TOROMONT

February 11, 2013

Toromont Announces Results for the Fourth Quarter and Full Year 2012 and Increases Quarterly Dividend

TORONTO, ONTARIO -- (Marketwire) -- 02/11/13 -- Toromont Industries Ltd. (TSX: TIH) today reported record financial results from continuing operations for the three and twelve-month periods ended December 31, 2012.

millions, except per share amounts	Three months ended December 31			Twelve months ended December 31		
	2012	2011	% change	2012	2011	% change
Continuing operations basis:						
Revenues	$431.1	$408.4	6%	$1,507.2	$1,382.0	9%
Operating income	$ 61.8	$ 48.2	28%	$ 170.3	$ 148.2	15%
Net earnings	$ 44.9	$ 34.2	31%	$ 120.6	$ 102.7	17%
Earnings per share - basic	$ 0.59	$ 0.44	34%	$ 1.57	$ 1.33	18%
Discontinued operations:						
Net earnings	$ -	$ -	n/m	$ -	$ 143.8	n/m

Earnings per share -						
basic	$ -	$ -	n/m	$ -	$ 1.87	n/m
Total:						
Net earnings	$ 44.9	$ 34.2	31%	$ 120.6	$ 246.5	(51%)
Earnings per share -						
basic	$ 0.59	$ 0.44	34%	$ 1.57	$ 3.20	(51%)

Note - 2011 net earnings from discontinued operations includes a gain on disposition of $133.2 million, $1.73 per share basic.

Toromont reported strong results in the fourth quarter with net earnings from continuing operations increasing 31%, reflecting strong growth in product support, rental activities and improved margins due to sales mix. For the year, net earnings increased 17% on the same factors as well as higher new equipment deliveries.

"We are very pleased with our results for the quarter and year. Revenues from equipment, product support and rentals were at record levels for the full year and were at or near record levels for the quarter," said Scott J. Medhurst, President and Chief Executive Officer of Toromont Industries Ltd. "Each of our business units set records for the year. Our increased installed base and focus on product support, combined with increased rental utilization, resulted in terrific growth in earnings of 17%."

Considering the success achieved in 2012, solid financial position and positive long-term outlook the Board of Directors increased the quarterly dividend to 13 cents per share. This represents an 8% increase in Toromont's regular quarterly cash dividend. The next dividend is payable April 1, 2013, to shareholders of record at the close of business on March 13, 2013. The Company has paid dividends every year since going public in 1968 and has announced dividend increases in each of the past 24 years.

Highlights:

-- Net earnings from continuing operations were $44.9 million in the quarter ($0.59 per share basic), up 31% from $34.2 million reported in the same quarter last year. The improvement resulted from higher gross margins, an improved expense ratio, higher revenues and a lower statutory income tax rate.

-- For the full year, net earnings from continuing operations were $120.6

million ($1.57 per share basic), 17% higher than 2011. Higher revenues, an improved expense ratio, higher gross margins and a reduction in statutory income tax rates contributed to the improvement.

-- Equipment Group revenues of $367 million were down 1% in the fourth quarter versus the similar period of 2011 on lower new and used equipment sales. Product support and rental revenues were at record levels for the quarter, up 29% and 26% respectively from the fourth quarter of 2011. Operating income increased 23% in the quarter compared to last year on higher gross margins resulting from improved sales mix, with a higher proportion of product support activities in the current period, and higher heavy and light rental fleet utilization. Investments in the rental fleet continue to gain traction. Gross margin improvement was partially offset by higher expense levels and lower revenues.

-- Equipment Group revenues were $1.3 billion for 2012, 9% higher than last year with records in equipment sales, product support and rental. Revenue growth resulted largely from increased mining activity in our markets. Operating income increased 16% year-over-year on higher revenues, improved gross margin (largely on sales mix) and a lower expense ratio.

-- Equipment Group backlogs were $128 million at the end of 2012 compared to $224 million at this time last year. Significant mining deliveries in the year drew down the order backlog. Bookings of $156 million in the fourth quarter were 1% lower than the fourth quarter of 2011. Bookings in 2012 totalled $614 million compared to $635 million in the prior year.

-- CIMCO had excellent results for the fourth quarter with revenues of $64 million and operating income of $4.4 million, up from $37 million and

$1.5 million in the fourth quarter of 2011. Significant industrial package sales revenues in the fourth quarter of 2012 exceeded the expected decline in recreational package sales. Product support sales were also strong, up 14%.

-- CIMCO revenues for the year were a record at $197 million, up 6% from 2011. Package sales and product support both reported increases. Higher industrial revenue exceeded the expected decline in recreational. Operating income increased 3% for the year, reaching $14.3 million or 7.2% of revenues. Increased income driven by higher revenues was partially offset by lower gross margins.

-- CIMCO bookings were $23 million in the fourth quarter of 2012 compared to $27 million for the same period last year. Bookings for the year were $162 million, 78% higher than 2011 on a significant order from Maple Leaf Foods. Even excluding this order, bookings for the year were up 25%. Backlogs were $99 million at December 31, 2012, up 94% over 2011.

-- Net earnings were $44.9 million in the quarter ($0.59 per share basic) and $120.6 million ($1.57 per share basic) for the year. Return on opening shareholders' equity was 30.1% and return on capital employed was 28.7%.

-- The Company maintained a strong financial position. Total debt net of cash to total capitalization was 25%, well within stated capital targets.

"Toromont is well positioned entering 2013 with momentum in product support and rental activities, increased equipment populations including large mining units, record backlogs at CIMCO and a strong balance sheet," continued Mr. Medhurst. "We expect to see improved performance from our Power Systems Group, are cautiously optimistic that construction markets will be buoyed by several large projects and continue to see significant long-term opportunities in mining. Our team is focused on improving market share by providing exceptional service to our customers."

Quarterly Conference Call and Webcast

Interested parties are invited to join the quarterly conference call with investment analysts, in listen-only mode, on Monday, February 11, 2013 at 5:00 p.m. (ET). The call may be accessed by telephone at 1-866-226-1792 (toll free) or 416-340-2216 (Toronto area). A replay of the conference call will be available until Monday, February 25, 2013 by calling 1-800-408-3053 or 416-694-9451 and quoting passcode 4173816.

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

Advisory

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

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

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

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

About Toromont

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

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") comments on the operations, performance and financial condition of Toromont Industries Ltd. ("Toromont" or the "Company") as at and for the three and twelve months ended December 31, 2012, compared to the preceding year. This MD&A should be read in conjunction with the attached unaudited consolidated financial statements and related notes for the twelve months ended December 31, 2012, the annual MD&A contained in the 2011 Annual Report and the audited annual consolidated financial statements for the year ended December 31, 2011.

The consolidated financial statements reported herein have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in Canadian dollars. The information in this MD&A is current to February 11, 2013.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's 2011 Annual Report and 2012 Annual Information Form. These filings are available on SEDAR at www.sedar.com and on the

Company's website at www.toromont.com.

CORPORATE PROFILE AND BUSINESS SEGMENTATION

As at December 31, 2012, Toromont employed approximately 3,200 people in 102 locations across Canada and the United States. Toromont is listed on the Toronto Stock Exchange under the symbol TIH.

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

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

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

PRIMARY OBJECTIVE AND MAJOR STRATEGIES

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

Expand Markets

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

Strengthen Product Support

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

Broaden Product Offerings

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

Invest in Resources

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

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

Maintain a Strong Financial Position

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

BASIS OF PRESENTATION

On June 1, 2011, Toromont completed the spinoff of its natural gas compression business, Enerflex Ltd. ("Enerflex"). The information presented herein reflects the spinoff, with Enerflex presented as discontinued operations in all periods. Results for 2011 include the results of Enerflex for the five months ended May 31, 2011, net of certain costs incurred related to the spinoff transaction, together with the gain on distribution of Enerflex.

CONSOLIDATED RESULTS OF OPERATIONS

	Twelve months ended December 31			
($ thousands, except per share amounts)	2012	2011	$ change	% change
Revenues	$1,507,173	$1,381,974	$ 125,199	9%
Cost of goods sold	1,122,765	1,032,599	90,166	9%
Gross profit	384,408	349,375	35,033	10%
Selling and administrative expenses	214,130	201,190	12,940	6%
Operating income	170,278	148,185	22,093	15%
Interest expense	9,714	9,012	702	8%
Interest and investment income	(3,974)	(3,214)	(760)	24%
Income before income taxes	164,538	142,387	22,151	16%
Income taxes	43,985	39,709	4,276	11%
Earnings from continuing operations	120,553	102,678	17,875	17%
Earnings from discontinued				

operations	-	143,781	(143,781)	n/m
Net earnings	$ 120,553	$ 246,459	$(125,906)	(51%)
Earnings per share (basic)				
Continuing operations	$ 1.57	$ 1.33	$ 0.24	18%
Discontinued operations	-	1.87	(1.87)	n/m
	$ 1.57	$ 3.20	$ (1.63)	(51%)
Key ratios:				
Gross profit as a % of revenues	25.5%	25.3%		
Selling and administrative expenses as a % of revenues	14.2%	14.6%		
Operating income as a % of revenues	11.3%	10.7%		
Income taxes as a % of income before income taxes	26.7%	27.9%		

Revenues increased on higher revenues in both operating groups. Equipment Group revenues were up 9% with record new equipment sales, rental and product support activities. CIMCO revenues were up 6% on higher industrial package sales and product support activities.

Gross profit margin was 25.5% in 2012 compared with 25.3% in 2011. Gross profit margins in the Equipment Group were up largely due to sales mix, with a higher proportion of product support in the current year offset somewhat by competitive market conditions and additional project costs incurred in the Power Systems Group. Product support gross margins improved with volumes and better execution in many operations. CIMCO gross profit margins were down from 2011 on lower average quoted margins while project execution remained very positive.

Selling and administrative expenses increased 6% from 2011, in part reflecting the 9% increase in revenues. Compensation was $7.1 million (5%) higher in 2012 compared to 2011 on increased headcount, annual salary increases and higher annual performance incentives expense. The remaining increase related largely to higher freight, training and travel costs, reflecting increased business levels.

Operating income increased on higher revenues, reduced expense levels and improved gross margins due to mix.

Interest expense increased on higher average debt balances carried to support increased inventories and rental fleet. Interest income increased reflecting higher levels of interest on conversion of rental equipment.

The reduced effective income tax rate for 2012 reflects lower statutory rates.

Net earnings in 2012 were $120.6 million and basic earnings per share ("EPS") were $1.57 per share. This was 17% and 18% higher respectively, than 2011 on a continuing operations basis.

Earnings from discontinued operations in 2011 included $10.6 million from Enerflex. In addition, a net gain of $133.2 million, $1.73 per share basic, was recorded on the spinoff. Including these elements, net earnings in 2011 were $246.5 million, or $3.20 basic EPS.

Comprehensive income in 2012 was $115.7 million, comprised of net earnings of $120.6 million and other comprehensive loss of $4.8 million. Other comprehensive loss included actuarial loss on employee pension plans of $4.2 million after tax.

BUSINESS SEGMENT OPERATING RESULTS

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

Equipment Group

	Twelve months ended December 31			
($ thousands)	2012	2011	$ change	% change
Equipment sales and rentals				
New	$ 564,435	$ 515,046	$ 49,389	10%
Used	144,367	153,326	(8,959)	(6%)
Rental	183,777	164,953	18,824	11%
Total equipment sales and rentals	892,579	833,325	59,254	7%
Power generation	11,435	12,085	(650)	(5%)
Product support	405,880	350,977	54,903	16%
Total revenues	$1,309,894	$1,196,387	$ 113,507	9%

Operating income	$ 156,021	$ 134,314	$ 21,707	16%
Capital expenditures	$ 99,871	$ 82,287	$ 17,585	21%

Key ratios:		
Product support revenues as a % of total revenues	31.0%	29.3%
Group total revenues as a % of consolidated revenues	86.9%	86.6%
Operating income as a % of revenues	11.9%	11.2%

Despite continued global economic uncertainly, demand for the Company's products and services remained strong.

New equipment sales increased largely due to increased sales of larger, higher value units. Mobile equipment sales to mining customers increased 50% year-over-year on significant deliveries from the order backlog. Revenues from power systems applications were 9% lower. Road construction was strong, although down 5% from records set last year. A broader product offering including new Caterpillar vocational truck and Sitech products increased revenues over $10 million.

Used equipment sales include sales of used equipment purchased for resale, equipment received on trade-in and sales of Company owned rental fleet. Used tractor equipment sales were lower year-over-year mainly due to reduced sales from the Company's rental fleet. Tractor used purchased sales were flat to prior year. Used equipment sales vary on factors such as product availability (both new and used), customer demands and the general pricing environment.

Rental revenues were higher on increased investment and improved utilization. The Company invested $55 million net of disposals in its rental fleet in 2012, compared to $35 million in the prior year. Utilization of both light and heavy equipment was good. Light equipment rentals increased 9% year-over-year while heavy equipment rental increased 28%. Equipment on rent with a purchase option increased 25%. Power rentals were 26% lower year-over-year. Generally, rental rates were fairly consistent in both years with continuing competitive market conditions. Same store sales were the significant contributor, with the new location in Bracebridge, Ontario, representing less than 10% the year-over-year increase.

Power generation revenues from Toromont-owned plants were lower, largely reflecting decreased operating hours at the Waterloo facility due to a reduced availability of landfill gas.

Product support revenues were a record in 2012, 16% higher than the previous record set in 2011. Product support revenues in 2012 benefited from an increased installed base of equipment in our territory coupled with higher utilization of equipment.

Most markets have seen higher product support activity year-over-year. The Equipment Group added a net 88 technicians in 2012. Both service and parts revenues set new records in 2012.

