Net earnings	11,293	18,925	15,313
Effect of non-cash items in net earnings and changes in working capital	24,167	(2,201)	14,792
Cash flows from operating activities	35,460	16,724	30,105
Cash flows from financing activities	(12,788)	(17,589)	(8,459)
Cash flows from investing activities	(28,934)	(10,905)	(21,101)
Net increase (decrease) in cash	(6,262)	(11,770)	545
Cash, beginning of period	22,952	34,722	34,177
Cash, end of period	16,690	22,952	34,722
Floor Plan Neutral Operating Cash Flow(1)	92,193	(22,993)	42,342

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

CASH FLOWS FROM OPERATING ACTIVITIES

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

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

For the year ended December 31, 2015, Floor Plan Neutral Operating Cash Flow increased by $115.2 million as compared to 2014. This increase is primarily attributable to additional cash generated from reducing inventory during the year ended December 31, 2015, as compared to 2014.

For the year ended December 31, 2015, cash flows from operating activities increased by $18.7 million over the comparative period, primarily as a result of an increase in cash generated from inventory net of floor plan payable.

CASH FLOWS FROM FINANCING ACTIVITIES

Cash flows from financing activities pertained primarily to debt and dividend payments as well as net proceeds associated with the financing of the acquisition of Chabot and certain real estate assets.

For the year ended December 31, 2015, cash outflows from financing activities decreased by $4.8 million. During 2015, proceeds from long-term debt increased by $13.4 million over 2014. The incremental draws pertain primarily to real estate related financing as well as funding the acquisition of Chabot. These incremental draws were partially offset by additional debt repayments including the repayment of certain loans assumed pursuant to the acquisition of Chabot as well as debt repaid pursuant to the restructuring of the Syndicated Facility (as defined herein).

CASH FLOWS FROM INVESTING ACTIVITIES

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

During the year ended December 31, 2015, cash utilized for investing activities increased by $18.0 million over 2014 primarily as a result of $15.8 million paid on the acquisition of Chabot, inclusive of $7.1 million of bank indebtedness assumed.

ADEQUACY OF CAPITAL RESOURCES

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

FINANCE FACILITIES

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

During 2015, the Syndicated Facility was amended. As part of the amendment, the Company consolidated and re-termed its former Acquisition, Real Estate and Debenture Repayment Facilities into one term facility (the "Term Facility"). The $45.0 million balance on the Term Facility has an interest-only period for the first six months, followed by a seven year repayment period, effectively reducing the Company's fixed charge commitments.

As part of the amendment, the maturity date was also extended until September 24, 2018.

The Company incurred debt issue costs of $0.8 million, $0.5 million of which was allocated to and offset against the Flooring Facility with the remainder allocated to and offset against the Term Facility. The costs allocated to the Flooring and Term Facilities will be amortized into short-and long-term interest, respectively, over the term of the Syndicated Facility using the effective interest method.

Subsequent to the amendment, the Syndicated Facility consists of:

- The "Operating Facility" – which may be utilized to advance up to the lesser of the established borrowing base and $70.0 million. The borrowing base is supported by otherwise unencumbered assets including certain accounts receivable, inventory and items of property and equipment, less priority payables. This facility may be used to finance general corporate operating requirements.

- The "Flooring Facility" – which may be utilized to finance up to 75% of the value of eligible equipment inventory to a maximum of $125.0 million. Draws against the Flooring Facility are repayable over a term of 28 months however; they become due in full upon the sale of the associated equipment.

- The "Term Facility" – which may be utilized to finance up to 60% of the cost of acquisitions and 75% of the cost of real estate to a maximum of $75.0 million. Draws are repayable in quarterly installments with acquisition and real estate related draws amortized over periods of 7 and 15 years, respectively.

Including the syndicated Flooring Facility, we have total floor plan facilities of approximately $592.0 million (inclusive of seasonal increases) from various lending institutions for the purpose of financing equipment inventory. Our equipment inventory is financed by way of floor plan financing, which is made available to Rocky by the equipment manufacturers' captive finance companies or divisions (such as CNH Industrial Capital Canada Ltd.), as well as by banks and specialty lenders. The Company also has an additional $75.0 million of floor plan availability with its OEMs, to be made available to the Company if required as a result of business combinations.

In addition to our available cash balance of $21.7 million as at December 31, 2015, we have approximately $328.4 million available on our various credit facilities.

$ MILLIONS	FACILITY LIMIT	AMOUNT DRAWN	AVAILABLE
Operating Facility	70.0	5.0	65.0
Term Facility	75.0	45.0	30.0
Various floor plan facilities			
OEM floor plan facilities	205.0	104.6	100.4
Syndicated Flooring Facility	125.0	72.7	52.3
Other floor plan facilities	262.0	181.3	80.7
	737.0	408.6	328.4

FINANCIAL COVENANTS

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

	2015	2014
Fixed charge coverage of at least	1.20-1.50:1	1.25-1.50:1
Debt to tangible net worth less than	4.00-5.00:1	4.00-5.00:1
Current ratio of at least	1.15-1.20:1	1.15-1.20:1

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

The amendment to the Syndicated Facility in 2015 has improved the Company's compliance with its fixed charge coverage ratio by re-terming the debt and reducing our fixed charge commitments going forward. Furthermore, the fixed charge coverage ratio under the Syndicated Facility is to be calculated using proforma debt repayments for the first four quarters following the amendment, to better assess the Company's ability to meet its reduced fixed charge commitments. Commencing in the third quarter of 2016, the calculation reverts back to a trailing four-quarter assessment.

As at December 31, 2015 and 2014, the Company was in compliance with all externally imposed capital requirements. The Company's continued compliance with its financial covenants is dependent on various factors which influence our financial results including, but not limited to, overall demand for our products and services and the timing of that demand driven by weather and other factors. The Company's recent financial results reflect the low-end of the agriculture equipment demand cycle as well as the impact of Alberta's considerable economic headwinds on our industrial segment performance. As these conditions persist, there is a risk that the Company's financial results and/or position may weaken and that we may not comply with our financial covenants, most notably, our fixed charge coverage ratios. In response to this risk, the Company has approached its lenders requesting a temporary relaxation of its fixed charge coverage ratio compliance requirements.

DERIVATIVE FINANCIAL INSTRUMENTS

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

Losses realized on derivative financial instruments are as follows:

$ THOUSANDS	2015	2014
Loss recognized in net earnings	3,548	68
Loss recognized in accumulated other comprehensive loss – net of tax	1,525	1,122
Loss recognized in deferred tax position	544	386

Interest Rate Swaps

During the year ended December 31, 2015, the Company entered into a new floating-to-fixed interest rate swap on an additional $50.0 million of its floating-rate floor plan debt. Including this new hedge, the Company has five separate interest rate swaps related to portions of its Term Facility and various floor plan facilities (collectively, the "Hedged Facilities").

The Hedged Facilities each bear interest at a floating rate based on the prevailing BA rate. The interest rate swaps hedge our exposure to fluctuations in the BA rate. The Company's hedged and at risk positions are summarized as follows:

$ THOUSANDS			DECEMBER 31, 2015		DECEMBER 31, 2014	
HEDGED POSITION	**MATURITY**	**TYPE**	**EFFECTIVE RATE**	**AMOUNT**	**EFFECTIVE RATE**	**AMOUNT**
Current debt						
Floor plan facility #1	August, 2018	Non-amortizing	4.2%	25,000	4.2%	25,000
Floor plan facility #2	September, 2020	Non-amortizing	5.1%	35,000	5.1%	35,000
Floor plan facility #3	September, 2022	Non-amortizing	5.4%	50,000	-	-
			5.0%	110,000	4.7%	60,000
Long-term debt						
Term Facility #1[1]	May, 2016	Amortizing	3.5%	1,365	3.5%	4,642
Term Facility #2[2]	April, 2017	Amortizing	4.1%	22,750	4.1%	26,250
			4.0%	24,115	4.0%	30,892
			4.8%	134,115	4.5%	90,892
Position at risk						
Floating-rate debt				299,694		309,219
Position hedged				44.8%		29.4%

[1] *Formerly the Acquisition Facility.*
[2] *Formerly the Debenture Repayment Facility.*

At inception, these instruments were designated as hedges and were accounted for using hedge accounting. Subsequently, the interest rate swaps on the Term Facility failed their effectiveness testing and as such, hedge accounting was discontinued. The $0.1 million accumulated loss recognized within accumulated other comprehensive loss will be reversed into net earnings over the remainder of terms of these derivatives. Future changes in the fair value of these derivatives will be recognized within net earnings in the period in which they arise.

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

During the year ended December 31, 2015, we recognized in net earnings, a mark-to-market gain of $0.1 million on our interest rate swaps (2014 – loss of $39 thousand).

Total Return Swaps

The Company has several total return swap arrangements to hedge the exposure associated with increases in its share price on its outstanding Director Share Units ("DSUs") and Share Appreciation Rights ("SARs"). The hedging relationship with the SARs is ineffective to the extent that the Company's share price falls below the strike price of the SARs.

During the vesting period, the accounting treatment of the SARs creates an inherent discrepancy from the total return swaps in terms of the timing of the impact on net earnings. Changes in the Company's share price are factored into the Black-Scholes option pricing model to determine the fair value of the SARs at each reporting date. This fair value will then be expensed over the remainder of the vesting period. The derivative financial instruments, by contrast, are marked-to-market at each reporting date. Once vested, the SARs will also be marked-to-market at each reporting period, eliminating the timing discrepancy.

The Company does not apply hedge accounting to these relationships and as such, gains and losses arising from marking these derivatives to market are recognized in net earnings in the period in which they arise.

The decline in the Company's share price during the year resulted in a $3.5 million mark-to-market loss on the total return swaps (2014 – loss of $0.1 million). The Company anticipates that the accumulated mark-to-market loss will be reversed in subsequent periods as its share price returns to a more typical range.

The Company's hedged and at risk positions are summarized as follows:

IN THOUSANDS OF SHARES/UNITS EXCEPT PER SHARE AMOUNTS	DECEMBER 31, 2015		DECEMBER 31, 2014	
	WEIGHTED AVERAGE PRICE/SHARE $	SHARES/ UNITS	WEIGHTED AVERAGE PRICE/SHARE $	SHARES/ UNITS
Hedged position				
DSUs	10.54	100	10.54	100
SARs	9.21	1,170	9.52	191
	9.31	1,270	9.87	291
Position at risk				
DSUs		75		75
SARs		1,146		550
		1,221		625
Position hedged		104.0%		46.6%

DIVIDENDS

On February 2, 2016, the Board of Directors of Rocky approved a quarterly dividend of $0.115 per common share on its outstanding common shares. The common share dividend is payable on March 31, 2016, to shareholders of record at the close of business on February 29, 2016.

SHARE CAPITAL – OUTSTANDING SHARES

$ THOUSANDS	2015	2014
Opening balance	19,384	19,313
Shares issued upon exercise of stock options	-	71
Closing balance	19,384	19,384

As at March 15, 2016, there were 19,384,086 shares outstanding.

The options outstanding at December 31, 2015 are as follows:

GRANT DATE	OPTIONS OUTSTANDING (THOUSANDS)	OPTIONS EXERCISABLE (THOUSANDS)	WEIGHTED AVERAGE EXERCISE PRICE ($)	WEIGHTED AVERAGE CONTRACTUAL LIFE (YEARS)
March 11, 2011	30	30	10.39	0.2
August 11, 2011	142	142	8.71	0.6
March 28, 2012	237	237	11.96	1.2
March 13, 2013	363	242	12.89	2.2
March 13, 2014	393	131	11.52	3.2
	1,165	782	11.66	2.1

As at March 15, 2016, there were 1,163,333 options outstanding.

CONTRACTUAL OBLIGATIONS

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

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

Other significant contractual obligations outstanding as at December 31, 2015 include long-term debt consisting predominantly of the Term Facility and operating lease commitments which relate primarily to the Company's facilities. Lease terms are between one and eleven years and most building leases contain renewal options for periods ranging from three to five years.

The Company assesses its liquidity based on the period in which cash flows are expected to occur. The following table summarizes the Company's expected undiscounted cash flows as at December 31, 2015 assuming the Syndicated Facility is renewed prior to maturity on September 24, 2018. The analysis is based on foreign exchange rates and interest rates in effect at the consolidated balance sheet date, and includes both principal and interest cash flows.

$ THOUSANDS	TOTAL	2016	2017-2018	2019-2020	THERE-AFTER
Trade payables, accruals and other	33,963	33,963	-	-	-
Floor plan payable[1]	370,861	370,861	-	-	-
Long-term debt	49,869	6,145	14,784	14,031	14,909
Obligations under finance leases	237	77	146	14	-
Operating lease obligations	33,680	8,921	13,639	7,349	3,771
Derivative financial instruments	9,589	4,051	4,320	1,218	-
Total contractual obligations	498,199	424,018	32,889	22,612	18,680

[1]Includes floor plan payable classified as liabilities associated with assets held for sale.

In the event that the Syndicated Facility is not renewed prior to its maturity, the cash outflow for long-term debt outstanding as at December 31, 2015 would be $41.9 million in 2017-2018 and $Nil thereafter.

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2015, the Company entered into the following transactions with related parties:

$ THOUSANDS	2015	2014
Equipment and product support sales	1,394	6,921
Expenditures		
Rental payments on Company facilities	5,589	5,435
Equipment purchases	665	3,846
Flight costs	83	191
Other expenses	92	70

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

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

$ THOUSANDS	2015	2014
Salary and short-term benefits	1,897	2,061
Post-retirement benefits	25	33
Share-based payments	290	769
	2,212	2,863

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

$ THOUSANDS	2015	2014
Due from related parties	111	61
Due to related parties	(13)	(112)

The amounts due from related parties are not secured and are to be settled in cash. As at December 31, 2015 and 2014, the amounts due from related parties are considered collectible and therefore have not been provided for in the allowance for doubtful accounts. During the year ended December 31, 2015, $Nil has been recognized in bad debt expenses with regards to related party transactions (2014 – $Nil).

The Company has contractual obligations to related parties in the form of facility leases. As at December 31, 2015, these contractual obligations and due dates are as follows:

$ THOUSANDS	TOTAL	2016	2017-2018	2019-2020	THERE-AFTER
Operating lease obligations	24,063	5,751	8,797	5,744	3,771

OFF-BALANCE SHEET ARRANGEMENTS

We use off-balance sheet financing in connection with numerous operating leases. These leases relate to the Company's buildings and certain vehicles with lease terms of between one and eleven years. Most building leases contain renewal options for periods of three to five years. We have paid monthly amounts under these operating leases of up to $64.2 thousand. In some instances, the counterparty to the Company's operating lease obligations is a related party. Refer to the "Related Party Transactions" section of this MD&A for a discussion of the terms and amounts of such arrangements. The current operating leases expire between January 2016 and July 2023.

SELECTED FOURTH QUARTER FINANCIAL INFORMATION

$ THOUSANDS, EXCEPT PER SHARE AMOUNTS	2015		2014		2013	
Sales						
New equipment	162,424	56.9%	182,555	62.1%	179,359	61.7%
Used equipment	92,676	32.5%	79,810	27.1%	84,925	29.2%
Parts	20,614	7.2%	21,320	7.2%	18,099	6.2%
Service	8,714	3.1%	9,569	3.3%	7,403	2.5%
Other	1,159	0.3%	838	0.3%	795	0.4%
	285,587	100.0%	294,092	100.0%	290,581	100.0%
Cost of sales	248,049	86.9%	254,623	86.6%	257,329	88.6%
Gross profit	37,538	13.1%	39,469	13.4%	33,252	11.4%
Selling, general and administrative	27,449	9.6%	27,548	9.4%	27,249	9.4%
Interest on short-term debt	3,312	1.2%	2,956	1.0%	2,802	1.0%
Interest on long-term debt	501	0.1%	524	0.1%	572	0.1%
Earnings before income taxes	6,276	2.2%	8,441	2.9%	2,629	0.9%
Provision for income taxes	1,696	0.6%	2,220	0.8%	563	0.2%
Net earnings	4,580	1.6%	6,221	2.1%	2,066	0.7%
Earnings per share						
Basic	0.24		0.32		0.11	
Diluted	0.24		0.32		0.11	
Dividends per share	0.1150		0.1150		0.1000	
Non-IFRS Measures[(1)]						
Adjusted Diluted Earnings per Share	0.25		0.32		0.11	
Adjusted EBITDA	8,966	3.1%	10,746	3.7%	4,983	1.7%
Operating SG&A	25,260	8.8%	25,767	8.8%	25,467	8.8%
Floor Plan Neutral Operating Cash Flow	6,844	2.4%	7,822	2.7%	(19,916)	(6.9%)

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

SEGMENTED FINANCIAL REPORTING

$ THOUSANDS	2015			2014		
	AGRICULTURE	INDUSTRIAL	TOTAL	AGRICULTURE	INDUSTRIAL	TOTAL
Sales						
New equipment	157,490	4,934	162,424	173,023	9,532	182,555
Used equipment	91,694	982	92,676	78,304	1,506	79,810
Parts	18,040	2,574	20,614	17,659	3,661	21,320
Service	7,769	945	8,714	8,044	1,525	9,569
Other	1,061	98	1,159	617	221	838
	276,054	9,533	285,587	277,647	16,445	294,092
Gross profit	35,119	2,419	37,538	36,255	3,214	39,469
Gross margin	12.7%	25.4%	13.1%	13.1%	19.5%	13.4%
Net income (loss)	5,231	(651)	4,580	6,695	(474)	6,221

AGRICULTURE SEGMENT REVENUE AND GROSS PROFIT

$ THOUSANDS	2015	2014	CHANGE		
			TOTAL	ACQUIRED	SAME STORE
Sales					
New equipment	157,490	173,023	(15,533)	7,610	(23,143)
Used equipment	91,694	78,304	13,390	2,502	10,888
Parts	18,040	17,659	381	1,242	(861)
Service	7,769	8,044	(275)	281	(556)
Other	1,061	617	444	-	444
	276,054	277,647	(1,593)	11,635	(13,228)
Gross profit	35,119	36,255	(1,136)		
Gross margin	12.7%	13.1%	(0.4%)		

For the quarter ended December 31, 2015, total sales for the agriculture segment were $276.1 million, a decrease of $1.6 million or 0.6% over the same period in 2014. Acquired stores contributed $11.6 million, which was offset by a contraction in same store sales.

Same store equipment sales declined by $12.3 million or 4.9% over the same period in 2014 on reduced new equipment sales. Continuing the year-to-date trend, manufacturer price increases compounded by a weakening Canadian dollar, have altered the economics of purchasing new equipment for many farmers who have opted instead to invest in lightly-used equipment or defer their fleet replacement altogether. The reduction in same store equipment sales was offset by $10.1 million of acquired equipment sales.

Same store parts and service sales for the quarter ended December 31, 2015 decreased by $0.9 million or 4.9% and $0.6 million or 6.9%, respectively. These reductions in our product support revenues are primarily associated with the timing and duration of the harvest which pulled more of this activity into the third quarter than was the case during 2014. Acquired product support revenues of $1.5 million offset these reductions.

Gross profit for the quarter ended December 31, 2015 decreased by $1.1 million or 3.1% over the same period in 2014. Gross margin declined by 0.4% to 12.7% during the fourth quarter. These decreases are primarily attributable to a $1.2 million reduction in accrued manufacturer incentives.

INDUSTRIAL SEGMENT REVENUE AND GROSS PROFIT

$ THOUSANDS	2015	2014	CHANGE
Sales			
New equipment	4,934	9,532	(4,598)
Used equipment	982	1,506	(524)
Parts	2,574	3,661	(1,087)
Service	945	1,525	(580)
Other	98	221	(123)
	9,533	16,445	(6,912)
Gross profit	2,419	3,214	(795)
Gross margin	25.4%	19.5%	5.9%

For the quarter ended December 31, 2015, total sales for the industrial segment were $9.5 million representing a decrease of $6.9 million or 42.0% over the same period in 2014. The continued depression in oil prices, and its correlative impact on Alberta's overall infrastructure investment, was felt more profoundly during the latter part of 2015 as projects were completed and few new projects were available for our customer base. As more of the installed base of industrial equipment sits idle, demand for equipment and product support declines. As a result, we experienced revenue contraction across all categories during the fourth quarter of 2015 relative to the same period last year.

Gross profit for the quarter ended December 31, 2015 decreased by $0.8 million over 2014. Gross margin increased to 25.4% from 19.5% in the fourth quarter of 2014. The increase in margin is attributable primarily to the following factors: **(i)** certain units were procured at advantageous exchange rates and sold with favorable margins; **(ii)** there was a reduction in auction activity; and, **(iii)** initiatives to improve efficiency in our service departments helped produce better margins.

SELLING, GENERAL AND ADMINISTRATIVE

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

For the quarter ended December 31, 2015, Operating SG&A was $25.3 million (8.8% of sales), down slightly from $25.8 million (8.8% of sales) in 2014. The reduction in Operating SG&A comes despite the inclusion of $2.0 million of Operating SG&A associated with locations added through the acquisitions of Chabot and NGF. Excluding Operating SG&A acquired pursuant to these acquisitions, Operating SG&A decreased by $2.5 million or 9.7%. This reduction is the result of cost containment measures implemented in response to market conditions.

NET EARNINGS

For the quarter ended December 31, 2015, we generated net earnings of $4.6 million, down from $6.2 million in the same period in 2014. The Company's Adjusted Diluted Earnings per Share for the quarter ended December 31, 2015 was $0.25 compared to $0.32 for the fourth quarter of 2014.

CRITICAL ACCOUNTING ESTIMATES

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

ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

NET REALIZABLE VALUE OF INVENTORY

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

NET RECOVERABLE AMOUNT OF GOODWILL

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

MANUFACTURER INCENTIVES

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

The Company also has several total return swap arrangements to hedge the exposure associated with increases in its share price on its outstanding DSUs and SARs. These derivatives accrue to the Company, any gains (losses) associated with changes in the value of its common shares as well as dividends paid on its hedged position, net of interest costs incurred by the bank to build and hold the position. These derivatives are initially recognized on the date the contract is entered into and are subsequently re-measured at their fair values. The fair values are calculated as the net present value of estimated future cash flows.

BUSINESS COMBINATIONS

Assets acquired and liabilities assumed pursuant to business combinations are measured at their acquisition date fair values. Where appropriate, management bases its fair value estimates on observable third party data as reported by sources deemed both reputable and qualified. In the case of inventory acquired, management estimates the value in the manner discussed within the "Net Realizable Value of Inventory" section above.

Goodwill is measured as the excess of the fair value of consideration transferred over the acquisition-date fair value of the net identifiable assets acquired.