Operating income was up, in part reflecting the 9% increase in revenues. Gross margin as a percentage of revenues increased 40 basis points compared to 2011 on sales mix, with a larger proportion of product support revenues to total in the current year. Equipment gross margin was lower in the year on competitive market conditions, offset by improved product support gross margins. Selling and administrative expenses increased 7% on the 9% increase in revenues. Higher costs were reported across a number of areas including compensation, freight, training and occupancy. Operating income as a percentage of revenues was 11.9% in 2012 versus 11.2% in 2011.

Capital expenditures in the Equipment Group totalled $99.9 million in 2012. Replacement and expansion of the rental fleet accounted for $77.6 million of total investment in 2012. Expenditures of $3.7 million related to new and expanded facilities to meet current and future growth requirements. Other capital expenditures included $13.8 million on service and delivery vehicles.

Toromont secured the coterminous Buycrus distribution network from Caterpillar for $13.7 million. The addition of the former Bucyrus products, now rebranded CAT, strengthens Toromont's mining offering with a much broader product line addressing surface and underground mining requirements. Total revenues associated with former Bucyrus products totalled $24.6 million for the year, of which $8.8 million was recognized after the acquisition.

($ millions)	2012	2011	$ change	% change
Bookings - year ended December 31	$ 614	$ 635	$ (21)	(3%)
Backlogs - as at December 31	$ 128	$ 224	$ (96)	(43%)

Bookings in 2012 totalled $614 million, down 3% from 2011. Lower prime and back-up power systems bookings accounted for approximately half of the decrease year-over-year.

Backlogs were higher in 2011 due to a significant mining order that was delivered as scheduled prior to the end of 2012. At December 31, 2012 approximately 30% of the backlog was comprised of mining orders (60% at December 31, 2011) while 34% were power systems projects. Substantially all backlog is expected to be delivered in 2013. Shortened delivery windows due to process improvements and increased capacity at Caterpillar have also contributed to reduced backlogs.

CIMCO

	Twelve months ended December 31			
($ thousands)	2012	2011	$ change	% change
Package sales	$113,586	$103,925	$ 9,661	9%
Product support	83,693	81,662	2,031	2%
Total revenues	$197,279	$185,587	$ 11,692	6%

Operating income	$ 14,257	$ 13,871	$ 386	3%
Capital expenditures	$ 1,440	$ 590	$ 850	144%
Key ratios:				
Product support revenues as a % of total revenues	42.4%	44.0%		
Group total revenues as a % of consolidated revenues	13.1%	13.4%		
Operating income as a % of revenues	7.2%	7.5%		

CIMCO reported record results for the year on growth in industrial activity.

Package revenues were up as increased industrial revenues more than compensated for declines in recreational activities. Industrial revenues in Canada were strong, up 62%, with a number of jobs progressing including the previously announced Maple Leaf transformation projects. Recreational revenues in Canada were down 45% from last year, as anticipated, due to the wind-up of a Canadian federal stimulus program. US package activities in both recreational and industrial were lower year-over-year by 20%. US bookings in the fourth quarter and backlog at year-end were strong.

Product support revenues were up as activity in the US increased 12% while Canadian markets were steady year-over-year.

Operating income increased reflecting higher revenues and lower expense levels, partially offset by lower margins. Gross margins were down 80 basis points on lower average quoted margins, while execution remained favourable. Selling and administrative expenses increased 3%.

Capital expenditures totalled $1.4 million in 2012. Capital investment was directed largely at service vehicles to support higher volumes, information technology assets and branch renovations.

($ millions)	2012	2011	$ change	% change

Bookings - year ended December 31	$ 162	$ 91	$ 71	78%
Backlogs - as at December 31	$ 99	$ 51	$ 48	94%

Bookings increased substantially year-over-year. Bookings in 2012 included $49.8 million in previously announced orders from Maple Leaf Foods, $23.6 million of which was revenued in 2012. Excluding these record orders for CIMCO, bookings were $112 million, still up 25% compared to 2011, reflecting improved market activity. Recreational bookings were up 34% year-over-year with increases in both Canada and the US.

Backlogs were higher in all areas - recreational and industrial; Canada and the US. This is the highest backlog ever at this time of year, and bodes well for CIMCO entering 2013. Approximately 92% of the backlog is expected to revenue in 2013.

CONSOLIDATED FINANCIAL CONDITION

The Company has maintained a strong financial position for many years. At December 31, 2012, the ratio of total debt net of cash to total capitalization was 25%.

Working Capital

The Company's investment in non-cash working capital was $300 million at December 31, 2012. The major components, along with the changes from December 31, 2011, are identified in the following table.

			Change	
$ thousands	2012	2011	$	%
Accounts receivable	$ 231,518	$ 209,243	$ 22,275	11%
Inventories	327,785	301,937	25,848	9%
Other current assets	4,086	4,718	(632)	(13%)
Accounts payable, accrued liabilities and provisions	(194,303)	(272,302)	77,998	(29%)
Income taxes payable	(3,130)	(8,352)	5,222	n/m
Derivative financial instruments	(219)	(628)	409	n/m
Dividends payable	(9,165)	(8,433)	(731)	9%
Deferred revenue	(54,664)	(49,100)	(5,564)	11%
Current portion of long-term debt	(1,372)	(1,280)	(92)	7%
Total non-cash working capital	$ 300,536	$ 175,803	$124,733	71%

- -

- -

Accounts receivable increased, largely reflecting the higher revenues and higher days sales outstanding (DSO). CIMCO accounts receivable increased $17 million or 66% on significant customer billings at the end of 2012. Equipment Group accounts receivable increased $5 million or 3%. DSO was 45 at December 31, 2012 compared to 40 at the same time last year.

Inventories at December 31, 2012 increased year-over-year, however were decreased $54.3 million in the fourth quarter of 2012. Equipment Group inventories were $19 million or 7% higher than this time last year. Higher inventory on rent with a purchase option (RPO) accounted for 54% of the increase. Higher inventory levels of certain models of new equipment and higher parts inventories ($2.6 million) held to support increased demand, accounted for the remaining increase. CIMCO inventories were $7 million or 65% higher than this time last year on higher work-in-process.

Accounts payable and accrued liabilities at December 31, 2012 were down $78 million or 29% from this time last year. There was a reduction in order inflow from a key supplier in the last half of 2012 leading to a reduced outstanding payable. Payment terms from the key supplier were tightened in 2012, further reducing the balance.

Income taxes payable reflects amounts owing for current corporate income taxes less instalments made to date.

Higher dividends payable year-over-year reflect the higher dividend rate. In 2012, the quarterly dividend rate was increased from $0.11 per share to $0.12 per share, a 9% increase.

Deferred revenues represent billings to customers in excess of revenue recognized. In the Equipment Group, deferred revenues arise on sales of equipment with residual value guarantees, extended warranty contracts and other long-term customer support agreements as well as on progress billings on long-term construction contracts. Equipment Group deferred revenues were 2% higher than this time last year. In CIMCO, deferred revenues arise on progress billings in advance of revenue recognition. CIMCO deferred revenues increased 52% on advance payments from customers related to increased industrial projects.

The current portion of long-term debt reflects scheduled principal repayments due in 2013.

Goodwill and Intangibles

The Company performs impairment tests on its goodwill and intangibles on an annual basis or as warranted by events or circumstances. The assessment of goodwill entails estimating the fair value of operations to which the goodwill relates using the present value of expected discounted future cash flows. This assessment affirmed goodwill values as at December 31, 2012.

Employee Share Ownership

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

The Company maintains an Executive Stock Option Plan for certain employees and directors. Stock options have a seven-year term, vest 20% cumulatively on each anniversary date of the grant and are exercisable at the designated common share price. At December 31, 2012, 2.6 million options to purchase common shares were outstanding, of which 1.0 million were exercisable.

The Company offers an Employee Share Ownership Plan whereby employees can purchase shares by way of payroll deductions. Under the terms of this plan, eligible employees may purchase common shares of the Company in the open market at the then current market price. The Company pays a portion of the purchase price, matching contributions at a rate of $1 for every $3 dollars contributed, to a maximum of $1,000 per annum per employee. Company contributions vest to the employee immediately. Company contributions amounting to $0.9 million in 2012 (2011 - $1.1 million) were charged to selling and administrative expense when paid. A third party administers the Plan.

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

As at December 31, 2011, DSUs outstanding were 211,872 at a total value of $4.3 million (2011 - 193,728 units at a value of $4.1 million). The liability for DSUs is included in Accounts Payable and Accrued Liabilities.

Employee Future Benefits

The Company sponsors pension arrangements for substantially all of its employees, primarily through defined contribution plans in Canada and a 401(k) matched savings plan in the United States. Certain unionized employees do not participate in Company-sponsored plans, and contributions are made to these union-sponsored plans in accordance with respective collective bargaining agreements. In the case of the defined contribution plans, regular contributions are made to the employees' individual accounts, which are administered by a plan trustee, in accordance with the plan document. Future expense for these plans will vary based on future participation rates.

Approximately 130 employees participate in one of two defined benefit plans:

```
--  Powell Plan - Consists of personnel of Powell Equipment (acquired by
    Toromont in 2001); and
--  Other plan assets and obligations - Provides for certain retirees and
    terminated vested employees of businesses previously acquired by the
    Company as well as for retired participants of the defined contribution
    plan who, in accordance with the plan provisions, have elected to
    receive a pension directly from the plan.
```

The Company also has a defined benefit pension arrangement for certain senior executives that provides for a supplementary retirement payout in excess of amounts provided for under the registered plan. This Executive Plan is a non-contributory pension arrangement and is solely the obligation of the Company. The Company is not obligated to fund this plan but is obligated to pay benefits under the terms of the plan as they come due. The Company has posted letters of credit to secure the obligations under this plan, which were $20.2 million as at December 31, 2012. As there are only nominal plan assets, the impact of volatility in financial markets on pension expense and contributions for this plan are insignificant.

Financial markets continued to be volatile in 2012. The return on plan assets was $4.3 million or 8%, improved from $1.7 million or 3% in 2011, and comparing favourably to the expected long-term average return of 7%. The present value of pension obligations increased $4,360 in 2012, partly due to a decline in long-term interest rates. As a result, the funded status of the plans declined slightly from a deficit of $26.2 million at December 31, 2011 to a deficit of $26.8 million at December 31, 2012. These deficits included $19.6 million and $20.3 million respectively relating to the Executive Plan, which as described above is essentially an unfunded arrangement. The Company expects pension expense and cash pension contributions for 2013 to be similar to 2012 levels.

The Company estimates a long-term return on plan assets of 7%. While there is no assurance that the plan will be able to generate this assumed rate of return each year, management believes that it is a reasonable longer-term estimate.

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

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on its results of operations or financial condition.

Legal and Other Contingencies

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

Normal Course Issuer Bid

Toromont believes that, from time to time, the purchase of its common shares at prevailing market prices may be a worthwhile investment and in the best interests of both Toromont and its shareholders. As such, the normal course issuer bid with the TSX was renewed in 2012. This issuer bid allows the Company to purchase up to approximately 6.4 million of its common shares, representing 10% of common shares in the public float, in the year ending August 30, 2013. The actual number of shares purchased and the timing of any such purchases will be determined by Toromont. All shares purchased under the bid will be cancelled.

In 2012, the Company purchased and cancelled 666,039 shares for $14.1 million (average cost of $21.23 per share). In 2011, the Company purchased and cancelled 720,004 shares for $12.2 million (average cost of $16.96 per share).

Outstanding Share Data

As at the date of this MD&A, the Company had 76,453,008 common shares and 2,519,005 share options outstanding.

Dividends

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

During 2012, the Company declared dividends of $0.48 per common share, $0.12 per quarter. In 2011, the Company also declared dividends of $0.41 per common share, adjusting for the allocation of dividends for the spinoff of Enerflex.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity

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

The Company amended its Canadian credit facility in conjunction with the spinoff of Enerflex and commensurate with anticipated future requirements. Outstanding borrowings under the previous facility were repaid in part from funds received relating to inter-company borrowings on spinoff. The committed amount was reduced from $600 million to $200 million while the maturity date was extended from June 2012 to June 2015. The US credit facility of US $20 million was terminated coincident with the spinoff with no penalty. The Canadian facility was further amended in September 2012 to extend the term of the facility to September 2017 at improved rates.

As at December 31, 2012, $26.5 million was drawn on the $200 million Canadian facility. Letters of credit utilized an additional $24.1 million of the facility.

Cash at December 31, 2012 was $2.4 million, compared to $75.3 million at December 31, 2011. Cash balances were drawn down in 2012 on a number of factors, including higher investments in rental assets and working capital.

The Company expects that continued cash flows from operations in 2013 and currently available credit facilities will be more than sufficient to fund requirements for investments in working capital and capital assets.

Principal Components of Cash Flow

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

Twelve months ended

$ thousands	December 31 2012	2011
Cash, beginning of year	$ 75,319	$ 174,089
Cash, provided by (used in):		
Operating activities		
Operations - continuing operations	161,830	136,546
Change in non-cash working capital and other	(124,475)	(39,731)
Discontinued operations	-	57,433
	37,355	154,248
Investing activities		
Continuing operations	(91,205)	(55,941)
Discontinued operations	-	140,115
	(91,205)	84,174
Financing activities	(19,033)	(337,311)
Effect of foreign exchange on cash balances	(53)	119
Decrease in cash in the year	(72,936)	(98,770)
Cash, end of year	$ 2,383	$ 75,319

Cash Flows from Operating Activities

Operating activities provided $37.4 million in 2012 compared to $96.8 million in 2011 on a continuing operations basis. Net earnings adjusted for items not requiring cash were 19% higher than last year on higher revenues and improved operating margins. Non-cash working capital and other used $124.5 million compared to $39.7 million in 2011. Discontinued operations provided $57.4 million in cash flow in 2011.

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

Cash Flows from Investing Activities

Investing activities at continuing operations used $91 million in 2012 compared to $56 million in 2010.

Net rental fleet additions (purchases less proceeds of disposition) totalled $55 million in 2012 compared to $34.8 million in 2011. Additional investments in the rental fleet were made in the current year in light of stronger demand on improved market conditions, the existing fleet age profile and the expansion of our heavy rental operations.