The purchase price allocation is subject to change throughout the duration of the measurement period. The measurement period is the period from the date of acquisition, to the date the Company obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

KEY FINANCIAL STATEMENT COMPONENTS

EQUIPMENT SALES

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

PARTS SALES

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

SERVICE REVENUE

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

COST OF SALES

Cost of sales is the accumulation of the costs attributable to the sources of revenue set forth in the financial statements. Revenues are matched to cost of sales attributable to specific revenue sources. The cost of equipment sales is determined based on the actual cost of the equipment. The cost of parts sales is determined based on the average actual cost for those parts. The cost of service revenues is determined based on actual costs to complete the service job, which include, without limitation, wages paid to service technicians and the actual cost of externally sourced labour, plus applicable overheads.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

INTEREST EXPENSE

Short-term interest includes the aggregate expense for interest under the current floor plan financing programs associated with financing equipment inventory through numerous creditors, and existing credit facilities. Long-term interest includes the aggregate expense for interest associated with the Company's various long-term credit facilities and obligations under finance leases. Short- and long-term interest also includes charges related to credit and financing.

RISKS AND UNCERTAINTIES

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

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

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

RISKS RELATED TO FINANCIAL INSTRUMENTS

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

CREDIT RISK

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

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

During the year ended December 31, 2015, the Company recognized $0.5 million in bad debt expense (2014 - $0.9 million). Bad debt expense is recognized in SG&A expenses.

MARKET RISK

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

Foreign Currency Exchange Risk

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

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

transactions to cover the period from the time the equipment is ordered from the manufacturer to the payment date.

Included in selling, general and administrative expenses is a net loss recognized due to foreign currency translation for transactions and balances aggregating $0.6 million for the year ended December 31, 2015 (2014 – gain of $0.2 million).

Interest Rate Risk

We also finance our equipment inventory, certain capital expenditures, business acquisitions and occasionally, our other general working capital requirements, by way of various financing facilities under which we are charged interest at floating rates. As a result, rising interest rates have the effect of increasing our overall costs. To the extent that we cannot pass on such increased costs to our customers, our net earnings or cash flow may decrease. In addition, some of our customers finance the equipment they purchase from us. A customer's decision to purchase may be affected by interest rates available to finance the purchase.

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

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

Equity Price Risk

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

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

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

LIQUIDITY RISK

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

Refer to the "Adequacy of Capital Resources" section of this MD&A for a discussion of the liquidity risks faced by the Company as well as the Company's various credit facilities.

NON-IFRS MEASURES

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

"Adjusted Diluted Earnings per Share" is calculated by eliminating from net earnings, the after-tax impact of the losses (gains) arising from the Company's derivative financial instruments and DSUs, as well as the expense (recovery) associated with its SARs. These items arise from changes in the Company's share price as well as fluctuations in interest rates and are not reflective of the Company's core operations.

The Company also adjusts for any non-recurring charges (recoveries) recognized in net earnings. Management deems non-recurring charges (recoveries) to be unusual or infrequent items that the Company incurs outside of its common day-to-day operations. Adjusting for these items allows management to isolate and analyze diluted earnings per share from core business operations. For the periods presented, no non-recurring charges (recoveries) have been identified.

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

"Adjusted EBITDA" is calculated by eliminating from EBITDA, the impact of the losses (gains) arising from the Company's derivative financial instruments and DSUs, as well as the expense (recovery) associated with its SARs. These items arise from changes in the Company's share price as well as fluctuations in interest rates and are not reflective of the Company's core operations.

The Company also adjusts for any non-recurring charges (recoveries) recognized in EBITDA. Management deems non-recurring charges (recoveries) to be unusual or infrequent items that the Company incurs outside of its common day-to-day operations. Adjusting for these items allows management to isolate and analyze EBITDA from core business operations. For the periods presented, no non-recurring charges (recoveries) have been identified.

"Operating SG&A" is calculated by eliminating from SG&A, the impact of the losses (gains) arising from the Company's derivative financial instruments and DSUs, as well as the expense (recovery) associated with its SARs. These items arise from changes in the Company's share price as well as fluctuations in interest rates and are not reflective of the Company's core operations.

The Company also adjusts for depreciation of property and equipment and any non-recurring charges (recoveries) recognized in SG&A. Management deems non-recurring charges (recoveries) to be unusual or infrequent items that the Company incurs outside of its common day-to-day operations. Adjusting for these items allows management to assess discretionary expenses from ongoing operations. For the periods presented, no non-recurring charges (recoveries) have been identified. We target a sub-10% Operating SG&A as a percentage of total sales on an annual basis.

During the year, the Company changed this metric such that the aforementioned charges (recoveries) on its derivative financial instruments, DSUs and SARs are also eliminated from SG&A in calculating Operating SG&A.

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

RECONCILIATION OF NON-IFRS MEASURES TO IFRS

ADJUSTED DILUTED EARNINGS PER SHARE

$ THOUSANDS	FOR THE QUARTER ENDED DECEMBER 31,			FOR THE YEAR ENDED DECEMBER 31,		
	2015	2014	2013	2015	2014	2013
Earnings used in the calculation of Diluted Earnings per Share	4,580	6,221	2,066	11,293	18,925	15,313
Loss (gain) on derivative financial instruments	274	77	57	3,548	68	(225)
Loss (gain) on DSUs	(53)	(127)	54	(211)	(223)	57
SAR expense	6	18	-	24	18	-
Tax effect of adjustments (2015 - 27%, 2014 & 2013 – 25%)	(61)	8	(28)	(907)	34	42
Earnings used in the calculation of Adjusted Diluted Earnings per Share	4,746	6,197	2,149	13,747	18,822	15,187
Weighted average diluted shares used in the calculation of Diluted Earnings per Share (in thousands)	19,272	19,272	19,269	19,327	19,309	19,224
Adjusted Diluted Earnings per Share	0.25	0.32	0.11	0.71	0.97	0.79

EBITDA

$ THOUSANDS	FOR THE QUARTER ENDED DECEMBER 31,			FOR THE YEAR ENDED DECEMBER 31,		
	2015	2014	2013	2015	2014	2013
Net earnings	4,580	6,221	2,066	11,293	18,925	15,313
Interest on long-term debt	501	524	572	2,060	2,182	2,233
Depreciation expense	1,962	1,813	1,671	7,803	7,057	6,471
Income taxes	1,696	2,220	563	4,105	7,276	5,714
EBITDA	8,739	10,778	4,872	25,261	35,440	29,731
Loss (gain) on derivative financial instruments	274	77	57	3,548	68	(225)
Loss (gain) on DSUs	(53)	(127)	54	(211)	(223)	57
SAR expense	6	18	-	24	18	-
Adjusted EBITDA	8,966	10,746	4,983	28,622	35,303	29,563

OPERATING SG&A

$ THOUSANDS	FOR THE QUARTER ENDED DECEMBER 31,			FOR THE YEAR ENDED DECEMBER 31,		
	2015	2014	2013	2015	2014	2013
SG&A	27,449	27,548	27,249	111,776	105,756	105,450
Depreciation expense	(1,962)	(1,813)	(1,671)	(7,803)	(7,057)	(6,471)
Gain (loss) on derivative financial instruments	(274)	(77)	(57)	(3,548)	(68)	225
Gain (loss) on DSUs	53	127	(54)	211	223	(57)
SAR expense	(6)	(18)	-	(24)	(18)	-
Operating SG&A	25,260	25,767	25,467	100,612	98,836	99,147

FLOOR PLAN NEUTRAL OPERATING CASH FLOW

$ THOUSANDS	FOR THE QUARTER ENDED DECEMBER 31,			FOR THE YEAR ENDED DECEMBER 31,		
	2015	2014	2013	2015	2014	2013
Cash flow from operating activities	12,839	12,898	(221)	35,460	16,724	30,105
Net decrease (increase) in floor plan payable[(1)]	(5,995)	(5,076)	(19,695)	23,951	(39,717)	9,448
Floor plan assumed pursuant to business combinations	-	-	-	32,782	-	2,789
Floor Plan Neutral Operating Cash Flow	6,844	7,822	(19,916)	92,193	(22,993)	42,342

[(1)]*Includes change in floor plan payable classified as liabilities associated with assets held for sale.*

INTERNAL CONTROLS OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") are responsible for establishing and maintaining the Company's disclosure controls and procedures, ("DC&P"), to provide reasonable assurance that material information related to the Company is made known. In addition, internal controls over financial reporting ("ICFR") have been designed by or have been caused to be designed under the supervision of the CEO and CFO to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with IFRS.

The CEO and CFO have evaluated the effectiveness of our DC&P and assessed the design of our ICFR, as of December 31, 2015, pursuant to the requirements of National Instrument 52-109, and have concluded that:

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

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

Management has concluded that, as of December 31, 2015, the Company has sufficiently documented and tested the effectiveness of the ICFR for the Company and can conclude that these controls are working effectively. It should be noted that while the Company's management believes that the Company's ICFR and DC&P provide a reasonable level of assurance that they are effective, they do not expect these controls will prevent all errors or fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

CAUTION REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

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

In particular, FLS in this MD&A include, but are not limited to, the following: **(i)** disclosure under the heading "Market Fundamentals and Outlook", **(ii)** continuing demand for Rocky's products and services, and the cyclical nature of agriculture equipment demand and any revenue or inventory statements or forecasts attributed thereto, **(iii)** statements pertaining to the growth of Rocky's business and operations, including through acquisitions, **(iv)** statements pertaining to arid weather conditions and the anticipated effect of such conditions on crop quality and yield, **(v)** statements that declines in oil prices have impacted spending, as well as the Alberta residential housing and industrial markets, which may also impact the Company's results, **(vi)** statements that recent fluctuations in the Canadian dollar relative to the U.S. dollar are expected to increase pricing, **(vii)** any discussion of the anticipated mix of new and used equipment sales for the remainder of 2016, **(viii)** discussion on the fundamentals of Rocky's business, including discussion regarding growth in GDP, farmers' crop receipts, increases in global food demand, bio-fuel production, and the future demand for agriculture equipment and commodities, **(ix)** statements pertaining to the impact of declining oil prices on infrastructure spending and our industrial segment results, and any statements on the effectiveness of measures taken by us to offset our overall exposure to oil prices, **(x)** statements that technological enhancements aimed at meeting emissions standards and the recent weakening of the Canadian dollar are expected to contribute to premiums on new equipment pricing, **(xi)** statements regarding customer buying patterns, including the extent to which we are able to convert new equipment customers to used equipment customers and attract U.S. customers looking to capitalize on favorable U.S.-Canadian foreign exchange rates, **(xii)** any statements or discussions regarding

Rocky's inventory management and any expected increases or decreases in Rocky's inventory levels, **(xiii)** statements that any anticipated reduction in inventories are not expected to occur in a linear manner, **(xiv)** discussions regarding initiatives to restore our industrial results, including statements regarding our intention to leverage our recent successes to gain market acceptance and better market presence within the territories we operate, **(xv)** discussions that the impact of previously acquired dealerships and trade areas, coupled with our OEM relationships, make us well-positioned to pursue our longer-term revenue and earnings growth initiatives, **(xvi)** statements that we believe cash flow from operations, along with existing credit facilities, will provide for our capital needs, **(xvii)** discussion around SG&A expenses including the seasonal variances and expectations in operating SG&A, **(xviii)** discussion that our first quarter is generally the weakest financial quarter due to lack of agricultural activity and winter shutdowns, that the fourth quarter is generally our strongest quarter financially, and discussion that we expect our second and third quarter sales activity to increase as our installed equipment- and customer-base increases, **(xix)** statements that as acquisitions are integrated into the business, the associated SG&A costs for Rocky will generally decrease, **(xx)** statements related to our per-location revenue expectations and any assessment of the economies of scale associated with any facility, **(xxi)** statements that our installed base and customer relationships create an annuity of equipment sales and product support revenue, which help drive dependable earnings and cash flow, **(xxii)** statements that weather conditions may impact sales activity for any given period, **(xxiii)** statements that the Company anticipates that the loses related to the total return swaps will be reversed in subsequent periods as its share price returns to a more typical range; **(xxiv)** statements concerning the Company's ongoing compliance with, or potential breaches of, its covenants under its credit facilities, including the recently-amended Syndicated Facility; **(xxv)** statements concerning the Company's expected undiscounted cash flows as at December 31, 2015; and, **(xxvi)** statements that may imply that the Company's lenders will relax its requirements under their fixed charge ratio covenants.

With respect to the FLS listed above and contained in this MD&A, Rocky has made assumptions regarding, among other things: **(i)** expectations that commodity prices will continue to remain above historical levels, **(ii)** increasing global food demand over the next 25 years in response to a growing world population and a decrease in arable land per capita, **(iii)** rising demand for agriculture commodities and insufficient investment in productive capacity and infrastructure, especially in developing countries, **(iv)** increasing food demand, including increasing demand from China and India for grain and oilseed products, as well as increasing crop land dedicated to bio-fuel production, will cause

producers to improve their productivity, and as a result invest in new equipment, **(v)** expectations that increases in farmer liquidity would generally correlate to farmers making capital re-investments in their business, so as to increase their productivity and lower their input costs, which investments may include Rocky's products and services, **(vi)** inventory levels will fluctuate during a year, both positively and negatively, based on timing of equipment deliveries, and volume of whole-good sales involving a unit taken in on trade, **(vii)** the general GDP growth and/or relative economic stability in the markets we operate in, **(viii)** the trend towards larger farms in the agriculture sector will continue to benefit further farm equipment sales as larger farm operations tend to replace their equipment more frequently, **(ix)** the Company's cash flow will remain sufficient to, in connection with its credit facilities, adequately finance its capital needs, **(x)** as stores are consolidated, certain functions can be centralized thereby reducing SG&A costs as a result, **(xi)** the anticipated improvement in ongoing revenue and cash-flow, including parts and service revenue, as our installed base increases, **(xii)** expectations that no material change will happen to our OEM relationships and related contractual agreements, **(xiii)** expectations that customers who purchase their equipment from the Company will, generally, return to the Company for their product support needs; **(xix)** the Company expects that its share price will return to a more typical range, allowing it to offset losses related to the total return swap; and, **(xx)** the renewal of its Syndicated Facility prior to maturity on September 24, 2018.

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

580 SUPER N
CASECE.COM
ROCKY MOUNTAIN EQUIPMENT
WARNING
CRUSH HAZARD KEEP CLEAR
Support loader lift arms during mainte- nance or repair.
WARNING
ENTANGLEMENT HAZARD
Keep clear or stop engine before servicing.
HYDRAULIC FLUID

MANAGEMENT'S REPORT TO SHAREHOLDERS

WE ENDED THE YEAR A BETTER, STRONGER ORGANIZATION.

SILVERBACK
CERAMIC
E-COATED
OE QUALITY
NEW SHOES
HEAT-TREATED
REINFORCED WELDS
3230951
PULSAR

MANAGEMENT'S REPORT TO SHAREHOLDERS

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

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

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

PricewaterhouseCoopers LLP, an independent firm of Chartered Professional Accountants, was appointed by the shareholders to audit the Financial Statements and provide an independent opinion.

CONSOLIDATED FINANCIAL STATEMENTS

WE GENERATED RECORD PRODUCT SUPPORT REVENUE.

CHRIS
RME
ROCKY MOUNTAIN EQUIPMENT

March 15, 2016

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Rocky Mountain Dealerships Inc.

We have audited the accompanying consolidated financial statements of Rocky Mountain Dealerships Inc. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2015 and December 31, 2014 and the consolidated statements of net earnings, comprehensive income, change in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Rocky Mountain Dealerships Inc. and its subsidiaries as at December 31, 2015 and December 31, 2014 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

CONSOLIDATED BALANCE SHEETS

Expressed in Thousands of Canadian Dollars

	NOTE	DECEMBER 31, 2015 $	DECEMBER 31, 2014 $
Assets			
Current			
Cash		21,691	22,952
Restricted cash	6	879	4,560
Trade receivables and other	7	25,152	33,807
Inventory	8	499,760	526,003
Income taxes receivable		47	-
Prepaid expenses		5,513	5,478
Assets held for sale	9	10,542	2,252
Total current assets		563,584	595,052
Non-current			
Property and equipment	11	39,888	32,886
Deferred tax asset	22.2	2,367	1,186
Intangible assets	10	671	-
Goodwill	12	18,802	14,692
Total non-current assets		61,728	48,764
Total assets		625,312	643,816

CONSOLIDATED BALANCE SHEETS, CONTINUED

Expressed in Thousands of Canadian Dollars

	NOTE	DECEMBER 31, 2015 $	DECEMBER 31, 2014 $
Liabilities			
Current			
Bank indebtedness	15	5,001	-
Trade payables, accruals and other	13	33,963	34,409
Income taxes payable		-	6,661
Floor plan payable	14	356,568	382,081
Deferred revenue		4,404	4,925
Current portion of long-term debt	16	4,852	10,560
Current portion of obligations under finance leases	17	71	453
Current portion of derivative financial instruments	27.6	4,040	-
Liabilities associated with assets held for sale	9	1,562	253
Total current liabilities		410,461	439,342
Non-current			
Long-term debt	16	40,080	32,776
Obligations under finance leases	17	154	9
Derivative financial instruments	27.6	4,859	3,282
Total non-current liabilities		45,093	36,067
Total liabilities		455,554	475,409
Commitments, contingencies and guarantees	18, 27.3		
Shareholders' Equity			
Common shares		87,709	87,709
Contributed surplus		5,929	5,429
Accumulated other comprehensive loss		(3,609)	(2,084)
Retained earnings		79,729	77,353
Total shareholders' equity		169,758	168,407
Total liabilities and shareholders' equity		625,312	643,816

APPROVED BY THE BOARD

"Signed" Dennis Hoffman
Dennis Hoffman, Director

"Signed" Matthew Campbell
Matthew Campbell, Director

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

CONSOLIDATED STATEMENTS OF NET EARNINGS

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

	NOTE	DECEMBER 31, 2015 $	DECEMBER 31, 2014 $
Sales			
New equipment		449,997	521,747
Used equipment		377,482	303,536
Parts		107,509	101,622
Service		35,865	35,064
Other		4,603	3,438
Total sales	20	975,456	965,407
Cost of sales	8	833,475	819,785
Gross profit		141,981	145,622
Selling, general and administrative	21	111,776	105,756
Interest on short-term debt		12,747	11,483
Interest on long-term debt		2,060	2,182
Earnings before income taxes		15,398	26,201
Income taxes			
Current		5,334	10,652
Deferred	22.2	(1,229)	(3,376)
Total income taxes	22.1	4,105	7,276
Net earnings		11,293	18,925
Earnings per share			
Basic	23	0.58	0.98
Diluted	23	0.58	0.98

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended
Expressed in Thousands of Canadian Dollars

	NOTE	DECEMBER 31, 2015 $	DECEMBER 31, 2014 $
Net earnings		11,293	18,925
Other comprehensive loss			
Items which will subsequently be reclassified to net earnings:			
Unrealized loss on derivative financial instruments, net of tax	27.6	(1,525)	(1,122)
Total other comprehensive loss for the year, net of tax		(1,525)	(1,122)
Comprehensive income		9,768	17,803

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Expressed in Thousands of Canadian Dollars and Thousands of Common Shares

	NOTE	COMMON SHARES	
		NUMBER OF SHARES	AMOUNT $
Balance, January 1, 2015		19,384	87,709
Equity-settled share-based payment expense		-	-
Net earnings		-	-
Other comprehensive loss		-	-
Dividends paid	19.2	-	-
Balance, December 31, 2015	19.1	19,384	87,709

	NOTE	COMMON SHARES	
		NUMBER OF SHARES	AMOUNT $
Balance, January 1, 2014		19,313	86,695
Shares issued upon exercise of stock options	19.3	71	1,014
Equity-settled share-based payment expense		-	-
Net earnings		-	-
Other comprehensive loss		-	-
Dividends paid	19.2	-	-
Balance, December 31, 2014	19.1	19,384	87,709

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

CONTRIBUTED SURPLUS $	ACCUMULATED OTHER COMPREHENSIVE LOSS $	RETAINED EARNINGS $	TOTAL EQUITY $
5,429	(2,084)	77,353	168,407
500	-	-	500
-	-	11,293	11,293
-	(1,525)	-	(1,525)
-	-	(8,917)	(8,917)
5,929	(3,609)	79,729	169,758

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended
Expressed in Thousands of Canadian Dollars

	NOTE	DECEMBER 31, 2015 $	DECEMBER 31, 2014 $
Operating activities			
Net earnings		11,293	18,925
Adjustments for:			
Depreciation expense	10,11	7,803	7,057
Deferred tax recovery	22.2	(1,229)	(3,376)
Equity-settled share-based payment expense	21	500	1,122
Gain on disposal of property and equipment	11	(302)	(995)
Loss on derivative financial instruments	27.6	3,548	68
Changes in non-cash working capital	24	13,847	(6,077)
Total cash generated from operating activities		35,460	16,724
Financing activities			
Repayment of long-term debt	16	(19,008)	(10,958)
Proceeds from long-term debt		15,566	2,210
Net change in obligations under finance leases		(237)	(902)
Dividends paid	19.2	(8,917)	(8,598)
Deferred debt issuance costs		(192)	-
Proceeds from issuance of common shares		-	659
Total cash used from financing activities		(12,788)	(17,589)
Investing activities			
Purchase of property and equipment	11	(13,284)	(11,906)
Disposal of property and equipment	11	1,041	2,265
Purchase of equipment dealerships, net of cash acquired	5	(16,691)	(1,264)
Total cash used from investing activities		(28,934)	(10,905)
Net decrease in cash		(6,262)	(11,770)
Cash, beginning of year		22,952	34,722
Cash, end of year		16,690	22,952

CONSOLIDATED STATEMENTS OF CASH FLOWS, CONTINUED

Years Ended
Expressed in Thousands of Canadian Dollars

	NOTE	DECEMBER 31, 2015 $	DECEMBER 31, 2014 $
Taxes paid (received)		12,042	(896)
Interest paid		14,745	13,665
Cash, end of period consists of:			
Cash		21,691	22,952
Bank indebtedness	15	(5,001)	-
Cash, end of year		16,690	22,952

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2015 and 2014
Expressed in Thousands of Canadian Dollars Except Per Share and Per Option Amounts

1. GENERAL INFORMATION

Rocky Mountain Dealerships Inc. (the "Company") is incorporated under the Business Corporations Act (Alberta). Through its wholly-owned subsidiaries, the Company sells, leases and provides product and warranty support for a wide variety of agriculture and industrial equipment in Western Canada. All of the Company's operating subsidiaries are incorporated in Alberta, Canada and all of the equipment dealership locations operate under the name "Rocky Mountain Equipment".

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

2. BASIS OF PREPARATION

2.1. Statement of compliance

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards. These consolidated financial statements were authorized for issue by the Board of Directors on March 15, 2016.

2.2. Adoption of new and revised standards and interpretations

No new standards, interpretations or amendments were adopted for the first time from January 1, 2015, which had a material impact on the Company's financial statements.

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

Amendment to IAS 1, 'Presentation of financial statement'

Amended to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. This amendment is effective for fiscal periods beginning on or after January 1, 2016.

IFRS 15, 'Revenue from contracts with customers'

IFRS 15 provides a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. The underlying principle is that an entity will recognise revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. This standard is effective for fiscal periods beginning on or after January 1, 2018.