Investments in property, plant and equipment in 2012 totalled $23.7 million compared to $25.0 million in 2011. Additions in 2012 were largely made within the Equipment Group. Capital additions included $4.1 million for land and buildings for new and expanded branches, $14.3 million for service vehicles, and $3.2 million for machinery and equipment. Additions in 2011 included $10.4 million for land and buildings acquired for new branch locations, $7.8 million for service vehicles and $2.8 million for information technology assets.

In 2012, Toromont acquired from Caterpillar the assets associated with the former coterminous Bucyrus distribution network for US $13.5 million ($13.7 million).

Investing activities at discontinued operations in 2011 included cash received from Enerflex Ltd. in repayment of intercompany debt of $173.3 million owing to the Company on spinoff.

Cash Flows from Financing Activities

Financing activities used $19.0 million in 2012 and $337.3 million in 2011.

Significant sources and uses of cash in 2012 included:

-- Drawings on the credit facility of $26.5 million

-- Dividends paid to common shareholders of $36 million or $0.47 cents per share;

-- Normal course purchase and cancellation of common shares of $14.1 million, 666,039 shares at an average cost of $21.23; and

-- Cash received on exercise of share options of $6.2 million.

Significant sources and uses of cash in 2011 included:

-- Decrease in long-term debt of $286.9 million. The acquisition financing from the purchase of Enerflex Systems Income Fund ("ESIF") was fully repaid, in conjunction with the spinoff. Repayment was funded principally with amounts received by the Company from Enerflex in repayment of its intercompany debt;

-- Dividends paid to common shareholders of $40.9 million or $0.53 cents per share;

-- Normal course purchase and cancellation of common shares of $12.2 million, 720,004 shares at an average cost of $16.96; and

-- Proceeds received on the exercise of stock options of $3.2 million.

OUTLOOK

The substantial growth in product support, fueled by the increased installed base in the Equipment Group, bodes well for the Company's continued success.

Within the Equipment Group, although market conditions are increasingly competitive, we are cautiously optimistic that construction markets will be reasonably robust, driven by large construction projects. Future prospects are linked to general economic conditions and governmental investment levels. Management continues to track a number of large construction projects, which are expected to contribute to future results. Improved performance in the Power Systems Group is also expected to further contribute to 2013 results. In addition, we have invested in the rental business and believe that this will continue to contribute to growth.

Although market signals are mixed, engagement levels remain high with respect to mining projects in Toromont's territories. The product support contribution and opportunity is expected to continue to grow, however it is not anticipated that 2013 will see a replication of the record 2012 equipment sales into mining projects. The opportunity is high for a resumption of significant deliveries into 2014 and beyond, dependent on projects advancing and Toromont's success in winning the business. The timing of mining projects is expected to have an impact on the earnings pattern.

The parts and service business has seen significant growth and provides a measure of stability, driven by the larger installed base of equipment in the field. The number of technicians has increased, service shops are very active and work-in-process levels remain strong.

Toromont's expanded product offering contributes to growth on multiple fronts. Firstly, the Equipment Group benefits from Caterpillar's expanding product line-up including the former Bucyrus and MWM products, which the Company now represents. In addition, the Equipment Group represents complementary product lines with recent and expanding opportunities including Sitech and Metso. CIMCO has also expanded its product offering to include CO_2-based solutions, which are expected to contribute to its growth.

At CIMCO, strong industrial bookings in Canada are an encouraging sign with respect to future prospects. Canadian recreational bookings continue, albeit at lower levels due to recent significant spending. This is expected to ramp back up over time, due in part to a recently introduced Quebec provincial program to replace CFC and HFC refrigerants in recreational facilities. The product support business remains a focus for growth with encouraging results in the United States.

The Company has historically demonstrated its success in delivering good profitability through changing market conditions. We expect to continue to do so.

CONTRACTUAL OBLIGATIONS

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

Payments due by period	2013	2014	2015	2013	2017	Thereafter	Total
Long-term Debt							
- principal	$ 1,372	$ 1,471	$126,576	$1,690	$28,358	$ 2,963	$162,430
- interest	7,619	7,521	6,067	1,152	849	1,480	24,688
Accounts payable	203,468	-	-	-	-	-	203,468
Operating Leases	2,606	2,017	1,482	1,329	227	1,726	9,387
	$215,065	$11,009	$134,125	$4,171	$29,434	$ 6,169	$399,973

KEY PERFORMANCE MEASURES

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

Years ended December 31,	2012	2011	2010	2009 (3)	2008
Expanding Markets and Broadening Product Offerings					
Revenue growth (1)	9.1%	14.5%	14.8%	-18.7%	0.7%
Revenue per employee (thousands) (1)	$ 481	$ 465	$ 423	$ 364	$ 430

Strengthening Product Support					
Product support revenue growth (1)	13.2%	12.6%	7.4%	-3.0%	4.2%
Investing in Our Resources					
Investment in information technology (millions) (1)	$12.6	$12.1	$ 10.1	$ 10.6	$ 10.9
Return on capital employed (2)	28.7%	32.4%	10.8%	21.1%	26.4%
Strong Financial Position					
Non-cash working capital (millions) (1)	$ 301	$ 176	$ 136	$ 172	$ 197
Total debt, net of cash to total capitalization	25%	13%	17%	-6%	4%
Book value (shareholders' equity) per share	$6.24	$5.27	$15.50	$13.17	$12.06
Build Shareholder Value					
Basic earnings per share growth (1)	18.1%	32.5%	9.6%	-18.3%	-12.7%
Dividends per share growth (4)	17.0%	16.1%	3.3%	7.1%	16.7%
Return on equity (5)	30.1%	28.9%	9.1%	15.5%	21.5%

(1) Metric presents results on a continuing operations basis.

(2) Return on capital employed is defined in the section titled "Non-IFRS Financial Measures". 2011 ROCE was calculated excluding earnings and capital employed from discontinued operations.

(3) Financial statements for 2009 and previous reflect Canadian GAAP. These were not restated to IFRS.

(4) Dividends per share growth in 2011 reflects the announced increase in dividend subsequent to apportionment of dividend to Enerflex subsequent to

spinoff.

(5) Return on equity is defined in the section titled "Non-IFRS Financial Measures". 2011 ROE was calculated excluding earnings and equity from discontinued operations.

While the global recession interrupted the steady string of growth across key performance measures, profitability endured and the balance sheet continued to strengthen. This has been discussed at length throughout this MD&A.

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

Since 2008, revenues increased at an average annual rate of 4.1%. Product support revenue growth has averaged 6.9% annually. Revenue growth in continuing operations has been a result of:

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

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

- General economic weakness, which has negatively impacted revenues since the latter part of 2008 through to early 2010;
- Inability to source equipment from suppliers to meet customer demand or delivery schedules; and
- Declines in underlying market conditions such as depressed US industrial

markets.

Changes in the Canadian/U.S. exchange rate also impacts reported revenues as the exchange rate impacts on the purchase price of equipment that in turn is reflected in selling prices.

Toromont has generated significant competitive advantage over the past years by investing in its resources, in part to increase productivity levels.

Toromont continues to maintain a strong balance sheet. Leverage, as represented by the ratio of total debt, net of cash, to total capitalization (net debt plus shareholders' equity), was 25%, well within targeted levels.

Toromont has a history of progressive earnings per share growth. This trend was not continued in 2009 due to the weak economic environment, which reduced revenues. In 2010, earnings per share were negatively impacted by the issuance of shares in the year for the acquisition of ESIF. In 2011, on a continuing operations basis, earnings per share increased 32.5%, in line with earnings growth. In 2012, EPS increased 18% on a continuing operations basis.

Toromont has paid dividends consistently since 1968, and has increased the dividend in each of the last 22 years. In 2012, the regular quarterly dividend rate was increased 9% from $0.11 to $0.12 per share. In 2011, the dividend rate was apportioned between Toromont and Enerflex in conjunction with the spinoff of Enerflex, such that shareholders received the same dividend in total. Subsequent to the spinoff, Toromont increased the quarterly dividend rate 10%.

CONSOLIDATED RESULTS OF OPERATIONS FOR THE FOURTH QUARTER 2012

($ thousands, except per share amounts)	Three months ended December 31 2012	2011	$ change	% change
Revenues	$431,068	$408,432	$22,636	6%
Cost of goods sold	312,109	304,665	7,444	2%
Gross profit	118,959	103,767	15,192	15%
Selling and administrative expenses	57,149	55,549	1,600	3%
Operating income	61,810	48,218	13,592	28%
Interest expense	2,747	2,124	623	29%
Interest and investment income	(1,887)	(1,364)	(523)	38%
Income before income taxes	60,950	47,458	13,492	28%
Income taxes	16,023	13,235	2,788	21%

Net earnings	$ 44,927	$ 34,223	$10,704	31%
Earnings per share (basic)	$ 0.59	$ 0.44	$ 0.15	34%

Key ratios:

Gross profit as a % of revenues	27.6%	25.4%
Selling and administrative expenses as a % of revenues	13.3%	13.6%
Operating income as a % of revenues	14.3%	11.8%
Income taxes as a % of income before income taxes	26.3%	27.9%

Results in the fourth quarter of 2012 were a record for revenues and earnings on a continuing operations basis.

Revenues were 6% higher in the fourth quarter of 2012 compared to the same period last year on a 70% increase in revenues at CIMCO, partially offset by a 1% decline in Equipment Group revenues.

Gross profit increased 15% in the fourth quarter over last year on the higher sales volumes and an improved sales mix. Gross profit margin was 27.6% in 2012 compared to 25.4% in 2011. Equipment Group margins improved on sales mix, with a higher proportion of product support revenues to total, as well as improved rental margins on higher utilization. Lower margins were reported at CIMCO on sales mix, with a lower proportion of product support revenues to total.

Selling and administrative expenses increased $1.6 million or 3% versus the comparable period of the prior year. Compensation was higher by $2.3 million on annual increases, higher staffing levels and higher profit sharing accruals on the higher income. Bad debt expense was $2.4 million higher in the fourth quarter of 2012 compared to last year on higher allowance for doubtful accounts. Expenses in 2012 included a $0.3 million insurance recovery related to a fire at CIMCO's Mobile, Alabama office. Certain marketing related costs including non-charge rentals and allowances were lower in the fourth quarter of 2012 compared to 2011. Selling and administrative expenses as a percentage of revenues were 13.3% versus 13.6% in the comparable period last year.

Interest expense was $2.7 million in the fourth quarter of 2012, up $0.6 million from the similar period last year on higher debt balances required to support increased inventory levels and investments in rental fleet.

Interest income was $1.9 million in the fourth quarter of 2012, up $0.5 million from last year on higher interest on conversions of rental equipment with purchase options.

The effective income tax rate in the quarter was 26.3% compared to 27.9% in the same period last year. The lower tax rate reflects lower statutory rates.

Net earnings in the quarter were $44.9 million, up 31% from 2011. Basic earnings per share were $0.59, up 34% from the fourth quarter of 2011.

Fourth Quarter Results of Operations in the Equipment Group

	Three months ended December 31			
($ thousands)	2012	2011	$ change	% change
Equipment sales and rentals				
New	$151,436	$187,677	$(36,241)	(19%)
Used	41,539	46,763	(5,224)	(11%)
Rental	57,234	45,259	11,975	26%
Total equipment sales and rentals	250,209	279,699	(29,490)	(11%)
Power generation	2,816	2,720	96	4%
Product support	114,377	88,627	25,750	29%
Total revenues	$367,402	$371,046	$ (3,644)	(1%)
Operating income	$ 57,449	$ 46,690	$ 10,759	23%
Bookings ($ millions)	$ 156	$ 157	$ (1)	(1%)

Key ratios:

Product support revenues as a % of

total revenues	31.1%	23.9%
Group total revenues as a % of		
consolidated revenues	85.2%	90.8%
Operating income as a % of revenues	15.6%	12.6%

New and used equipment sales decreased as significant deliveries to mining customers in the fourth quarter of 2011 were not matched in the current year. This accounted for approximately 75% of the decline, with no one market being a significant component of the balance.

Rental revenues increased sizeably on a larger rental fleet and higher fleet utilization. All categories of rentals were higher including light equipment, heavy equipment, equipment on rent with purchase options and power. Rental rates have been largely consistent with the prior year, with continuing competitive market conditions.

Product support revenues achieved record levels due to double-digit growth in both parts and service. Improved market conditions and a larger installed base of equipment in territory combined with marketing initiatives have driven higher activity levels.

Operating income increased on improved gross margins. Gross margins were up 340 basis points in the quarter on sales mix, with a higher proportion of product support and rentals to total. Rental margins improved on higher utilization. Selling and administrative expenses were 2% higher than the comparable quarter last year, on higher compensation and bad debt expense offset by lower marketing expenses. Operating income as a percentage of revenues was 15.6% compared to 12.6% in the fourth quarter of 2011.

Bookings in the fourth quarter of 2012 were $156 million, down 1% from the similar period last year.

Fourth Quarter Results of Operations in CIMCO

	Three months ended December 31			
($ thousands)	2012	2011	$ change	% change
Package sales	$41,786	$18,261	$ 23,525	129%
Product support	21,880	19,125	2,755	14%
Total revenues	$63,666	$37,386	$ 26,280	70%
Operating income	$ 4,361	$ 1,528	$ 2,833	185%

Bookings ($ millions)	$ 23	$ 27	$ (4)	(15%)

Key ratios:

Product support revenues as a % of total revenues	34.4%	51.2%
Group total revenues as a % of consolidated revenues	14.8%	9.2%
Operating income as a % of revenues	6.8%	4.1%

Package revenues in the quarter were more than double those seen in 2011.

Industrial revenues in Canada were a substantial contributor, with a number of projects progressing including those previously announced for Maple Leaf Foods. Recreational revenues in Canada were down 14% from last year, as anticipated, as a federal stimulus program ended in 2011. US package activity in both recreational and industrial were lower year-over-year reflecting continued lower market activity on economic conditions.

Product support revenues rose on increased activity in both Canada and the US.

Increased operating income largely reflects the increase in revenues. Gross margins were down 410 basis points on sales mix, with a significantly higher proportion of package revenues to total. Selling and administrative expenses increased 11% year-over-year.

Bookings in the quarter totalled $23 million, down 15% from the similar quarter last year. Canadian bookings were lower while US bookings were very good.

QUARTERLY RESULTS

The following table summarizes unaudited quarterly consolidated financial data for the eight most recently completed quarters. This quarterly information is unaudited but has been prepared on the same basis as the 2012 annual unaudited consolidated financial statements.

$ thousands, except per share amounts	Q1 2012	Q2 2012	Q3 2012	Q4 2012
Revenues				
Equipment Group	$245,799	$334,300	$362,393	$367,402

CIMCO	35,660	45,307	52,646	63,666
Total revenues	$281,459	$379,607	$415,039	$431,068
Net earnings	$ 17,240	$ 25,653	$ 32,733	$ 44,927
Per share information:				
Earnings per share - basic	$ 0.22	$ 0.34	$ 0.43	$ 0.59
Earnings per share - diluted	$ 0.22	$ 0.33	$ 0.43	$ 0.59
Dividends paid per share	$ 0.11	$ 0.12	$ 0.12	$ 0.12
Weighted average common shares outstanding - Basic (in thousands)	76,786	76,761	76,289	76,352

$ thousands, except per share amounts	Q1 2011	Q2 2011	Q3 2011	Q4 2011
Revenues				
Equipment Group	$221,030	$289,191	$315,120	$371,046
CIMCO	40,579	55,453	52,169	37,386
Total revenues	$261,609	$344,644	$367,289	$408,432
Net earnings				
Continuing operations	$ 13,803	$ 23,722	$ 30,930	$ 34,223
Discontinued operations	7,821	135,960	-	$ -

	$ 21,624	$159,682	$ 30,930	$ 34,223
Per share information:				
Earnings per share - basic				
Continuing operations	$ 0.18	$ 0.31	$ 0.40	$ 0.44
Discontinued operations	0.10	1.77	-	-
	$ 0.28	$ 2.08	$ 0.40	$ 0.44
Earnings per share - diluted				
Continuing operations	$ 0.18	$ 0.30	$ 0.40	$ 0.44
Discontinued operations	0.10	1.76	-	-
	$ 0.28	$ 2.06	$ 0.40	$ 0.44
Dividends paid per share	$ 0.16	$ 0.10	$ 0.10	$ 0.11
Weighted average common shares outstanding - Basic (in thousands)	77,163	77,204	77,095	76,604

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

The Equipment Group has historically had a distinct seasonal trend in activity levels. Lower revenues are recorded during the first quarter due to winter shutdowns in the construction industry. The fourth quarter has typically been the strongest due in part to the timing of customers' capital investment decisions, delivery of equipment from suppliers for customer-specific orders and conversions of equipment on rent with a purchase option. In the future, fluctuations in mining-related business may distort this trend somewhat due to the timing of significant deliveries in any given quarter.

CIMCO also has historically had a distinct seasonal trend in results due to timing of construction activity. Prior to the increase in activities associated with the recent Federal stimulus program, CIMCO had traditionally posted a loss in the first quarter. Profitability increased in subsequent quarters as activity levels and resultant revenues increased.

As a result of the historical seasonal sales trends, inventories increase through the year in order to meet the expected demand for delivery in the fourth quarter of the fiscal year, while accounts receivable are highest at year end.

SELECTED ANNUAL INFORMATION

(in thousands, except per share amounts)	2012	2011	2010
Revenues	$1,507,173	$1,381,974	$1,207,028
Net earnings - continuing operations	$ 120,553	$ 102,678	$ 76,659
Net earnings	$ 120,553	$ 246,459	$ 103,912
Earnings per share - continuing operations			
- Basic	$ 1.57	$ 1.33	$ 1.00
- Diluted	$ 1.56	$ 1.32	$ 0.99
Earnings per share			
- Basic	$ 1.57	$ 3.20	$ 1.36
- Diluted	$ 1.56	$ 3.18	$ 1.35
Dividends declared per share	$ 0.48	$ 0.48	$ 0.62
Total assets	$ 936,170	$ 913,331	$2,271,763
Total long-term debt	$ 159,767	$ 134,095	$ 419,929
Weighted average common shares outstanding,			
basic (millions)	76.5	77.0	76.2

Revenues grew 9% in 2012 and 14% in 2011 on improved market conditions and significant mining activity within the Equipment Group.

Net earnings from continuing operations improved 18% in 2012 and 34% in 2011 on the higher revenues, generally improving margins and relatively slower growth in selling and administrative expenses.

Net earnings in 2010 and 2011 include results from discontinued operations, Enerflex. Toromont completed the acquisition of ESIF in 2010. Net earnings from discontinued operations in 2011 represent five months of results to May 31, 2011. Additionally, a net gain of $133.2 million was recognized on spinoff.

Earnings per share have generally followed earnings.

Dividends have generally increased in proportion to trailing earnings growth. In 2011, in conjunction with the spinoff, the regular quarterly dividend was apportioned between Toromont and Enerflex. The previous dividend rate of $0.16 per share was allocated $0.10 to Toromont and $0.06 to Enerflex, thereby keeping shareholders whole. Subsequent to the spinoff, Toromont announced a 10% increase in its dividend rate to $0.11 per share. The dividend rate was increased again in 2012 by 9% to $0.12 per share. The Company has announced dividend increases in each of the past 23 years.

Total assets increased in 2010 on the acquisition of ESIF. Total assets acquired were approximately $1 billion. Total assets decreased in 2011 on the spinoff of Enerflex. Total assets at Enerflex at the time of spinoff were approximately $1.4 billion.

Long-term debt increased in 2010 on financing assumed to fund the acquisition of ESIF. In conjunction with the spinoff, certain financing was repaid. Total debt net of cash to total capitalization was 25% at December 31, 2012, well within target levels.

RISKS AND RISK MANAGEMENT

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

Business Cycle

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

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

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

Product and Supply

The Equipment Group purchases most of its equipment inventories and parts from Caterpillar under a dealership agreement that dates back to 1993. As is customary in distribution arrangements of this type, the agreement with Caterpillar can be terminated by either party upon 90 days' notice. In the event Caterpillar terminates, it must repurchase substantially all inventories of new equipment and parts at cost. Toromont has maintained an excellent relationship with Caterpillar for 19 years and management expects this will continue going forward.

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

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

Competition

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

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

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

Credit Risk

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

When the Company has cash on hand it may be invested in short-term instruments, such as money market deposits. The Company manages its credit exposure associated with cash equivalents by ensuring there is no significant concentration of credit risk with a single counterparty, and by dealing only with highly rated financial institutions as counterparties.

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

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

Warranties and Maintenance Contracts

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

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

Foreign Exchange

The rate of exchange between the Canadian and U.S. dollar has an impact on revenue trends. The Canadian dollar averaged on par with the U.S. dollar in 2012 compared to US $0.99 in 2011, a 1.0% decrease. As nearly all of the equipment and parts sold in the Equipment Group are sourced in U.S. dollars, and Canadian dollar sales prices generally reflect changes in the rate of exchange, a stronger Canadian dollar can adversely affect revenues. The impact is not readily estimable as it is largely dependent on when customers order the equipment versus when it was sold. Bookings in a given period would more closely follow period-over-period changes in exchange rates. Sales of parts come from inventories maintained to service customer requirements. As a result, constant parts replenishment means that there is a lagging impact of changes in exchange rates. In CIMCO, sales are largely affected by the same factors. In addition, revenues from CIMCO's US subsidiary reflect changes in exchange rates on the translation of results, although this is not significant.

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

The Company sources the majority of its products and major components from the United States. Consequently, reported costs of inventory and the transaction prices charged to customers for equipment and parts are affected by the relative strength of the Canadian dollar. The Company mitigates exchange rate risk by entering into foreign currency contracts to fix the cost of imported inventory where appropriate.

In addition, pricing to customers is customarily adjusted to reflect changes in the Canadian dollar landed cost of imported goods. Foreign exchange contracts reduce volatility by fixing landed costs related to specific customer orders and establishing a level of price stability for high-volume goods such as spare parts.

The Company does not enter into foreign exchange forward contracts for speculative purposes. The gains and losses on the foreign exchange forward contracts designated as cash flow hedges are intended to offset the translation losses and gains on the hedged foreign currency transactions when they occur.

As a result, the foreign exchange impact on earnings with respect to transactional activity is not significant.

Interest Rate

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

At December 31, 2012, 84% of the Company's debt portfolio was comprised of fixed rate debt. Fixed rate debt exposes the Company to future interest rate movements upon refinancing the debt at maturity. Floating rate debt exposes the Company to fluctuations in short-term interest rates by causing related interest payments and finance expense to vary.

The Company's fixed rate debt matures between 2015 and 2019.

Further, the fair value of the Company's fixed rate debt obligations may be negatively affected by declines in interest rates, thereby exposing the Company to potential losses on early settlements or refinancing. The Company does not intend to settle or refinance any existing debt before maturity.

Financing Arrangements

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

Environmental Regulation

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

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

Spinoff Transaction Risk

Although the spinoff of Enerflex as a separate, publicly traded company is complete, the transaction exposes Toromont to certain ongoing risks. The spinoff was structured to comply with all the requirements of the public company "butterfly rules" in the Income Tax Act. However, there are certain requirements of these rules that depend on events occurring after completion of the spinoff or that may not be within the control of Toromont and/or Enerflex. If these requirements are not met, Toromont could be exposed to significant tax liabilities which could have a material effect on the financial position of Toromont. In addition, Toromont has agreed to indemnify Enerflex for certain liabilities and obligations related to its business at the time of the spinoff. These indemnification obligations could be significant. These risks are more fully described in the Management Information Circular relating to the Plan of Arrangement dated April 11, 2011 which is available at www.sedar.com.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

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

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

Property, Plant and Equipment

Fixed assets are stated at cost less accumulated depreciation, including asset impairment losses. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of fixed assets are reviewed on an annual basis. Assessing the reasonableness of the estimated useful lives of fixed assets requires judgment and is based on currently available information.

Fixed assets are also reviewed for potential impairment on a regular basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In cases where the undiscounted expected future cash flows are less than the carrying amount, an impairment loss is recognized. Impairment losses on long-lived assets are measured as the amount by which the carrying value of an asset or asset group exceeds its fair value, as determined by the discounted future cash flows of the asset or asset group. In estimating future cash flows, the Company uses its best estimates based on internal plans that incorporate management's judgments as to the remaining service potential of the fixed assets. Changes in circumstances, such as technological advances and changes to business strategy can result in actual useful lives and future cash flows differing significantly from estimates. The assumptions used, including rates and methodologies, are reviewed on an ongoing basis to ensure they continue to be appropriate. Revisions to the estimated useful lives of fixed assets or future cash flows constitute a change in accounting estimate and are applied prospectively.

Income Taxes

Income tax rules and regulations in the countries in which the Company operates and income tax treaties between these countries are subject to interpretation and require estimates and assumptions in determining the Company's consolidated income tax provision that may be challenged by the taxation authorities.

Estimates and judgments are made for uncertainties which exist with respect to the interpretation of complex tax regulations, changes in tax laws and the amount and timing of future taxable income. Changes or differences in these estimates or assumptions may result in changes to the current or deferred tax balances on the consolidated statement of financial position, a charge or credit to income tax expense in the income statement and may result in cash payments or receipts.

Impairment of Non-financial Assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Revenue Recognition

The Company generates revenue from the assembly and manufacture of equipment using the percentage-of-completion method. This method requires management to make a number of estimates and assumptions surrounding: the expected profitability of the contract; the estimated degree of completion based on cost progression; and other detailed factors. Although these factors are routinely reviewed as part of the project management process, changes in these estimates or assumptions could lead to changes in the revenues recognized in a given period.

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

Inventories

Management is required to make an assessment of the net realizable value of inventory at each reporting period. Management incorporates estimates and judgments that take into account current market prices, current economic trends and past experiences in the measurement of net realizable value.

Employee Future Benefits Expense

The net obligations associated with the defined benefit pension plans are actuarially valued using: the projected unit credit method; management's best estimates for long-term expected rate of return on assets; salary escalation and life expectancy; and a current market discount rate. All assumptions are reviewed at each reporting date.

Share-based Compensation

Estimating the fair value for share-based payment transactions requires determining the most appropriate inputs to the valuation model including: the expected life of the share option; volatility; and dividend yield.

FUTURE ACCOUNTING STANDARDS

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the financial year ending December 31, 2012, and accordingly, have not been applied in preparing these consolidated financial statements.

Consolidated Financial Statements - On May 12, 2011, IASB issued IFRS 10 - Consolidated Financial Statements. This IFRS replaces portions of IAS 27 - Consolidated and Separate Financial Statements that addresses consolidation, and supersedes SIC-12 in its entirety. The objective of IFRS 10 is to define the principles of control and establish the basis of determining when and how an entity should be included within a set of consolidated financial statements. IAS 27 has been amended for the issuance of IFRS 10 and retains guidance only for separate financial statements.

Joint Arrangements - On May 12, 2011, the IASB issued IFRS 11 - Joint Ventures. IFRS 11 supersedes IAS 31 - Interest in Joint Ventures and SIC-13 - Jointly Controlled Entities - Non Monetary Contributions by Venturers. Through an assessment of the rights and obligations in an arrangement, IFRS 11 establishes principles to determine the type of joint arrangement and guidance for financial reporting activities required by the entities that have an interest in arrangements that are controlled jointly.

As a result of the issuance of IFRS 10 and IFRS 11, IAS 28 - Investments in Associates and Joint Ventures has been amended to correspond to the guidance provided in IFRS 10 and IFRS 11.