IFRS 9, 'Financial instruments'

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2015 and 2014
Expressed in Thousands of Canadian Dollars Except Per Share and Per Option Amounts

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

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

IFRS 16, 'Leases'

IFRS 16 replaces IAS 17 and requires all leases to be recognized as a lease liability on the balance sheet. This standard includes an optional exemption for certain short-term leases and leases of low-value assets and is effective for fiscal periods beginning on or after January 1, 2019.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Basis of measurement

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

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

3.2. Basis of consolidation

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

3.3. Business combinations

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

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

Goodwill is measured as the excess of the consideration transferred over the net of the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed. If the net of the acquisition-date amounts of the identifiable assets acquired and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2015 and 2014
Expressed in Thousands of Canadian Dollars Except Per Share and Per Option Amounts

liabilities assumed exceeds the sum of the consideration transferred, the excess is recognized immediately in net earnings as a bargain purchase gain.

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

3.4. Segment reporting

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

3.5. Cash

Cash consists of cash on hand.

3.6. Restricted cash

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

3.7. Bank indebtedness

Bank indebtedness consists of draws on our operating line.

3.8. Property and equipment

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

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

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

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in net earnings. Items of property and equipment are tested for impairment as discussed in Note 3.11.

3.9. Key estimates and judgements

The preparation of financial statements in accordance with IFRS requires management to make estimates

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2015 and 2014
Expressed in Thousands of Canadian Dollars Except Per Share and Per Option Amounts

and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Balances in these consolidated financial statements that are subject to estimation include the allowance for doubtful accounts (Note 7), the net realizable value of inventory (Note 3.14), the depreciation periods and methods applied to items of property and equipment (Note 3.8), the net recoverable value of goodwill (Note 12), the fair value of derivative financial instruments (Note 3.21.10), impairment of goodwill and other assets (Note 3.10, Note 3.11), shared-based compensation (Note 3.17), and the fair value of business combinations (Note 3.3).

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

3.10. Goodwill and impairment of goodwill

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

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

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

3.11. Impairment of assets other than goodwill

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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also allocated to individual CGUs on the basis of the distribution of assets deployed in the CGU.

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

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

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

3.12. Earnings per share

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

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

3.13. Leases

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

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

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

3.14. Inventory

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

3.15. Revenue recognition

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

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3.15.1. Sale of goods

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

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

3.15.2. Rendering of services

Revenue derived from the rendering of services is recognized when:

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

3.15.3. Other revenue

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

3.16. Deferred revenue

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

3.17. Share-based transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The Company follows the fair value based method of accounting, using the Black-Scholes option pricing model, whereby compensation expense is recognized over the vesting period and is based on the Company's estimate of awards that will ultimately vest, with a corresponding increase to contributed surplus. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 19.3.

Cash-settled share-based payments are recorded as liabilities and are measured initially at their fair values. At the end of each reporting period and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in net earnings for the period. Details regarding the determination of the fair value of cash-settled share-based payments are set out in Note 19.4 and Note 19.5.

3.18. Employee Share Ownership Plan

The Company has an Employee Share Ownership Plan ("ESOP"). Under the ESOP, employees can contribute a percentage of their annual gross salary by way of payroll deductions. For employees with 3 years or less

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of service, the Company matches up to 2% of earnings, to a maximum of $2 per annum. For employees with more than 3 years of service, the Company matches up to 5% of earnings, to a maximum of $5 per annum or an amount modified and approved by the Company's Compensation, Governance and Nominating Committee. The Company's contributions vest to the employee on December 31 of the contribution year and are expensed as incurred.

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

3.19. Income taxes

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

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

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

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

3.20. Foreign currency translation

Transactions in currencies other than the Company's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions.

At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at prevailing rates.

3.21. Financial instruments

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

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

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3.21.1. Classification of financial instruments

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

3.21.2. Effective interest method

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

3.21.3. Financial instruments at FVTPL

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

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

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

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

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

Financial assets classified as at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in net earnings. The net gain or loss recognised in net earnings incorporates any dividends or interest earned on the financial asset and is included in selling, general and administrative expenses. The Company has designated its derivative financial instruments as at FVTPL. Fair value is determined in the manner described in Notes 3.21.10 and 27.6.

3.21.4. Loans and receivables

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

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

3.21.5. Other financial liabilities

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

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

3.21.6. Impairment of financial assets

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

3.21.7. Derecognition of financial instruments

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

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

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

3.21.8. Classification as debt or equity

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

3.21.9. Equity instruments

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

3.21.10. Derivative financial instruments and hedging activities

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

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using applicable yield curves at each measurement date. Swap curves, which incorporate credit spreads applicable to large commercial banks, are typically used to calculate expected future cash flows and the present values thereof. Adjustments are also made to reflect the Company's own credit risk and the credit risk of the counter party, if different from the spread implicit in the swap curve.

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

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

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

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

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

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

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

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

The Company has a number of total return swaps outstanding that are intended to reduce the variability of cash flows and, to a lesser extent, earnings associated with stock-based compensation awards that will settle in cash, namely, the SARs and DSUs. The total return swaps do not qualify as accounting hedges and, therefore, the fair value adjustment at the end of each reporting period is recognized in selling, general and administrative expenses.

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4. PRIOR YEAR COMPARATIVE DISCLOSURES

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

5. ACQUISITIONS

During the years ended December 31, 2015 and 2014, the Company completed three business acquisitions. Over time, the company expects these acquisitions to offer synergies in the forms of cost reduction, an expanded market to distribute used inventory and an expanded territory for sales and product support. Acquisitions completed during these periods are as follows:

2015 Acquisitions

Chabot Implements

On April 1, 2015, the Company acquired 100% of the issued and outstanding common shares of the entities forming Chabot Implements ("Chabot"), a Manitoba-based dealer of Case IH agriculture equipment with stores in Portage La Prairie, Steinbach and Elie. Chabot also represented various short-lines including Bourgault, MacDon and Kubota through its Neepawa, Manitoba location. During Q4 2015, we consolidated the acquired Neepawa location into our existing Neepawa location and have the acquired location up for sale (Note 9). The operating results of the business acquired are consolidated from April 1, 2015, the date control was acquired. It is the Company's intention to settle all long-term debt assumed pursuant to the acquisition of Chabot within its normal operating cycle and as such, all long-term debt assumed has been classified as current.

NGF Geomatics Inc.

On February 12, 2015, the Company acquired 100% of the issued and outstanding common shares of NGF Geomatics Inc. ("NGF"), a geomatics company specializing in the collection of geospatial survey data using unmanned aerial vehicles. NGF is a start-up company with minimal assets and liabilities and is included in our agriculture segment. The operating results of the business acquired are consolidated from February 12, 2015, the date control was acquired.

2014 Acquisitions

York Auto Supply

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

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	2015			2014
	NGF $	**CHABOT $**	**TOTAL $**	**YAS $**
Purchase price allocation				
Cash consideration				
Paid	902	8,656	9,558	1,264
Payable	-	751	751	-
Purchase consideration	902	9,407	10,309	1,264
Net working capital				
Cash	7	-	7	-
Trade receivables and other	41	1,132	1,173	226
Income tax receivable	15	369	384	-
Inventory	-	43,587	43,587	339
Bank indebtedness	-	(7,140)	(7,140)	-
Trade payables, accruals and other	(3)	(2,609)	(2,612)	-
Floor plan payable	-	(32,782)	(32,782)	-
Current portion of long-term debt	-	(4,977)	(4,977)	-
	60	(2,420)	(2,360)	565
Property and equipment	20	8,309	8,329	699
Deferred tax liability	(220)	(372)	(592)	-
Intangible assets	822	-	822	-
Goodwill	220	3,890	4,110	-
Net assets	902	9,407	10,309	1,264

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Cash flows outflows associated with business combinations are presented net of cash acquired and bank indebtedness assumed as summarized in the following table:

	2015			2014
	NGF $	CHABOT $	TOTAL $	YAS $
Cash consideration paid	902	8,656	9,558	1,264
Less: cash acquired	(7)	-	(7)	-
Plus: bank indebtedness assumed	-	7,140	7,140	-
Cash outflows associated with business combinations	895	15,796	16,691	1,264

The Company incurred $188 of acquisition related costs during the year ended December 31, 2015 (2014 – $18). These costs are recognized as administrative expenses within selling, general and administrative expenses in the period in which they are incurred.

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The acquisitions effected during the year ended December 31, 2015, generated revenue of $34,483 during the year of acquisition (2014 – $958) and net loss of $562 (2014 – net loss of $120). Had these business combinations been effected at January 1 of the acquisition year, the Company estimates that consolidated revenue and net earnings for the year ended December 31, 2015 would have been $983,700 and $11,294, respectively (2014 – $967,563 and $18,655, respectively). The pro forma revenues and earnings are not necessarily indicative of the results that actually would have occurred had these acquisitions taken place on January 1, or of the results which may be obtained in the future.

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

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

6. RESTRICTED CASH

Restricted cash as at December 31, 2015 is comprised of $879 related to a hold back on the Chabot acquisition that is held in trust (2014 – comprised of $4,560 related to the issuance of treasury bills).

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7. TRADE RECEIVABLES AND OTHER

	DECEMBER 31, 2015 $	DECEMBER 31, 2014 $
Trade receivables		
Current	11,866	15,552
Aged between 61 – 120 days	1,415	2,065
Aged greater than 120 days	2,528	2,024
	15,809	19,641
Allowance for doubtful accounts	(1,939)	(1,745)
Net trade receivables	13,870	17,896
Contracts in transit	9,732	13,683
Warranty receivables	1,550	2,228
	25,152	33,807

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

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The allowance for doubtful accounts can be reconciled as follows:

	DECEMBER 31, 2015 $	DECEMBER 31, 2014 $
As at January 1,	1,745	1,272
Provided for during the year, net of recoveries	479	1,021
Written-off during the year	(285)	(548)
As at December 31,	1,939	1,745

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

8. INVENTORY

	DECEMBER 31, 2015 $	DECEMBER 31, 2014 $
New equipment	172,335	213,685
Used equipment	287,784	273,306
Parts	37,872	36,455
Work-in-progress	1,769	2,557
	499,760	526,003

For the year ended December 31, 2015, inventory recognized as an expense amounted to $819,064 (2014 – $804,693), which is included in cost of sales in the consolidated statement of net earnings. For the year ended December 31, 2015, there were net write downs of inventory to net realizable value of $6,497 (2014 – $3,177) in cost of sales in the consolidated statement of net earnings. The Company's inventory has been pledged as security for its bank indebtedness, floor plan payable and long-term debt.

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9. ASSETS HELD FOR SALE

As at December 31, 2015, three parcels of land with a net book value of $8,472 (2014 – one parcel of land with a net book value of $2,252) are classified as held for sale. The debt associated with the land amounts to $Nil (2014 – $253) and have been classified as a current liability.

In 2015, the Company made the decision to divest itself of a portion of the inventory and related distribution territory of an agriculture short-line it represents. "Short-line" is a term commonly used in the agriculture equipment manufacturing and distribution industry.

Typically, a "short-line" is a manufacturer or brand that limits its product offering to specific equipment segments or categories, as opposed to providing a full line equipment offerings.

As at December 31, 2015, the whole-goods and parts associated with this portion of the short-line are classified as assets held for sale in the amount of $2,070 (2014 – $Nil). The floor plan associated with this inventory amounts to $1,562 (2014 – $Nil) and has been classified as a current liability. This transaction closed in early 2016.

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10. INTANGIBLE ASSETS

Intangible assets is comprised of technology acquired from the NGF acquisition.