Disclosure of Interests in Other Entities - On May 12, 2011, the IASB issued IFRS 12 - Disclosure of Interests in Other Entities. This IFRS requires extensive disclosures relating to a company's interests in subsidiaries, joint arrangements, associates, and unconsolidated structured entities. This IFRS enables users of the financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial position and performance.

IFRS 10, 11 and 12, and the amendments to IAS 27 and 28 are all effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted, so long as IFRS 10, 11 and 12, and the amendments to IAS 27 and 28 are adopted at the same time. However, entities are permitted to incorporate any of the disclosure requirements in IFRS 12 into their financial statements without early adopting IFRS 12.

Fair Value Measurement - On May 12, 2011, the IASB issued IFRS 13 - Fair Value Measurement, which defines fair value, provides guidance in a single IFRS framework for measuring fair value and identifies the required disclosures pertaining to fair value measurement. This standard is effective for annual periods beginning on or after January 1, 2013, and early adoption is permitted.

Employee Benefits - On June 16, 2011 the IASB revised IAS 19 - Employee Benefits. The revisions include the elimination of the option to defer the recognition of gains and losses, enhancing the guidance around measurement of plan assets and defined benefit obligations, streamlining the presentation of changes in assets and liabilities arising from defined benefit plans and introduction of enhanced disclosures for defined benefit plans. The amendments are effective for annual periods beginning on or after January 1, 2013.

Presentation of Financial Statements - On June 16, 2011 the IASB issued amendments to IAS 1 - Presentation of Financial Statements. The amendments enhance the presentation of Other Comprehensive Income ("OCI") in the financial statements, primarily by requiring the components of OCI to be presented separately for items that may be reclassified to the statement of earnings from those that remain in equity. The amendments are effective for annual periods beginning on or after July 1, 2012.

Financial Instruments - In November 2009, the IASB issued IFRS 9 - Financial Instruments, which replaced the classification and measurement requirements in IAS 39 - Financial Instruments: Recognition and Measurement for financial assets. In October 2010, the IASB issued additions to IFRS 9 regarding requirements for classifying and measuring financial liabilities. The IFRS 9 requirements are currently expected to be effective for annual periods beginning on or after January 1, 2013, although this has been tentatively deferred until January 1, 2015. IFRS 9 must be applied retrospectively. Earlier adoption is permitted.

The Company is currently assessing the impact of these new standards and amendments on its financial statements.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer and the Chief Financial Officer, together with other members of management, have evaluated the effectiveness of the Company's disclosure controls and procedures and internal controls over financial reporting as at December 31, 2012, using the internal control integrated framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, they have concluded that the design and operation of the Company's disclosure controls and procedures were adequate and effective as at December 31, 2012, to provide reasonable assurance that a) material information relating to the Company and its consolidated subsidiaries would have been known to them and by others within those entities, and b) information required to be disclosed is recorded, processed, summarized and reported within required time periods. They have also concluded that the design and operation of internal controls over financial reporting were adequate and effective as at December 31, 2012, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reporting in accordance with IFRS.

There have been no changes in the design of the Company's internal controls over financial reporting during 2012 that would materially affect, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

While the Officers of the Company have evaluated the effectiveness of disclosure controls and procedures and internal control over financial reporting as at December 31, 2012 and have concluded that these controls and procedures are being maintained as designed, they expect that the disclosure controls and procedures and internal controls over financial reporting may not prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

NON-IFRS FINANCIAL MEASURES

The success of the Company and business unit strategies is measured using a number of key performance indicators, which are outlined below. These measures are also used by management in its assessment of relative investments in operations. These key performance indicators are not measurements in accordance with IFRS. It is possible that these measures will not be comparable to similar measures prescribed by other companies. They should not be considered as an alternative to net income or any other measure of performance under IFRS.

Operating Income and Operating Margin

Each business segment assumes responsibility for its operating results as measured by, amongst other factors, operating income, which is defined as income before income taxes, interest income and interest expense. Financing and related interest charges cannot be attributed to business segments on a meaningful basis that is comparable to other companies. Business segments and income tax jurisdictions are not synonymous, and it is believed that the allocation of income taxes distorts the historical comparability of the performance of the business segments. Consolidated and segmented operating income is reconciled to net earnings in tables where used in this MD&A.

Operating income margin is calculated by dividing operating income by total revenue.

Return on Equity and Return on Capital Employed

Return on equity ("ROE") is monitored to assess the profitability of the consolidated Company. ROE is calculated by dividing net earnings by opening shareholders' equity (adjusted for shares issued and redeemed during the year). Opening shareholders' equity in 2011 was also adjusted to remove both net earnings and equity associated with discontinued operations.

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

Working Capital and Non-Cash Working Capital

Working capital is defined as current assets less current liabilities. Non-cash working capital is defined as working capital less cash and equivalents.

Net Debt to Total Capitalization

Net debt is defined as total long-term debt less cash and cash equivalents. Total capitalization is defined as net debt plus shareholders' equity. The ratio of net debt to total capitalization is determined by dividing net debt by total capitalization.

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited)

($ thousands)	Note	December 31 2012	December 31 2011
Assets			
Current assets			

Cash		$ 2,383	$ 75,319
Accounts receivable	3	231,518	209,243
Inventories	4	327,785	301,937
Derivative financial instruments		43	12
Other current assets		4,086	4,718
Total current assets		565,815	591,229
Property, plant and equipment	5	157,993	151,928
Rental equipment	5	158,932	135,362
Derivative financial instruments		-	418
Other assets	6	12,614	8,195
Deferred tax assets	15	13,697	12,749
Goodwill and intangible assets	7	27,119	13,450
Total assets		$ 936,170	$ 913,331
Liabilities			
Current liabilities			
Accounts payable, accrued liabilities and provisions	8	$ 203,468	$ 280,735
Deferred revenues		54,664	49,100
Current portion of long-term debt	9	1,372	1,280
Derivative financial instruments		262	640
Income taxes payable		3,130	8,352
Total current liabilities		262,896	340,107
Deferred revenues		11,337	10,387

Long-term debt	9	158,395	132,815
Accrued pension liability	19	26,840	26,161
Derivative financial instruments		127	-
Shareholders' equity			
Share capital	10	270,900	265,436
Contributed surplus	11	5,957	5,890
Retained earnings		199,486	131,643
Accumulated other comprehensive income		232	892
Shareholders' equity		476,575	403,861
Total liabilities and shareholders' equity		$ 936,170	$ 913,331

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED INCOME STATEMENTS

(Unaudited)

Years ended December 31 ($ thousands, except share amounts)	Note	2012	2011
Revenues		$ 1,507,173	$ 1,381,974
Cost of goods sold		1,122,765	1,032,599
Gross profit		384,408	349,375
Selling and administrative expenses		214,130	201,190

Operating income		170,278	148,185
Interest expense	14	9,714	9,012
Interest and investment income	14	(3,974)	(3,214)
Income before income taxes		164,538	142,387
Income taxes	15	43,985	39,709
Net earnings from continuing operations		120,553	102,678
Net gain on spinoff of Enerflex	25	-	133,164
Earnings from discontinued operations	25	-	10,617
Net earnings		$ 120,553	$ 246,459
Earnings (losses) attributable to :			
Common shareholders		$ 120,553	$ 247,082
Non-controlling interests		$ -	$ (623)
Basic earnings per share			
Continuing operations	16	$ 1.57	$ 1.33
Discontinued operations	16	-	1.87
		$ 1.57	$ 3.20
Diluted earnings per share			
Continuing operations	16	$ 1.56	$ 1.32
Discontinued operations	16	-	1.86

	$ 1.56	$ 3.18

Weighted average number of shares outstanding

Basic	76,549,792	77,013,509
Diluted	77,086,929	77,393,253

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

Years ended December 31 ($ thousands)	2012	2011
Net earnings	$120,553	$246,459
Other comprehensive income (loss):		
Unrealized loss on translation of financial statements of foreign operations	(121)	(6,250)
Change in fair value of derivatives designated as cash flow hedges, net of income tax (recovery) (2012 - ($650); 2011 - $2,245)	(1,619)	4,552
Loss (gain) on derivatives designated as cash flow hedges transferred to net earnings, net of income tax		

(recovery) (2012 - $435; 2011 - ($719))	1,080	(1,662)
Loss on translation of financial statements of foreign operations transferred to net earnings on spinoff of Enerflex	-	18,015
Actuarial losses on pension plans, net of income tax recovery (2012 - $1,505; 2011 - $2,411)	(4,176)	(7,234)
Other comprehensive (loss) income	(4,836)	7,421
Comprehensive income	$115,717	$253,880
Comprehensive loss attributable to non-controlling interests	$ -	$ (623)

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

Years ended December 31 ($ thousands)	Note	2012	2011

	Note		
Operating activities			
Net earnings from continuing operations		$ 120,553	$ 102,678
Items not requiring cash and cash equivalents			
Depreciation and amortization		52,818	45,863
Stock-based compensation	11	1,659	1,001
Accrued pension liability		(5,002)	(3,335)
Deferred income taxes		769	(1,450)
Gain on sale of rental equipment and property, plant and equipment		(8,967)	(8,211)
Cash flow from discontinued operations		-	26,028
		161,830	162,574
Net change in non-cash working capital and other from continuing operations	21	(124,475)	(39,731)
Net change in non-cash working capital and other from discontinued operations	25	-	31,405
Cash provided by operating activities		37,355	154,248
Investing activities			
Additions to:			
Rental equipment		(77,611)	(57,860)
Property, plant and equipment		(23,700)	(25,017)
Proceeds on disposal of:			
Rental equipment		22,562	23,040
Property, plant and equipment		1,504	4,080
Increase in other assets		(291)	(184)
Increase in intangible assets		(13,669)	-
Discontinued operations	25	-	140,115

Cash (used in) provided by investing activities		(91,205)	84,174
Financing activities			
Increase in term credit facility debt		26,547	-
Repayment of long-term debt		(1,280)	(286,888)
Financing costs		(369)	(575)
Dividends	10	(35,996)	(40,877)
Shares purchased for cancellation		(14,137)	(12,213)
Cash received on exercise of stock options		6,202	3,242
Cash used in financing activities		(19,033)	(337,311)
Effect of exchange rate changes on cash denominated in foreign currency		(53)	119
Decrease in cash and cash equivalents		(72,936)	(98,770)
Cash and cash equivalents at beginning of year		75,319	174,089
Cash and cash equivalents at end of year		$ 2,383	$ 75,319

Supplemental cash flow information (note 21)

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)

($ thousands)	Note	Share capital	Contributed surplus	Retained earnings	Foreign currency translation adjustments
At January 1, 2012		$ 265,436	$ 5,890	$ 131,643	$ 545
Net earnings		-	-	120,553	-
Other comprehensive loss		-	-	(4,176)	(121)
Shares purchased for cancellation	10	(2,330)	-	(11,806)	-
Effect of stock compensation plans		7,794	67	-	-
Dividends	10	-	-	(36,728)	-
At December 31, 2012		$ 270,900	$ 5,957	$ 199,486	$ 424

	Cash	Total accumulated other	Non-

($ thousands)	Note	flow hedges	comprehensive income	controlling Interest	Total
At January 1, 2012		$ 347	$ 892	$ -	$ 403,861
Net earnings		-	-	-	120,553
Other comprehensive loss		(539)	(660)	-	(4,836)
Shares purchased for cancellation	10	-	-	-	(14,136)
Effect of stock compensation plans		-	-	-	7,861
Dividends	10	-	-	-	(36,728)
At December 31, 2012		$ (192)	$ 232	$ -	$ 476,575

($ thousands)	Note	Share capital	Contributed surplus	Retained earnings	Foreign currency translation adjustments
At January 1, 2011		$ 469,080	$ 10,882	$ 729,694	$ (11,220)
Net earnings		-	-	246,459	-
Enerflex spinoff	25	(205,332)	(5,081)	(790,560)	-
Other comprehensive (loss) income		-	-	(7,234)	(6,250)

Translation losses recognized on Enerflex spinoff	25	-	-	-	18,015
Shares purchased for cancellation	10	(2,467)	-	(9,748)	-
Effect of stock compensation plans		4,155	89	-	-
Dividends	10	-	-	(36,968)	-
At December 31, 2011		$ 265,436	$ 5,890	$ 131,643	$ 545

($ thousands)	Note	Cash flow hedges	Total accumulated other comprehensive income	Non-controlling Interest	Total
At January 1, 2011		$(2,543)	$ (13,763)	$ 945	$ 1,196,838
Net earnings		-	-	(623)	245,836
Enerflex spinoff	25	(4,950)	(4,950)	(322)	(1,006,245)
Other comprehensive (loss) income		7,840	1,590	-	(5,644)
Translation losses recognized on Enerflex spinoff	25	-	18,015	-	18,015

Shares purchased for cancellation	10	-	-	-	(12,215)
Effect of stock compensation plans		-	-	-	4,244
Dividends	10	-	-	-	(36,968)
At December 31, 2011		$ 347	$ 892	$ -	$ 403,861

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

December 31, 2012

($ thousands except where otherwise indicated)

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

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

Toromont operates through two business segments: The Equipment Group and CIMCO. The Equipment Group includes one of the larger Caterpillar dealerships by revenue and geographic territory in addition to industry-leading rental operations. CIMCO is a market leader in the design, engineering, fabrication and installation of industrial and recreational refrigeration systems. Both segments offer comprehensive product support capabilities. Toromont employs over 3,000 people in almost 100 locations.

Statement of Compliance

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

These consolidated unaudited financial statements were authorized for issue by the Audit Committee of the Board of the Directors on February 11, 2013.

Basis of Preparation

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

Basis of Consolidation

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

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

Non-controlling interests represent the portion of net earnings and net assets that is not held by the Company and are presented separately in the consolidated income statements and within equity in the consolidated statements of financial position.