	INTANGIBLE ASSETS $
Cost	
December 31, 2014	-
Business combinations (Note 5)	822
December 31, 2015	822
Accumulated depreciation	
December 31, 2014	-
Depreciation charge	151
December 31, 2015	151
Net book value	
December 31, 2014	-
December 31, 2015	671

The amortization expense of $151 has been recorded in selling, general and administrative expense.

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11. PROPERTY AND EQUIPMENT

	LAND $	BUILDINGS $	COMPUTER EQUIPMENT $
Cost			
January 1, 2014	10,524	482	7,830
Additions	2,492	3,138	1,169
Business combinations (Note 5)	145	359	38
Asset held for sale (Note 9)	(2,252)	-	-
Disposals	-	-	(95)
December 31, 2014	10,909	3,979	8,942
Assets reclassified from assets held for sale	2,252	-	-
Additions	1,203	5,516	980
Business combinations (Note 5)	2,787	4,693	-
Assets held for sale (Note 9)	(8,311)	(161)	-
Disposals	-	(67)	(39)
December 31, 2015	8,840	13,960	9,883
Accumulated depreciation			
January 1, 2014	-	316	4,060
Depreciation charge	-	50	1,524
Disposals	-	-	(26)
December 31, 2014	-	366	5,558
Depreciation charge	-	386	1,676
Disposals	-	(15)	(38)
December 31, 2015	-	737	7,196
Net book value			
January 1, 2014	10,524	166	3,770
December 31, 2014	10,909	3,613	3,384
December 31, 2015	8,840	13,223	2,687

Included in selling, general and administrative expenses for the year ended December 31, 2015 is depreciation expense of $7,652 (2014 – $7,057) and a gain on the disposal of property and equipment of $302 (2014 – gain of $995).

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FURNITURE AND FIXTURES $	LEASEHOLD IMPROVEMENTS $	SHOP TOOLS AND EQUIPMENT $	VEHICLES $	TOTAL $
3,132	4,685	8,413	18,780	53,846
440	692	1,437	2,538	11,906
36	-	86	35	699
-	-	-	-	(2,252)
-	(22)	(90)	(3,741)	(3,948)
3,608	5,355	9,846	17,612	60,251
-	-	-	-	2,252
670	525	1,649	2,741	13,284
179	107	222	341	8,329
-	-	-	-	(8,472)
(70)	(53)	(452)	(1,999)	(2,680)
4,387	5,934	11,265	18,695	72,964
1,985	1,189	5,725	9,711	22,986
452	661	1,409	2,961	7,057
-	(9)	(62)	(2,581)	(2,678)
2,437	1,841	7,072	10,091	27,365
460	660	1,463	3,007	7,652
(70)	(50)	(328)	(1,440)	(1,941)
2,827	2,451	8,207	11,658	33,076
1,147	3,496	2,688	9,069	30,860
1,171	3,514	2,774	7,521	32,886
1,560	3,483	3,058	7,037	39,888

As at December 31, 2015, assets under finance leases included in computer equipment and vehicles have net carrying amounts of $186 and $63 (2014 – $440 and $199), respectively. Certain items of property and equipment have been pledged as security for liabilities as disclosed in Notes 15, 16 and 17.

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12. GOODWILL

	DECEMBER 31, 2015 $	DECEMBER 31, 2014 $
Opening balance	14,692	14,692
Recognized on business acquisitions (Note 5)	4,110	-
Ending balance	18,802	14,692

Goodwill recognized pursuant to a business combination is allocated, at the time of acquisition, to the Company's CGU that is expected to benefit from that business combination. As at December 31, 2015 and 2014 the Company has identified two CGU's, agriculture and industrial. All goodwill has been allocated to the agriculture CGU.

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

As at December 31, 2015 and 2014, the Company prepared cash flow forecasts derived from the most recent financial plans prepared by management and extrapolated these cash flows into perpetuity using growth assumptions relevant to the business sector. The growth rate used for the purposes of these analyses was 2.0%.

As at December 31, 2015, the rate used to discount the forecasted cash flows was 10.9% (2014 – 11.7%), and represents the Company's estimate of the pre-tax discount rate reflecting current market assessments of the time value of money and the risks specific to the particular CGU. The recoverable amount of the CGU to which goodwill has been allocated exceeded its carrying value at the impairment test dates.

The Company has conducted a sensitivity analysis based on possible changes in the key assumptions used for the impairment tests. Had the estimated cost of capital used in determining the pre-tax discount rates been 6.4% (2014 – 5.5%) higher than management's estimates or the estimated growth rate used in extrapolating forecasted results been 13.8% (2014 – 12.1%) lower, the recoverable amount of the CGU would equal its carrying amount for the respective periods. Any additional change in the assumption would cause goodwill to be impaired.

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13. TRADE PAYABLES, ACCRUALS AND OTHER

	DECEMBER 31, 2015 $	DECEMBER 31, 2014 $
Trade payables and accruals	33,466	33,711
Directors' share units (Note 19.4)	454	680
Share appreciation rights (Note 19.5)	43	18
	33,963	34,409

14. FLOOR PLAN PAYABLE

The Company utilizes floor plan financing arrangements with various suppliers and creditors to finance whole-good inventory on hand. The terms of these arrangements may include up to a twelve month interest-free period followed by a fixed or variable interest rate term ranging from 0.0% to the bank's prime rate plus 4.3% at December 31, 2015 (2014 – ranging from 0.0% to the bank's prime rate plus 4.3%). At December 31, 2015, the Company had unused floor plan of approximately $233,372 available (2014 – $154,919). The amounts due are secured by specific new and used equipment inventories and the payments are due when the equipment is sold or transferred, up to a maximum term of 48 months. At December 31, 2015, the Company had $6,818 of floor plan outstanding in US currency (2014 – $2,911) The entire amount of floor plan payable has been classified as current, as the corresponding inventory to which it relates has also been classified as current.

Pursuant to agreements with lenders, the Company is required to monitor and report certain non-IFRS measures (Note 28).

15. BANK INDEBTEDNESS

The Company's bank indebtedness is comprised of an operating facility (the "Operating Facility") made available to the Company through a revolving credit facility with a syndicate of lenders (the "Syndicated Facility") which matures on September 24, 2018. The Operating Facility is utilized to advance up to the lesser of the established borrowing base and $70,000. The borrowing base is supported by otherwise unencumbered assets including certain accounts receivable, inventory and items of property and equipment, less priority payables. Within the Operating facility is a $7,000 letter of credit pledged as security for the hedged position on the total return swaps (Note 27.6). The effective interest rate at December 31, 2015 was 3.7%.

16. LONG-TERM DEBT

During the second quarter of 2015, the Company renewed its Syndicated Facility. As part of the renewal, the Company's minimum Fixed Charge Coverage Ratio was amended to 1.20:1.00 from 1.25:1.00.

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During the third quarter of 2015, the Company amended its Syndicated Facility. As part of the amendment, the Company consolidated and re-termed its former Acquisition, Real Estate and Debenture Repayment Facilities (as described below) into one term facility (the "Term Facility"). The former Fleet Facility (as described below) was consolidated into the Operating Facility, which is classified as bank indebtedness. The $45,000 balance on the Term Facility has an interest-only period for the first six months, followed by a seven year repayment period. The total debt issuance costs for the syndicate amendment were $751, where $542 of the cost is attributed to the Operating and Flooring Facility and the remaining $209 is attributed to the Term Facility. The debt issuance costs are amortized into short- and long-term interest, respectively, over the term of the Syndicated Facility using the effective interest method. Included in long-term interest expenses for the year ended December 31, 2015 is debt issuance costs related to the Term facility of $17 (2014 – $Nil).

The following table summarizes the Company's long-term debt.

	DECEMBER 31, 2015 $	DECEMBER 31, 2014 $
Debenture Repayment Facility, amortized with quarterly principal instalments of $875 plus interest with the remaining principal due on September 30, 2017. The effective interest rate at December 31, 2014 was 3.3%.	-	26,250
Acquisition Facility, revolving facility payable in monthly principal instalments over 60 months plus interest. The effective interest rate at December 31, 2014 was 3.3%.	-	11,782
Fleet Facility, revolving facility payable in monthly principal instalments over 36 – 60 months plus interest. The effective interest rate at December 31, 2014 was 3.6%.	-	4,957
Term Facility, revolving facility with interest-only period to April 1, 2016, then payable in quarterly principal instalments over 28 quarters plus interest. The effective interest rate at December 31, 2015 was 2.9%	45,000	-
Various other facilities	124	600
	45,124	43,589
Less: current portion	(4,852)	(10,560)
Less: liabilities associated with assets held for sale	-	(253)
Less: deferred debt issuance cost	(192)	-
Long-term portion	40,080	32,776

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17. OBLIGATIONS UNDER FINANCE LEASES

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

Interest rates underlying all obligations under finance leases are fixed at the respective contract dates ranging from 2.7% to 7.1% at December 31, 2015 (2014 – 3.4% to 7.6%).

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

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

	DECEMBER 31, 2015 $	DECEMBER 31, 2014 $
Due within one year	77	492
Due later than one year and not later than five years	160	9
Due later than five years	-	-
Total future minimum lease payments	237	501
Less: future finance charges	(12)	(39)
Present value of future minimum lease payments	225	462
Current portion of obligations under finance leases	(71)	(453)
Long-term portion of obligations under finance leases	154	9

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18. CONTINGENCY AND GUARANTEE

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

19. SHARE CAPITAL

19.1. Common shares

The Company is authorized to issue an unlimited amount of common shares with no par value. As at December 31, 2015, 19,384 thousand shares were issued and outstanding (2014 – 19,384 thousand). All issued and outstanding shares were fully paid as at December 31, 2015 and 2014.

19.2. Dividends paid

Dividends paid during the year ended December 31, 2015 were $8,917 or $0.46 per share (2014 – $8,598 or $0.445 per share).

In respect of the fourth quarter of 2015, the Board of Directors declared a dividend of $0.115 per common share on the Company's outstanding common shares. The dividend is payable on March 31, 2016, to shareholders of record at the close of business on February 29, 2016. The payment of this dividend will not have any tax consequences for the Company.

19.3. Stock options

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

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

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

	DECEMBER 31, 2015	DECEMBER 31, 2014
Risk-free interest rate	-	1.5%
Expected option life (years)	-	3.8
Expected volatility[1]	-	27.1%
Expected annual dividend per share	-	$0.40
Exercise price	-	$11.52
Share price on grant date	-	$11.52
Fair value	-	$1.81

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

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

	2015		2014	
	NUMBER OF OPTIONS (THOUSANDS)	WEIGHTED AVERAGE EXERCISE PRICE $	NUMBER OF OPTIONS (THOUSANDS)	WEIGHTED AVERAGE EXERCISE PRICE $
January 1,	1,236	11.68	945	11.61
Granted	-	-	432	11.52
Exercised	-	-	(71)	9.26
Forfeited	(71)	11.97	(70)	12.15
December 31,	1,165	11.66	1,236	11.68

The weighted average share price at the date of exercise for the options exercised during the year ended December 31, 2015 was $Nil (2014 – $10.00).

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Options outstanding at December 31, 2015 are summarized as follows:

GRANT DATE	OPTIONS OUTSTANDING (THOUSANDS)	OPTIONS EXERCISABLE (THOUSANDS)	WEIGHTED AVERAGE EXERCISE PRICE ($)	WEIGHTED AVERAGE CONTRACTUAL LIFE (YEARS)
March 11, 2011	30	30	10.39	0.2
August 11, 2011	142	142	8.71	0.6
March 28, 2012	237	237	11.96	1.2
March 13, 2013	363	242	12.89	2.2
March 13, 2014	393	131	11.52	3.2
	1,165	782	11.66	2.1

19.4. Directors' share unit plan

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

Upon redemption and at each reporting period, the DSUs are valued on a per DSU basis at an amount equal to the volume weighted average trading price of the Company's shares over the immediately preceding 20 day trading period. At December 31, 2015, $454 was included in trade payables, accruals and other with respect to the DSUs (2014 – $680). During the year ended December 31, 2015, 26 DSU's were redeemed (2014 – Nil DSU's were redeemed).

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

	2015		2014	
	DSUS (THOUSANDS)	$	DSUS (THOUSANDS)	$
January 1,	75	680	53	656
Granted[1]	26	220	22	247
Redeemed	(26)	(235)	-	-
Loss on mark to market revaluation[1]	-	(211)	-	(223)
December 31,	75	454	75	680

[1] *Included in selling general and administrative expenses.*

19.5. Share appreciation rights plan

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

In 2015, the company granted 673,000 SARs with an exercise price of $8.82 (2014 – 550,000 SARs with an exercise price of $10.93). As at December 31, 2015, 1,145,500 SARs were outstanding (2014 – 550,000). As at December 31, 2015, the Company recognized a liability of $43 (2014 - $18) and an expense of $24 (2014 - $18).

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

	2015	2014
Risk-free interest rate	0.6%	1.4%
Expected option life (years)	2.7	3.8
Expected volatility[1]	27.6%	25.6%
Expected annual dividend per share	$0.46	$0.46
Exercise price	$9.74	$10.93
Share price	$6.24	$9.50
Fair value	$0.13	$0.83

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

As at December 31, 2015 and 2014, the Company has several total return swaps as an economic hedge for our DSUs and SARs (Note 27.6).

19.6. Employee share ownership plan

During the year ended December 31, 2015, the Company recognized $1,191 in selling, general and administrative expenses in respect of employee contributions to the ESOP plan which were matched by the Company (2014 – $1,040).

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20. SALES

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

	DECEMBER 31, 2015 $	DECEMBER 31, 2014 $
Agriculture equipment sales	777,352	737,220
Industrial equipment sales	50,127	88,063
Parts sales	107,509	101,622
Sale of goods	934,988	926,905
Rendering of services	40,468	38,502
Total sales	975,456	965,407

21. SELLING, GENERAL AND ADMINISTRATIVE

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

	DECEMBER 31, 2015 $	DECEMBER 31, 2014 $
Compensation and related expenses	67,273	65,052
Administrative expenses	21,764	18,744
Rent and other facility expenses	14,436	13,781
Depreciation expense	7,803	7,057
Equity-settled share-based payment expense	500	1,122
Total selling, general and administrative expenses	111,776	105,756

Included in compensation and related expenses for the year ended December 31, 2015 are variable sales commissions of $14,323 (2014 – $14,658). Costs included in administrative expenses are marketing, training, insurance, travel, professional fees and other miscellaneous expenses. Also included in administrative expenses for the year ended December 31, 2015 are losses of $3,548 (2014 – losses of $68) related to non-cash mark to market of derivative financial instruments.

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22. INCOME TAXES

22.1. Income tax recognized in net earnings

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

	DECEMBER 31, 2015 $	DECEMBER 31, 2014 $
Earnings before income taxes	15,398	26,201
Computed tax at statutory tax rate of 26% (2014 – 25%)	4,003	6,550
Non-deductible expenses	253	411
Change in enacted rates	(55)	(6)
Adjustment from prior year income tax expenses	(49)	246
Other	(47)	75
	4,105	7,276

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22.2. Deferred tax asset (liability)

	SHARE ISSUE COSTS $	CUMULATIVE ELIGIBLE CAPITAL $	PROPERTY AND EQUIPMENT $	INTANGIBLE ASSET $	PARTNER-SHIP DEFERRAL $	DSUS $	INTEREST RATE SWAPS $	TOTAL $
January 1, 2014	329	171	(103)	-	(3,572)	164	435	(2,576)
Recognized in net earnings	(142)	(32)	(44)	-	3,572	6	16	3,376
Recognized in equity (Note 27.6)	-	-	-	-	-	-	386	386
December 31, 2014	187	139	(147)	-	-	170	837	1,186
Added in acquisition (Note 5)	-	-	(370)	(222)	-	-	-	(592)
Recognized in net earnings	(98)	(23)	334	41	-	(47)	1,022	1,229
Recognized in equity (Note 27.6)	-	-	-	-	-	-	544	544
December 31, 2015	89	116	(183)	(181)	-	123	2,403	2,367

The Company also has unrecognized deferred tax assets related to $3,150 capital losses and deferred tax assets related to $1,510 non-capital losses. The capital losses do not expire and the non-capital losses expire in 2035.

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23. EARNINGS PER SHARE

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

THOUSANDS	DECEMBER 31, 2015	DECEMBER 31, 2014
Weighted average number of ordinary shares used in the calculation of basic EPS	19,327	19,280
Dilutive impact of stock options	-	29
Weighted average number of ordinary shares used in the calculation of diluted EPS	19,327	19,309

For the year ended December 31, 2015, 1,165 stock options were anti-dilutive (2014 – 1,056).

24. CHANGES IN NON-CASH WORKING CAPITAL

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

	DECEMBER 31, 2015 $	DECEMBER 31, 2014 $
Restricted cash	3,681	(4,560)
Trade receivables and other	9,828	(4,213)
Income taxes receivable	337	4,887
Inventory	69,830	(46,334)
Prepaid expenses	(35)	65
Assets held for sale	(2,070)	-
Trade payables, accruals and other	(3,809)	(867)
Income taxes payable	(6,661)	6,661
Floor plan payable	(58,295)	39,717
Liabilities associated with assets held for sale	1,562	-
Deferred revenue	(521)	(1,433)
	13,847	(6,077)

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25. OPERATING LEASE ARRANGEMENTS

Operating leases relate primarily to the Company's facilities with lease terms of between one and eleven years. Most building leases contain five-year renewal options. During the year ended December 31, 2015, the Company recognized $9,397 of operating lease payments as expenses (2014 – $8,973).

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

	DECEMBER 31, 2015 $	DECEMBER 31, 2014 $
Not later than one year	8,921	8,018
Later than one year and not later than five years	20,988	19,993
Later than five years	3,771	6,297
	33,680	34,308

26. RELATED PARTY TRANSACTIONS

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

	DECEMBER 31, 2015 $	DECEMBER 31, 2014 $
Equipment and product support sales	1,394	6,921
Expenditures		
Rental payment on Company facilities	5,589	5,435
Equipment purchases	665	3,846
Flight costs	83	191
Other expenses	92	70

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

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

	DECEMBER 31, 2015 $	DECEMBER 31, 2014 $
Salary and short-term benefits	1,897	2,061
Post-retirement benefits	25	33
Share-based payments	290	769
	2,212	2,863

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

	DECEMBER 31, 2015 $	DECEMBER 31, 2014 $
Due from related parties	111	61
Due to related parties	(13)	(112)

The amounts due from related parties are not secured and are to be settled in cash. As at December 31, 2015 and 2014, the amounts due from related parties are considered collectible and therefore have not been provided for in the allowance for doubtful accounts. During the year ended December 31, 2015, $Nil has been recognized in bad debt expenses with respect to related party transactions (2014 – $Nil).

Key management personnel are comprised of the Company's senior officers. As at December 31, 2015, there is a $1,044 commitment (2014 – $2,640) relating to the termination of employment of the key management personnel.

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The Company has contractual obligations to related parties in the form of facility leases. As at December 31, 2015, these contractual obligations and due dates are as follows:

$ THOUSANDS	TOTAL	2016	2017-2018	2019-2020	THERE-AFTER
Operating lease obligations	24,063	5,751	8,797	5,744	3,771

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk, market risk (consisting of foreign currency exchange risk, interest rate risk and equity price risk), and liquidity risk. The following analysis provides a measurement of risks as at December 31, 2015 and 2014.

27.1. Credit risk

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

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

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

27.2. Market risk

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

27.2.1. Foreign currency exchange risk and sensitivity analysis

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

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The following tables detail the Company's exposure to currency risk at December 31, 2015 and 2014 and a sensitivity analysis to changes in currency (a 5.0% change in currency was used for obligations that would be retired in 30 days or less and a 10.0% change in currency for obligations that would be retired within one year). The sensitivity analysis includes USD denominated monetary items and adjusts their translation at year end for their respective change in the USD. For the respective weakening of the USD, there would be an equal and opposite impact on the Company's net earnings.

	CHANGE IN CURRENCY RATES %	DENOMINATED IN USD $	EFFECT ON NET EARNINGS YEAR ENDED DECEMBER 31, 2015 $	DENOMINATED IN USD $	EFFECT ON NET EARNINGS YEAR ENDED DECEMBER 31, 2014 $
Cash	5.0	1,279	47	2,284	86
Trade payables, accruals and other	5.0	(274)	(10)	(481)	(18)
Floor plan payable	10.0	(4,941)	(361)	(2,911)	(218)
		(3,936)	(324)	(1,108)	(150)

Included in selling, general and administrative expenses are losses recognized due to foreign currency translation for transactions and balances aggregating $650 for the year ended December 31, 2015 (2014 – gains of $169).

27.2.2. Interest rate risk and sensitivity analysis

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

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

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The following table details the Company's exposure to interest rate risk as at December 31, 2015 and 2014 and a sensitivity analysis to an increase of interest rates by 0.5% on net earnings. The sensitivity includes floating rate financial liabilities and adjusts their effect at period end for a 0.5% increase in interest rates. A decrease of 0.5% would result in an equal and opposite effect on net earnings. This analysis excludes floating rate financial liabilities for which the Company has hedged its exposure to interest rate fluctuations though the use of floating-to-fixed interest rate swaps, as well as interest rate swaps themselves.

	CHANGE IN INTEREST RATES %	FLOATING RATE FINANCIAL LIABILITIES $	EFFECT ON NET EARNINGS YEAR ENDED DECEMBER 31, 2015 $	FLOATING RATE FINANCIAL LIABILITIES $	EFFECT ON NET EARNINGS YEAR ENDED DECEMBER 31, 2014 $
Floor plan payable[(1)]	0.5	144,618	528	205,977	772
Term facility	0.5	20,885	76	-	-
Acquisition facility	0.5	-	-	7,140	27
Fleet facility	0.5	-	-	4,957	19
Other long-term debt[(2)]	0.5	76	-	253	1
		165,579	604	218,327	819

[(1)]2015 includes liabilities associated with assets held for sale.
[(2)]2014 includes debt associated with assets held for sale.

27.2.3. Equity price risk and sensitivity analysis

The Company's financial liabilities are exposed to fluctuations in stock price with respect to the total return swaps. The following table details the Company's exposure to equity rate risk as at December 31, 2015 and 2014 and a sensitivity analysis to a decrease of the Company's stock price by 5% on net earnings. The sensitivity includes the total return swaps financial liabilities and adjusts the effect at period end for a 5% decrease in the stock price. An increase of 5% would result in an equal and opposite effect on net earnings.

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	CHANGE IN STOCK PRICE %	TOTAL RETURN SWAP FINANCIAL LIABILITY $	EFFECT ON NET EARNINGS YEAR ENDED DECEMBER 31, 2015 $	TOTAL RETURN SWAP FINANCIAL LIABILITY $	EFFECT ON NET EARNINGS YEAR ENDED DECEMBER 31, 2014 $
Total return swaps	5	(3,606)	(288)	(108)	(103)

27.3. Liquidity risk

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

The Company has credit facilities with a syndicate of lenders to help finance the general day-to-day cash requirements of its operations (the "Operating Facility"), to finance its inventory (the "Flooring Facility"), and to finance acquisitions, and real estate transactions (the "Term Facility"), (collectively the "Syndicated Facility").