Business Combinations and Goodwill

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

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

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

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

Cash and Cash Equivalents

Cash and cash equivalents consist of petty cash, demand deposits and short-term deposits with an original maturity of three months or less. Cash and cash equivalents are recorded at cost, which approximates market value.

Accounts Receivable

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

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

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

Inventories

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

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

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

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

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

Property, Plant and Equipment

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

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

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

Rental Equipment

Rental equipment is recorded at cost, net of accumulated depreciation and accumulated impairment losses, if any. Depreciation is recognized principally on a straight-line basis over the estimated useful lives of the assets, which range from one to 10 years.

Intangible Assets

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

Provisions

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

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

Financial Instruments

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

Financial Assets

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

-- Cash and cash equivalents are classified as held for trading and as such are measured at fair value, with changes in fair value being included in profit or loss.

-- Accounts receivable are classified as loans and receivables and are recorded at amortized cost using the effective interest rate method, less provisions for doubtful accounts.

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

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

Financial Liabilities

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

- Accounts payable and accrued liabilities are classified as financial liabilities held for trading and as such are measured at fair value, with changes in fair value being included in profit or loss.
- Long-term debt is classified as loans and borrowings and as such is subsequently measured at amortized cost using the effective interest rate method. Discounts, premiums and fees on acquisition are taken into account in determining amortized cost.
- Derivatives are classified as held for trading and are measured at fair value with changes in fair value being included in profit or loss, unless they are designated as effective hedging instruments, in which case changes in fair value are included in other comprehensive income.

Fair Value of Financial Instruments

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

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities

-- Level 2 - other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly

-- Level 3 - techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

Derivative Financial Instruments and Hedge Accounting

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

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income.

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

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

-- If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset, the associated gains or losses that were recognized in other comprehensive income are included in the initial cost or other carrying amount of the asset;

-- For cash flow hedges other than those identified above, amounts accumulated in other comprehensive income are recycled to the income statement in the period when the hedged item will affect earnings (for instance, when the forecast sale that is hedged takes place);

-- When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in other comprehensive income remains in other comprehensive income and is recognized when the forecast transaction is ultimately recognized in the income statement; and

-- When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately recognized in the income statement.

Impairment of Non-financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). In determining fair value less costs to sell, recent market transactions are taken into account, if available. In assessing value in use, the estimated further 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. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognized in the income statement.

The Company bases its impairment calculation on detailed budgets which are prepared for each of the CGUs and generally cover a period of three years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the third year.

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

Goodwill is tested for impairment annually during the fourth quarter of the year and when circumstances indicate that the carrying value may be impaired.

Revenue Recognition

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

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

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

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

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

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

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

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

Foreign Currency Translation

The functional and presentation currency of the Company is the Canadian dollar. Each of the Company's subsidiaries determines its functional currency and items included in the financial statements of each subsidiary are measured using that functional currency.

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

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

Share-based Payment Transactions

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

For equity-settled plans, expense is based on the fair value of the awards granted determined using the Black-Scholes option pricing model and the best estimate of the number of equity instruments that will ultimately vest. For awards with graded vesting, each tranche is considered to be a separate grant based on its respective vesting period. The fair value of each tranche is determined separately on the date of grant and is recognized as stock-based compensation expense, net of forfeiture estimate, over the term of its respective vesting period.

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

Employee Future Benefits

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

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

- The cost of pensions earned by employees is actuarially determined using the projected unit credit method pro-rated on length of service and management's best estimate assumptions to value its pensions using a measurement date of December 31;
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value;
- Past service costs from plan amendments are recognized immediately in net earnings to the extent that the benefits have vested; otherwise, they are amortized on a straight-line basis over the vesting period;
- Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in retained earnings and included in the statement of comprehensive income in the period in which they occur.

Income Taxes

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

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

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

Leases

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

Toromont as Lessee

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

Toromont as Lessor

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

Borrowing Costs

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

Standards Issued But Not Yet Effective

A number of new standards, amendments to standards and interpretations have been issued but are not yet effective for the financial year ended December 31, 2012, and accordingly, have not been applied in preparing these consolidated financial statements.

Consolidated Financial Statements - On May 12, 2011, the IASB issued IFRS 10 - Consolidated Financial Statements. This IFRS replaces portions of IAS 27 - Consolidated and Separate Financial Statements that addresses consolidation, and supersedes SIC-12 in its entirety. The objective of IFRS 10 is to define the principles of control and establish the basis of determining when and how an entity should be included within a set of consolidated financial statements. IAS 27 has been amended for the issuance of IFRS 10 and retains guidance only for separate financial statements.

Joint Arrangements - On May 12, 2011, the IASB issued IFRS 11 - Joint Ventures. IFRS 11 supersedes IAS 31 - Interest in Joint Ventures and SIC-13 - Jointly Controlled Entities - Non Monetary Contributions by Venturers. Through an assessment of the rights and obligations in an arrangement, IFRS 11 establishes principles to determine the type of joint arrangement and guidance for financial reporting activities required by the entities that have an interest in arrangements that are controlled jointly.

As a result of the issuance of IFRS 10 and IFRS 11, IAS 28 - Investments in Associates and Joint Ventures has been amended to correspond to the guidance provided in IFRS 10 and IFRS 11.

Disclosure of Interests in Other Entities - On May 12, 2011, the IASB issued IFRS 12 - Disclosure of Interests in Other Entities. This IFRS requires extensive disclosures relating to a company's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. This IFRS enables users of the financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial position and performance.

IFRS 10, 11 and 12, and the amendments to IAS 27 and 28 are all effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted, as long as IFRS 10, 11 and 12, and the amendments to IAS 27 and 28 are adopted at the same time. However, entities are permitted to incorporate any of the disclosure requirements in IFRS 12 into their financial statements without early adopting IFRS 12. The Company is currently assessing the impact of these new standards and amendments on its consolidated financial statements.

Fair Value Measurement - On May 12, 2011, the IASB issued IFRS 13 - Fair Value Measurement, which defines fair value, provides guidance in a single IFRS framework for measuring fair value and identifies the required disclosures pertaining to fair value measurement. This standard is effective for annual periods beginning on or after January 1, 2013, and early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

Employee Benefits - On June 16, 2011, the IASB revised IAS 19 - Employee Benefits. The revisions include the elimination of the option to defer the recognition of gains and losses, enhancing the guidance around measurement of plan assets and defined benefit obligations, streamlining the presentation of changes in assets and liabilities arising from defined benefit plans and the introduction of enhanced disclosures for defined benefit plans. The amendments are effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact of the amendments on its consolidated financial statements.

Presentation of Financial Statements - On June 16, 2011, the IASB issued amendments to IAS 1 - Presentation of Financial Statements. The amendments enhance the presentation of other comprehensive income ("OCI") in the financial statements, primarily by requiring the components of OCI to be presented separately for items that may be reclassified to the statement of earnings from those that remain in equity. The amendments are effective for annual periods beginning on or after July 1, 2012. The Company is currently assessing the impact of the amendments on its consolidated financial statements.

Financial Instruments - In November 2009, the IASB issued IFRS 9 - Financial Instruments, which replaced the classification and measurement requirements in IAS 39 - Financial Instruments: Recognition and Measurement for financial assets. In October 2010, the IASB issued additions to IFRS 9 regarding requirements for classifying and measuring financial liabilities. The IFRS 9 requirements are effective for annual periods beginning on or after January 1, 2015. IFRS 9 must be applied retrospectively. Earlier adoption is permitted. The Company is currently assessing the impact of adopting IFRS 9 on its consolidated financial statements.

1. Significant Accounting Estimates and Assumptions

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

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

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

Property, Plant and Equipment - Depreciation is calculated based on the estimated useful lives of the assets and estimated residual values.

When determining the value in use of property, plant and equipment during impairment testing, the Company uses the following critical estimates: the timing of forecasted revenues; future selling prices and margins; maintenance and other capital expenditures; and discount rates.

Changes in circumstances, such as technological advances and changes to business strategy, can result in actual useful lives, residual values and future cash flows differing significantly from estimates. The assumptions used are reviewed on an ongoing basis to ensure they continue to be appropriate.

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

Revenue Recognition - The Company generates revenue from the assembly and manufacture of equipment using the percentage-of-completion method. This method requires management to make a number of estimates and assumptions surrounding: the expected profitability of the contract; the estimated degree of completion based on cost progression; and other detailed factors. Although these factors are routinely reviewed as part of the project management process, changes in these estimates or assumptions could lead to changes in the revenues recognized in a given period.

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

Inventories - Management is required to make an assessment of the net realizable value of inventory at each reporting period. Management incorporates estimates and judgments that take into account current market prices, current economic trends and past experience in the measurement of net realizable value.

Employee Future Benefits Expense - The net obligations associated with the defined benefit pension plans are actuarially valued using: the projected unit credit method; management's best estimates for long-term expected rate of return on plan assets; salary escalation and life expectancy; and a current market discount rate. All assumptions are reviewed at each reporting date.

Share-based Compensation - Estimating the fair value for share-based payment transactions requires determining the most appropriate inputs to the valuation model including: the expected life of the share option; volatility; and dividend yield.

3. ACCOUNTS RECEIVABLE

	December 31 2012	December 31 2011
Trade receivables	$ 221,999	$ 200,009
Less: allowance for doubtful accounts	(5,496)	(5,574)
Trade receivables - net	216,503	194,435
Other receivables	15,015	14,808
Trade and other receivables	$ 231,518	$ 209,243

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

	December 31 2012	December 31 2011

Current to 90 days	$ 211,750	$ 189,069
Over 90 days	10,249	10,940
	$ 221,999	$ 200,009

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

Movement of provision

	December 31 2012	December 31 2011
Balance, beginning of year	$ 5,574	$ 5,096
Provisions and revisions, net	(78)	478
Balance, end of year	$ 5,496	$ 5,574

4. INVENTORIES

	December 31 2012	December 31 2011
Equipment	$ 219,549	$ 204,936
Repair and distribution parts	76,783	73,725
Direct materials	2,598	2,606
Work-in-process	28,855	20,670

	$ 327,785	$ 301,937

The amount of inventory recognized as an expense and included in cost of goods sold accounted for other than by the percentage-of-completion method during 2012 was $885 million (2011 - $844 million). The cost of goods sold includes inventory write-downs pertaining to obsolescence and aging together with recoveries of past write-downs upon disposition. A net reversal of write-downs of $0.2 million was recorded in 2012. The amounts charged to the consolidated income statement and included in cost of goods sold on a net basis for inventory valuation issues during 2011 was $1.7 million.

5.PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Equipment
Cost			
December 31, 2011	$ 45,635	$ 110,297	$ 107,380
Additions	385	3,750	18,823
Disposals	-	(835)	(7,755)
Currency translation effects	(3)	(12)	(8)
December 31, 2012	$ 46,017	$ 113,200	$ 118,440
Accumulated depreciation			
December 31, 2011	$ -	$ 49,576	$ 79,554
Depreciation charge	-	4,715	10,375
Depreciation of disposals	-	(454)	(7,558)
Currency translation effects	-	(2)	(10)

December 31, 2012	$ -	$ 53,835	$ 82,361
Net book value -			
December 31, 2012	$ 46,017	$ 59,365	$ 36,079

	Power Generation	Total	Rental Equipment
Cost			
December 31, 2011	$ 37,992	$ 301,304	$ 262,468
Additions	301	23,259	73,531
Disposals	(2)	(8,592)	(36,587)
Currency translation effects	-	(23)	-
December 31, 2012	$ 38,291	$ 315,948	$ 299,412
Accumulated depreciation			
December 31, 2011	$ 20,246	$ 149,376	$ 127,106
Depreciation charge	1,515	16,605	35,440
Depreciation of disposals	(2)	(8,014)	(22,066)
Currency translation effects	-	(12)	-
December 31, 2012	$ 21,759	$ 157,955	$ 140,480

Net book value -						
December 31, 2012	$	16,532	$	157,993	$	158,932

		Land		Buildings		Equipment
Cost						
December 31, 2010	$	46,268	$	102,152	$	99,125
December 31, 2010 - Enerflex		-	$	-	$	-
Business combinations		-		-		-
Reclassifications		-		-		-
Additions		1,860		8,513		15,088
Disposals		(2,496)		(380)		(6,843)
Currency translation effects		3		12		10
December 31, 2011	$	45,635	$	110,297	$	107,380
Accumulated depreciation						
December 31, 2010	$	-	$	45,779	$	78,211
December 31, 2010 - Enerflex	$	-	$	-	$	-
Reclassifications		0		0		0
Depreciation charge		-		4,175		8,091
Depreciation of disposals		-		(380)		(6,756)
Impairment Reversal		-		-		-

Currency translation effects	-	2	8
December 31, 2011	$ -	$ 49,576	$ 79,554
Net book value - December 31, 2011	$ 45,635	$ 60,721	$ 27,826

	Power Generation	Total	Rental Equipment
Cost			
December 31, 2010	$ 37,736	$ 285,281	$ 235,183
December 31, 2010 - Enerflex	$ -	-	$ -
Business combinations	-	-	-
Reclassifications	-	-	-
Additions	278	25,739	62,205
Disposals	(22)	(9,741)	(34,920)
Currency translation effects	-	25	-
December 31, 2011	$ 37,992	$ 301,304	$ 262,468
Accumulated depreciation			
December 31, 2010	$ 18,783	$ 142,773	$ 115,239
December 31, 2010 - Enerflex	$ -	-	$ -
Reclassifications	0	0	0

Depreciation charge	1,485	13,751	30,482
Depreciation of disposals	(22)	(7,158)	(18,615)
Impairment Reversal	-	-	
Currency translation effects	-	10	-
December 31, 2011	$ 20,246	$ 149,376	$ 127,106
Net book value - December 31, 2011	$ 17,746	$ 151,928	$ 135,362

During 2012, depreciation expense of $47,255 have been charged in cost of goods sold (2011 - $39,578) and $4,790 have been charged to selling and administrative expenses (2011 - $4,655).

Operating income from rental operations for the year ended December 31, 2012 was $26.8 million (2011 - $23.5 million).