The Syndicated Facility is a revolving facility secured in favour of the syndicate by a general security agreement. Advances under the Syndicated Facility may be made based on our lender's prime rate or the US base rate plus 1.0% – 2.5% or based on the banker's acceptance ("BA") rate plus 2.0% – 3.5%. The Company pays standby fees of between 0.4% and 0.7% per annum (2014 – 0.4% and 0.7%) on any undrawn portion of the Syndicated Facility. The Syndicated Facility matures on September 24, 2018 however, it is the Company's intention to renew this facility prior to its maturity date.

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

	DECEMBER 31, 2015 $	DECEMBER 31, 2014 $
Operating Facility	70,000	30,000
Term Facility	75,000	-
Flooring Facility	125,000	125,000
Acquisition Facility	-	30,000
Fleet Facility	-	10,000
Debenture Repayment Facility	-	26,250
Real Estate Facility	-	15,000

In addition to the Flooring Facility, the Company has additional floor plan facilities of approximately $467,000 as at December 31, 2015 (2014 – $412,000).

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

AS AT DECEMBER 31, 2015	INTEREST AND PRINCIPAL OUTSTANDING $	2016 $	2017-2018 $	2019-2020 $	THERE-AFTER $
Trade payables, accruals and other[1]	33,466	33,466	-	-	-
Floor plan payable[2]	370,861	370,861	-	-	-
Long-term debt	49,869	6,145	14,784	14,031	14,909
Obligations under finance leases	237	77	146	14	-
Derivative financial instruments	9,589	4,051	4,320	1,218	-
	464,022	414,600	19,250	15,263	14,909

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

[1] Trade payables, accruals and other excludes DSUs and SARs which are not financial instruments.
[2] Includes liabilities associated with assets held for sale.

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The Term Facility included in long-term debt is governed by a syndicate credit agreement which, if not renewed, will mature on September 24, 2018. It is management's intention to renew this credit agreement before its maturity date. The tables presented above assumes the agreement is renewed prior to maturity. In the event that the Syndicated Facility is not renewed prior to its maturity, the cash outflow for the long-term debt outstanding as at December 31, 2015 would be $41,908 in 2017-2018 and $Nil in subsequent periods (2014 – $34,040 for 2016-2017 and $Nil in subsequent periods).

27.4. Fair value of financial instruments carried at amortized cost

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

27.5. Fair value measurements recognized in the consolidated balance sheet

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

- Level 1 financial instruments are those which can be derived from quoted market prices (unadjusted) in active markets for similar financial assets or liabilities. The Company does not have any Level 1 financial instruments.

- Level 2 financial instruments are those whose fair value can be derived from inputs that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from price.

  The Company's Level 2 financial instruments consist of derivative financial liabilities in the form of interest rate swaps and total return swaps, which had a fair value of $8,899 at December 31, 2015 (2014 – $3,282).

- Level 3 financial instruments are those derived from valuation techniques that include inputs for the financial asset or liability which are not based on observable market data (unobservable inputs). The Company has no Level 3 financial instruments.

There were no transfers between Level 1 and 2 during the year 2015 and 2014.

27.6. Derivative financial instruments and hedges

The Company has long and short-term debt raised at floating interest rates and hedges a portion of this risk by using floating-to-fixed interest rate swaps. Under the interest rate swaps, the Company hedges interest rate risk by exchanging, at monthly intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts. The Company has five separate interest rate swaps related to portions of its term and Flooring Facilities (collectively, the "Hedged Facility"). Interest rate swaps outstanding at December 31, 2015 mature between May 2016 and September 2020 (2014 – between May 2016 and September 2020). During 2014, two of the interest rate swaps on the Term Facility were no longer effective and as such, hedge accounting was discontinued. The accumulated amounts recognized within accumulated other comprehensive loss will be reversed into net earnings over the remainder of the term of the derivatives. Future charges in fair value will be recognized within net earnings in the period in which they arise.

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The combined notional principal amounts of interest rate swaps outstanding at December 31, 2015 was $134,115 (2014 – $90,892). At December 31, 2015, the effective fixed interest rate on the underlying debt was 4.8% (2014 – 4.5%) and the effective floating rate using the Bankers' Acceptance rate was 3.5% (2014 – 3.3%).

The Company has several total return swaps to hedge the exposure associated with increases in its share value on its outstanding Director Share Units (DSUs) and Share Appreciation Rights (SARs). The Company does not apply hedge accounting to this relationship and as such, gains and losses arising from marking these derivatives to market are recognized in earnings in the period in which they arise.

As at December 31, 2015, the Company's total return swaps cover 1,270,000 of the Company's underlying common shares (2014 – 290,500), which represents all of its DSUs, and all of its SARs. For the year ended, December 31, 2015, the Company recognized a loss of $3,498 (2014 – loss of $108) in general and administrative expenses.

Derivative financial instruments recognized as liabilities are as follows:

	DECEMBER 31, 2015 $	DECEMBER 31, 2014 $
Derivative financial liabilities		
Current portion – total return swap	2,130	-
Current portion – interest rate swap	1,910	-
Long-term portion – total return swap	1,476	108
Long-term portion – interest rate swap	3,383	3,174
	8,899	3,282

Losses on derivative financial instruments recognized as liabilities are as follows:

	DECEMBER 31, 2015 $	DECEMBER 31, 2014 $
Opening derivative financial instruments	3,282	1,706
Loss recognized in net earnings	3,548	68
Loss recognized in accumulated other comprehensive loss – net of tax	1,525	1,122
Tax on loss recognized in accumulated other comprehensive loss	544	386
Ending derivative financial instruments	8,899	3,282

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

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

28. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are:

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

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

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

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

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

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

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The debt to equity ratio target excluding floor plan payable is between 0.2 and 0.4 to 1. The debt to equity ratio target for the Company including floor plan payable is debt between 2.0 and 3.0 to 1.0. The Company lowered its range in 2015 as the focus has shifted to paying down the Company's debt. As at December 31, 2015 and 2014, the Company was within its target range for these ratios. The components of debt to equity ratios are as follows:

	DECEMBER 31, 2015 $	DECEMBER 31, 2014 $
Current portion of long-term debt[1]	4,852	10,813
Current portion of obligations under finance leases	71	453
Long-term debt	40,080	32,776
Obligations under finance leases	154	9
Total debt excluding floor plan payable	45,157	44,051
Floor plan payable[2]	358,130	382,081
Total debt including floor plan payable	403,287	426,132
Shareholders' equity	169,758	168,407
Debt equity ratios		
- excluding floor plan payable	0.27	0.26
- including floor plan payable	2.38	2.53

[1]2014 Includes liabilities associated with assets held for sale.
[2]2015 Includes liabilities associated with assets held for sale.

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

	DECEMBER 31, 2015	DECEMBER 31, 2014
Fixed charge coverage of at least	1.20-1.50:1	1.25-1.50:1
Debt to tangible net worth less than	4.00-5.00:1	4.00-5.00:1
Current ratio of at least	1.15-1.20:1	1.15-1.20:1

Each lender has its own definition of which account balances are to be included in these computations. As at December 31, 2015 and 2014, the Company was in compliance with all externally imposed capital requirements.

29. SEGMENTED REPORTING

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

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

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

Segmented Assets:

	2015			2014		
	AGRICULTURE $	INDUSTRIAL $	TOTAL $	AGRICULTURE $	INDUSTRIAL $	TOTAL $
Inventory	451,088	48,672	499,760	480,320	45,683	526,003
Intangible assets	671	-	671	-	-	-
Goodwill	18,802	-	18,802	14,692	-	14,692
Other assets	88,732	17,347	106,079	83,525	19,596	103,121
Total assets	559,293	66,019	625,312	578,537	65,279	643,816

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Segmented Statement of Net Earnings:

	2015			2014		
	AGRICULTURE $	INDUSTRIAL $	TOTAL $	AGRICULTURE $	INDUSTRIAL $	TOTAL $
Sales						
New equipment	423,107	26,890	449,997	473,715	48,032	521,747
Used equipment	372,954	4,528	377,482	300,277	3,259	303,536
Parts	94,558	12,951	107,509	87,387	14,235	101,622
Service	31,090	4,775	35,865	29,478	5,586	35,064
Other	4,008	595	4,603	2,731	707	3,438
	925,717	49,739	975,456	893,588	71,819	965,407
Cost of Sales	794,719	38,756	833,475	761,158	58,627	819,785
Gross profit	130,998	10,983	141,981	132,430	13,192	145,622
Selling, general and administrative	98,198	13,578	111,776	91,837	13,919	105,756
Interest on short-term debt	11,764	983	12,747	10,346	1,137	11,483
Interest on long-term debt	1,836	224	2,060	1,963	219	2,182
Earnings (loss) before income taxes	19,200	(3,802)	15,398	28,284	(2,083)	26,201
Income taxes[(1)]	5,119	(1,014)	4,105	7,854	(578)	7,276
Net earnings (loss)	14,081	(2,788)	11,293	20,430	(1,505)	18,925

[(1)]For purpose of presentation, income taxes have been allocated to each segment using the consolidated tax rate (2015 – 26.7%, 2014 - 27.8%).

30. ECONOMIC DEPENDENCE

The Company is a retail dealer of CNH Industrial N.V. (“CNH”) equipment, and is therefore party to dealership and distribution contracts with various affiliates of CNH. These contracts give the Company the right to be an authorized dealer of the CNH equipment brands of Case IH Agriculture, Case Construction and New Holland. This also entitles the Company to use certain floor plan facilities as provided by certain CNH-affiliated entities. These dealership contracts, as well as the associated floor plan facilities, can be cancelled by CNH if the Company does not observe certain established guidelines and covenants. This is a common practice in the industry in which the Company does business.

CORPORATE INFORMATION

WE STRIVE TO BE THE SAFE, DEPENDABLE EQUIPMENT PARTNER OF CHOICE TO OUR CUSTOMERS.

RME
RME
ROCKY
MOUNTAIN
EQUIPMENT

CORPORATE INFORMATION[1]

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DEREK I. STIMSON[3]
Calgary, Alberta

PAUL S. WALTERS[4]
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DENNIS J. HOFFMAN
Calgary, Alberta

ROBERT K. MACKAY
Vancouver, British Columbia

SCOTT A. TANNAS
High River, Alberta

CAMERON W. CRAWFORD
De Winton, Alberta

WILLIAM DeJONG
Calgary, Alberta

GARRETT A.W. GANDEN
Calgary, Alberta

[1]Information provided as at April 1, 2016.
[2]Board Chair.
[3]Board Vice-Chair.
[4]Lead Independent Director.

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President and Chief Executive Officer

DAVID J. ASCOTT
Chief Financial Officer

JERALD D. PALMER JR.
General Counsel & Corporate Secretary

Auditor

PricewaterhouseCoopers LLP
Calgary, Alberta

External Legal Counsel

Dentons Canada LLP
Calgary, Alberta

Banker

Canadian Imperial Bank of Commerce
HSBC Bank Canada

Stock Exchange Listing

Toronto Stock Exchange
Symbol: RME (RCKXF on the OTCQX)

Transfer Agent

Computershare Trust Company of Canada
Calgary, Alberta

DAVID
ROCKY MOUNTAIN EQUIPMENT

ROCKY MOUNTAIN DEALERSHIPS INC. ANNUAL REPORT 2015
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