6.OTHER ASSETS

	December 31 2012	December 31 2011
Equipment sold with guaranteed residual values	$ 11,456	$ 7,263
Other	1,158	932
	$ 12,614	$ 8,195

7.GOODWILL AND INTANGIBLE ASSETS

	2012	2011
Goodwill	$ 13,450	$ 13,450
Intangible assets	13,669	-
	$ 27,119	$ 13,450

Toromont acquired from Caterpillar the assets associated with the former coterminous Bucyrus distribution network. Under this agreement, Toromont paid US $13.5 million ($13.7 million). This acquisition was accounted for as a purchase of an identifiable intangible asset. Accordingly, the purchase price was allocated to the intangible asset - distribution network.

The intangible asset - distribution network is considered to have an indefinite useful life as the agreement does not have a termination date. Intangible assets with an indefinite useful life are not amortized but are tested for impairment annually, or when conditions suggest that there may be an impairment.

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

- Toromont CAT, included within the Equipment Group
- CIMCO, which is also an operating and reportable segment

Carrying amount of goodwill and intangible assets allocated to each of the CGUs

	2012	2011
Toromont CAT - Goodwill	$ 13,000	$ 13,000
CIMCO - Goodwill	450	450
Total Goodwill	13,450	13,450
Toromont CAT - Intangible assets	13,669	-

Total Goodwill and Intangible assets	$	27,119 $	13,450

The Company performed the annual impairment test of goodwill and intangible assets allocated to Toromont CAT as at December 31, 2012. The recoverable amount of Toromont CAT has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a three-year period. Cash flow beyond the three-year period was extrapolated using a 2% growth rate which represents the expected growth in the Canadian economy. The pre-tax discount rate applied to cash flow projects is 10.8%. As a result of the analysis, management did not identify impairment for this CGU.

The Company performed the annual impairment test of goodwill allocated to CIMCO as at December 31, 2012. The recoverable amount of CIMCO has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a three-year period. Cash flow beyond the three-year period was extrapolated using a 2% growth rate which represents the expected growth in the Canadian economy. The pre-tax discount rate applied to cash flow projects is 12.7%. As a result of the analysis, management did not identify impairment for this CGU.

Key Assumption Used in Value in Use Calculations

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

-- Discount rates

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

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate is derived from the CGU's weighted-average cost of capital, taking into account both debt and equity. The cost of equity is derived from the expected return on investment by the Company's shareholders. The cost of debt is based on the interest-bearing borrowings the Company is obliged to service. Segment-specific risk is incorporated by applying different debt to equity ratios.

Growth rate estimates are based on published data and were used as a conservative estimate of future growth.

Sensitivity to Changes in Assumptions

Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of either unit to materially exceed its recoverable amount.

8.PAYABLES, ACCRUALS AND PROVISIONS

		2012	2011
Accounts payable and accrued liabilities	$	183,361 $	263,544

Dividends payable	9,165	8,433
Provisions	10,942	8,758
	$ 203,468	$ 280,735

Activities related to provisions were as follows:

	Warranty	Other	Total
Balance as at December 31, 2011	$ 5,132	$ 3,626	$ 8,758
New provisions	6,728	1,036	7,764
Charges/credits against provisions	(5,283)	(297)	(5,580)
Balance as at December 31, 2012	$ 6,577	$ 4,365	$ 10,942

	Warranty	Other	Total
Balance as at December 31, 2010	$ 4,812	$ 2,012	$ 6,824
New provisions	5,286	1,927	7,213
Charges/credits against provisions	(4,966)	(313)	(5,279)
Balance as at December 31, 2011	$ 5,132	$ 3,626	$ 8,758

Warranty

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

Other

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

9.LONG-TERM DEBT

	2012	2011
Bank credit facility	$ 26,547	$ -
Senior debentures	135,883	137,163
Debt issuance costs, net of amortization	(2,663)	(3,068)
Total long-term debt	159,767	134,095
Less current portion	1,372	1,280
	$ 158,395	$ 132,815

All debt is unsecured.

The Company maintains a $200 million committed credit facility. The facility matures in September 2017. Debt incurred under the facility is unsecured and ranks pari passu with debt outstanding under Toromont's existing debentures. The facility was amended in September 2012 to extend the term at improved rates. Interest is based on a floating rate, primarily bankers' acceptances and prime, plus applicable margins and fees based on the terms of the credit facility. Debt issuance costs of $369 were adjusted against the carrying value of the long-term debt.

At December 31, 2012, standby letters of credit issued utilized $24.1 million of the credit lines (December 31, 2011 - $24.8 million).

Terms of the senior debentures are:

-- $125,000, 4.92% senior debentures due October 13, 2015, interest payable semi-annually, principal due on maturity; and

-- $10,883, 7.06% senior debentures due March 29, 2019, interest payable semi-annually through September 29, 2009; thereafter, blended principal and interest payments through to maturity.

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

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

	Principal	Interest
2013	$ 1,372	$ 7,619
2014	1,471	7,521
2015	126,576	6,067
2016	1,690	1,152
2017	28,358	849
2018 to 2019	2,963	1,480
	$ 162,430	$ 24,688

Interest expense includes interest on debt initially incurred for a term greater than one year of $8,425 (2011 - $8,436).

10.SHARE CAPITAL

Authorized

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

Issued

The changes in the common shares issued and outstanding during the year were as follows:

	2012 Number of Common Shares	2012 Common Share Capital	2011 Number of Common Shares	2011 Common Share Capital
Balance, beginning of year	76,629,777	$ 265,436	77,149,626	$ 469,080
Exercise of stock options	443,920	7,794	200,155	4,141
Purchase of shares for cancellation	(666,039)	(2,330)	(720,004)	(2,467)
Enerflex spinoff	-	-	-	(205,318)
Balance, end of year	76,407,658	$ 270,900	76,629,777	$ 265,436

Shareholder Rights Plan

The Shareholder Rights Plan is designed to encourage the fair treatment of shareholders in connection with any takeover offer for the Company. Rights issued under the plan become exercisable when a person, and any related parties, acquires or commences a take-over bid to acquire 20% or more of the Company's outstanding common shares without complying with certain provisions set out in the plan or without approval of the Company's Board of Directors. Should such an acquisition occur, each rights holder, other than the acquiring person and related parties, will have the right to purchase common shares of the Company at a 50% discount to the market price at that time. The plan expires in April 2015.

Normal Course Issuer Bid ("NCIB")

Toromont renewed its NCIB program in 2012. The current issuer bid allows the Company to purchase up to approximately 6.4 million of its common shares in the 12-month period ending August 30, 2013, representing 10% of common shares in the public float, as estimated at the time of renewal. The actual number of shares purchased and the timing of any such purchases will be determined by Toromont. All shares purchased under the bid will be cancelled.

In the year ended December 31, 2012, the Company purchased and cancelled 666,039 common shares for $14,137 (average cost of $21.23 per share) under its NCIB program. In the year ended December 31, 2011, the Company purchased and cancelled 720,004 common shares for $12,213 (average cost of $16.96 per share) under its NCIB program.

Dividends

The Company paid dividends of $36.0 million ($0.47 per share) for the year ended December 31, 2012 and $40.9 million ($0.53 per share) for the year ended December 31, 2011.

The dividend was adjusted to $0.10 per share for the post-spinoff dividend paid on July 1, 2011 which, together with the $0.06 dividend subsequently declared by the Enerflex Ltd. Board, kept shareholders whole with the pre-spinoff dividend amount. On August 12, 2011, the Board of Directors increased the quarterly dividend to $0.11 per share and on February 24, 2012, the quarterly dividend was raised to $0.12 per share.

11. CONTRIBUTED SURPLUS

Contributed surplus consists of accumulated stock option expense less the fair value of the options at the grant date that have been exercised and reclassified to share capital. Changes in contributed surplus were as follows:

	2012	2011
Contributed surplus, beginning of year	$ 5,890	$ 10,882
Stock-based compensation, net of forfeitures	1,659	1,001
Value of compensation cost associated with exercised options	(1,592)	(912)
Enerflex spinoff	-	(5,081)
Contributed surplus, end of year	$ 5,957	$ 5,890

12. FINANCIAL INSTRUMENTS

Financial Assets and Liabilities - Classification and Measurement

Financial assets and financial liabilities are measured on an ongoing basis at cost, fair value or amortized cost, depending on the classification. The following table highlights the carrying amounts and classifications of financial assets and liabilities:

As at December 31, 2012	Cash, loans and receivables	Derivatives used for hedging	Other financial liabilities	Total
Cash and cash equivalents	$ 2,383	$ -	$ -	$ 2,383
Accounts receivable	231,518	-	-	231,518
Accounts payable and accrued liabilities	-	-	(203,468)	(203,468)
Current portion of				

long-term debt	-	-	(1,372)	(1,372)
Derivative financial instruments	-	(346)	-	(346)
Long term debt	-	-	(158,395)	(158,395)
Total	$ 233,901	$ (346)	$ (363,235)	$ (129,680)

As at December 31, 2011	Cash, loans and receivables	Derivatives used for hedging	Other financial liabilities	Total
Cash and cash equivalents	$ 75,319	$ -	$ -	$ 75,319
Accounts receivable	209,243	-	-	209,243
Accounts payable and accrued liabilities	-	-	(280,735)	(280,735)
Current portion of long-term debt	-	-	(1,280)	(1,280)
Derivative financial instruments	-	(210)	-	(210)
Long term debt	-	-	(132,815)	(132,815)
Total	$ 284,562	$ (210)	$ (414,830)	$ (130,478)

Fair Value of Financial Instruments

The estimated fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and borrowings under the bank term facility approximate their respective carrying values given their short-term maturities.

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

The fair value of senior debentures as at December 31, 2012 was $144,078 (carrying value of $135,883). The fair value was determined using the discounted cash flow method, a generally accepted valuation technique. The discounted factor is based on market rates for debt with similar terms and remaining maturities and based on Toromont's credit risk. The Company has no plans to prepay these instruments prior to maturity. The valuation is determined using Level 2 inputs which are observable inputs or inputs which can be corroborated by observable market data for substantially the full term of the asset or liability.

During the year ended December 31, 2012, there were no transfers between Level 1 and Level 2 fair value measurements.

Derivative Financial Instruments and Hedge Accounting

Foreign exchange contracts and options are transacted with financial institutions to hedge foreign currency denominated obligations related to purchases of inventory and sales of products.

The following table summarizes the Company's commitments to buy and sell foreign currencies as at December 31, 2012.

		Notional Amount	Average Exchange Rate (i)	Maturity
Purchase contracts	USD	138,973	$ 1.0000	January 2013 to January 2014
Sell contracts	GBP	440	$ 1.5935	June 2013 to March 2014

(i) CDN $ required to purchase one denominated unit

Management estimates that a loss of $349 would be realized if the contracts were terminated on December 31, 2012. Certain of these forward contracts are designated as cash flow hedges, and accordingly, an unrealized loss of $260 has been included in OCI. These losses are not expected to affect net earnings as the losses will be reclassified to net earnings within the next 12 months and will offset gains recorded on the underlying hedged items, namely foreign denominated accounts payable. A loss of $89 on forward contracts not designated as hedges is included in net earnings which offsets a gain recorded on the foreign-denominated items, namely accounts payable.

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

13.FINANCIAL INSTRUMENTS - RISK MANAGEMENT

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

Currency Risk

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

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

Sensitivity Analysis

The following sensitivity analysis is intended to illustrate the sensitivity to changes in foreign exchange rates on the Company's financial instruments and show the impact on net earnings and comprehensive income. Financial instruments affected by currency risk include cash and cash equivalents, accounts receivable, accounts payable and derivative financial instruments. This sensitivity analysis relates to the position as at December 31, 2012 and for the year then ended. The following table shows Toromont's sensitivity to a 5% weakening of the Canadian dollar against the US dollar and the British Pound. A 5% strengthening of the Canadian dollar would have an equal and opposite effect. This sensitivity analysis is provided as reasonably possible change in currency in a volatile environment.

Cdn dollar weakens by 5%	USD	GBP
Financial instruments held in foreign operations:		
Other comprehensive Income	$ 191	$ -
Financial instruments held in Canadian operations:		
Net earnings	$ 390	$ 5
Other comprehensive Income	$ 3,592	$ (26)

The movement in OCI in foreign operations reflects the change in the fair value of financial instruments. Gains or losses on translation of foreign subsidiaries are deferred in OCI. Accumulated currency translation adjustments are recognized in income when there is a reduction in the net investment in the foreign operation.

The movement in net earnings in Canadian operations is a result of a change in the fair values of financial instruments. The majority of these financial instruments are hedged.

The movement in OCI in Canadian operations reflects the change in the fair value of derivative financial instruments that are designated as cash flow hedges. The gains or losses on these instruments are not expected to affect net earnings as the gains or losses will offset losses or gains on the underlying hedged items.

Credit Risk

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

Cash equivalents consist mainly of short-term investments, such as money market deposits. The Company has deposited the cash equivalents with reputable financial institutions, from which management believes the risk of loss to be remote.

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

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

Interest Rate Risk

The Company minimizes its interest rate risk by managing its portfolio of floating and fixed rate debt, as well as managing the term to maturity. The Company may use derivative instruments such as interest rate swap agreements to manage its current and anticipated exposure to interest rates. There were no interest rate swap agreements outstanding as at December 31, 2012 or December 31, 2011.

The Company had a floating rate debt of $26.5 million as at December 31, 2012.

Liquidity Risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting obligations associated with financial liabilities. As at December 31, 2012, the Company had unutilized lines of credit of $149.4 million.

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

The Company expects that continued cash flows from operations in 2012, together with currently available credit facilities, will be more than sufficient to fund its requirements for investments in working capital, capital assets and dividend payments through the next 12 months, and that the Company's credit ratings provide reasonable access to capital markets to facilitate future debt issuance.

14.INTEREST INCOME AND EXPENSE

The components of interest expense are as follows:

	2012	2011
Term loan facility	$ 2,807	$ 1,941
Senior debentures	6,907	7,071
	$ 9,714	$ 9,012

The components of interest and investment income are as follows:

	2012	2011
Interest income on rental conversions	$ 3,529	$ 2,981
Other	445	233
	$ 3,974	$ 3,214

15.INCOME TAXES

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

	2012	2011
Current income tax expense	$ 43,212	$ 41,159
Deferred income tax expense (recovery)	773	(1,450)
Total income tax expense	$ 43,985	$ 39,709

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

	2012	2011
Statutory Canadian federal and provincial income tax rates	26.50%	28.25%

Expected taxes on income	$ 43,603	$ 40,224
Increase (decrease) in income taxes resulting from:		
Higher (lower) effective tax rates in other jurisdictions	110	(383)
Manufacturing and processing rate reduction	(218)	(198)
Expenses not deductible (income not taxable) for tax purposes	902	(919)
Non-taxable gains	(83)	(61)
Effect of future income tax rate reductions	(320)	(28)
Other	(9)	1,074
Provision for income taxes	$ 43,985	$ 39,709
Effective income tax rate	26.7%	27.9%

The statutory income tax rate represents the combined Canadian federal and Ontario provincial income tax rates which are the relevant tax jurisdictions for the Company. The decrease is largely due to the reduction of the Federal income tax rate in 2011 from 18% to 16.5%.

The source of deferred income taxes was as follows:

	2012	2011
Accrued liabilities	$ 9,681	$ 8,964
Deferred revenue	1,193	1,021

Accounts receivable	1,273	1,231
Inventories	2,866	2,927
Capital assets	(9,147)	(8,454)
Pension	7,144	6,705
Other	620	503
Cash flow hedges in other comprehensive income	67	(148)
Deferred tax assets	$ 13,697	$ 12,749

The movement in net deferred tax assets was as follows:

	2012	2011
Balance, January 1	$ 12,749	$ 10,435
Tax (expense) recovery recognized in income	(773)	1,450
Tax recovery recognized in other comprehensive income	1,721	864
Balance, December 31	$ 13,697	$ 12,749

The aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax assets have not been recognized as at December 31, 2012 was $39,512 (December 31, 2011 - $31,270).

16. EARNINGS PER SHARE

Basic earnings per share ("EPS") are calculated by dividing net earnings for the year by the weighted average number of common shares outstanding during the year.

Diluted EPS is calculated by dividing net earnings by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all dilutive stock options to common shares.

EPS amounts for continuing and discontinued operations is calculated by dividing net earnings from continuing and discontinued operations respectively by the weighted average number of common shares for both basic and diluted amounts.

		2012		2011
Net earnings available to common shareholders	$	120,553	$	246,459
Net earnings from discontinued operations		-		143,781
Net earnings from continuing operations	$	120,553	$	102,678
Weighted average common shares outstanding		76,549,792		77,013,509
Dilutive effect of stock option conversion		537,137		379,744
Diluted weighted average common shares outstanding		77,086,929		77,393,253
Basic earnings per share				
Continuing operations	$	1.57	$	1.33
Discontinued operations		-		1.87
	$	1.57	$	3.20
Diluted earnings per share				
Continuing operations	$	1.56	$	1.32
Discontinued operations		-		1.86
	$	1.56	$	3.18

There were no anti-dilutive options for the year ended December 31, 2012 and 2011.

17. EMPLOYEE BENEFITS EXPENSE

	2012	2011
Wages and salaries	$ 264,360	$ 251,693
Other employment benefit expenses	43,013	38,945
Share options granted to directors and employees	1,659	1,001
Pension costs	9,627	8,768
	$ 318,659	$ 300,407

18. STOCK-BASED COMPENSATION

The Company maintains a stock option program for certain employees. Under the plan, up to 6,096,000 options may be granted for subsequent exercise in exchange for common shares. It is the Company's policy that no more than 1% of outstanding shares or 766,298 share options may be granted in any one year. Stock options have a seven-year term, vest 20% per year on each anniversary date of the grant and are exercisable at the designated common share price, which is fixed at prevailing market prices of the common shares at the date the option is granted. Toromont accrues compensation cost over the vesting period based on fair value.

A reconciliation of the outstanding options for the year ended December 31, 2012 was as follows:

	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of year	2,419,060	$ 15.41
Granted	610,100	20.76

Exercised (1)	(443,920)	13.97
Forfeited	(20,885)	16.61
Options outstanding, end of year	2,564,355	$ 16.92
Options exercisable, end of year	972,990	$ 15.24

(1) The weighted average share price at date of exercise was $21.95

A reconciliation of the outstanding options for the year ended December 31, 2011 was as follows:

	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of year	2,144,860	$ 26.04
Exercised prior to spinoff (1)	(62,770)	22.99
Forfeited prior to spinoff	(52,060)	27.11
Options outstanding at spinoff	2,030,030	$ 26.10
Options outstanding post spinoff	2,030,030	$ 14.72
Granted subsequent to spinoff	601,975	17.10
Exercised subsequent to spinoff (2)	(137,385)	12.80

Forfeited subsequent to spinoff	(75,560)		15.12
Options outstanding, end of year	2,419,060	$	15.41
Options exercisable, end of year	972,605	$	14.43

(1) The weighted average share price at date of exercise was $31.45

(2) The weighted average share price at date of exercise was $20.05

Stock options outstanding at the time of the Enerflex spinoff were split. For each Toromont stock option previously held, option holders received one option in each of Toromont and Enerflex, with the exercise price determined by applying the "butterfly proportion" to the previous exercise price. All other conditions related to these options, including term and vesting periods, remained the same and there was no acceleration of options vesting. The butterfly proportion was determined to be 56.4% to 43.6% for Toromont and Enerflex respectively.

The number of options outstanding at June 1, 2011 was 2,030,030 and the weighted average exercise price was $26.10. Based on the butterfly proportion, the adjusted weighted average exercise price of Toromont options was $14.72. The adjusted weighted average exercise price of Enerflex options was $11.39.

The following table summarizes stock options outstanding and exercisable as at December 31, 2012.

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
$12.42 - $14.19	401,730	2.5	$ 12.72	250,810	$ 12.90
$14.20 - $16.93	985,800	3.0	$ 16.18	612,160	$ 15.86
$16.94 - $20.76	1,176,825	6.1	$ 18.98	110,020	$ 17.10

Total	2,564,355	4.3	$ 16.92	972,990	$ 15.24

The fair value of the stock options granted during 2012 and 2011 were determined at the time of grant using the Black-Scholes option pricing model with the following assumptions:

	2012	2011
Weighted average fair value price per option	$ 3.91	$ 3.19
Expected life of options (years)	5.81	5.81
Expected stock price volatility	25.0%	25.0%
Expected dividend yield	2.31%	2.57%
Risk-free interest rate	1.34%	1.67%

Deferred Share Unit Plan

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

The following table summarizes information related to DSU activity:

	2012		2011	
	Number of DSUs	Value	Number of DSUs	Value
Outstanding, beginning of year	193,728	$ 4,093	87,969	$ 2,747
Units taken in lieu of performance incentive awards, director fees				

and dividends	33,671	778	25,900	690
Redemptions	(15,527)	(314)	-	-
Adjustment to reflect spinoff	-	-	58,888	-
DSUs granted	-	-	20,971	362
Fair market value adjustment	-	(260)	-	294
Outstanding, end of year	211,872	$ 4,297	193,728	$ 4,093

DSUs outstanding as at June 1, 2011 were adjusted to reflect the difference in the fair market value as a result of the spinoff of Enerflex. The adjustment was determined based on the volume-weighted average trading prices for the five trading days prior to and subsequent to the effective date of the spinoff.

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

Employee Share Ownership Plan

The Company offers an Employee Share Ownership Plan (the "Plan") whereby employees who meet the eligibility criteria can purchase shares by way of payroll deductions. There is a Company match of up to $1,000 per employee per annum based on contributions by the Company of $1 for every $3 contributed by the employee. Company contributions vest to the employee immediately. Company contributions amounting to $0.9 million in 2012 (2011 - $1.1 million) were charged to selling and administrative expenses when paid. The Plan is administered by a third party.

19.EMPLOYEE FUTURE BENEFITS

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

Approximately 130 employees are included in defined benefit plans.

a) Powell Plan - This is a legacy plan whose members were employees of Powell Equipment when it was acquired by Toromont in 2001. The plan is a contributory plan that provides pension benefits based on length of service and career average earnings. The last actuarial valuation of the plan was completed as at December 31, 2011. The next valuation is scheduled as at December 31, 2012.

b) Executive Plan - This is a non-contributory pension arrangement for certain senior executives that provides for a supplementary retirement payout in excess of amounts provided for under the registered plan. The most recent actuarial valuation of the plan was completed as at December 31, 2012. The next valuation is scheduled as at December 31, 2013.

c) Other plan assets and obligations - This provides for certain retirees and terminated vested employees of businesses previously acquired by the Company as well as for retired participants of the defined contribution plan that, in accordance with the plan provisions, have elected to receive a pension directly from the plan. The most recent actuarial valuation of the plan was completed as at January 1, 2011. The next valuation is scheduled as at January 1, 2014.

The changes in the fair value of assets and the pension obligations and the funded status of the defined benefit plans were as follows:

	2012	2011
Accrued benefit obligations:		
Balance, beginning of year	$ 79,373	$ 72,164
Service cost	1,209	998
Interest cost	3,392	3,614
Net actuarial loss	6,309	7,666
Benefits paid	(6,983)	(5,502)
Voluntary contributions	433	433
Balance, end of year	83,733	79,373
Plan assets:		
Fair value, beginning of year	53,212	52,313
Expected return on plan assets	3,742	3,640
Net actuarial gain (loss)	516	(1,990)
Company contributions	5,961	4,306
Participant contributions	433	433
Benefits paid	(6,983)	(5,502)
Other adjustments	12	12
Fair value, end of year	56,893	53,212
Accrued pension liability	$ 26,840	$ 26,161

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

2012			
	Accrued benefit obligation	Plan assets	Accrued pension asset (liability)
Powell Plan	$ 53,844	$ 46,634	$ (7,210)
Executive Plan	21,843	1,527	(20,316)
Other plan assets and obligations	8,046	8,732	686
Accrued pension asset (liability)	$ 83,733	$ 56,893	$ (26,840)

2011			
	Accrued benefit obligation	Plan assets	Accrued pension asset (liability)
Powell Plan	$ 49,228	$ 42,018	$ (7,210)
Executive Plan	21,791	2,230	(19,561)
Other plan assets and obligations	8,354	8,964	610
Accrued pension asset (liability)	$ 79,373	$ 53,212	$ (26,161)

The Executive Plan is a supplemental pension plan and is solely the obligation of the Company. The Company is not obligated to fund this plan but is obligated to pay benefits under the terms of the plan as they come due. The Company has posted letters of credit in the amount of $20.2 million to secure the obligations under this plan.

The significant annual actuarial assumptions adopted in measuring the accrued benefit obligations were as follows:

	2012	2011
Discount rate	3.90%	4.25%
Expected long-term rate of return on plan assets	7.00%	7.00%
Rate of compensation increase	4.00%	4.00%

The allocations of plan assets were as follows:

	2012	2011
Equity securities	44.6%	39.5%
Debt securities	37.8%	44.2%
Real estate	16.8%	15.2%
Cash and cash equivalents	0.8%	1.1%

No plan assets were directly invested in the Company's securities.

The net pension expense for the years ended December 31 included the following components:

	2012	2011
Defined benefit plans		
Service cost	$ 1,209	$ 998
Interest cost	3,392	3,614
Expected return on plan assets	(3,742)	(3,640)

	859	972
Defined contribution plans	8,648	7,692
401(k) matched savings plan	120	104
Net pension expense	$ 9,627	$ 8,768

The total cash amount paid or payable for employee future benefits in 2012, including defined benefit and defined contribution plans, was $14,269 (2011 - $11,929).

The Company expects to contribute up to $5.6 million to its defined benefit pension plans in 2013. These contributions may be reduced to the extent the Company provides a letter of credit.

The cumulative actuarial losses recognized in OCI as at December 31, 2012 was $20,610 (2011 - $14,840).

20.CAPITAL MANAGEMENT

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

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

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

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

	December 31 2012	December 31 2011
Shareholders' equity	$ 476,575	$ 403,861
Long-term debt	159,767	134,095
Less cash and cash equivalents	(2,383)	(75,319)

	2012	2011
Total capitalization	$ 633,959	$ 462,637
Net debt as a % of total capitalization	25%	13%
Net debt to equity ratio	0.33:1	0.15:1

The Company is subject to minimum capital requirements relating to bank credit facilities and senior debentures. The Company has comfortably met these minimum requirements during the year.

There were no changes in the Company's approach to capital management during the year.

21.SUPPLEMENTAL CASH FLOW INFORMATION

	2012	2011
Net change in non-cash working capital and other		
Accounts receivable	$ (22,275)	$ (623)
Inventories	(25,848)	(77,521)
Accounts payable, accrued liabilities and provisions	(73,486)	35,490
Deferred revenues	6,514	4,031
Other	(9,380)	(1,108)
	$ (124,475)	$ (39,731)
Cash paid during the year for:		
Interest	$ 9,097	$ 8,788
Income taxes	$ 47,578	$ 31,412

Cash received during the year for:

Interest	$ 3,776	$ 3,214
Income taxes	$ 308	$ 740

22.COMMITMENTS

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

Future minimum lease payments under non-cancellable operating leases as at December 31, 2012 were as follows:

2013	$ 2,606
2014	2,017
2015	1,482
2016	1,329
2017	227
2018 and thereafter	1,726
	$ 9,387

23.SEGMENTED INFORMATION

The Company has two reportable operating segments, each supported by the corporate office. The business segments are strategic business units that offer different products and services, and each is managed separately. The corporate office provides finance, treasury, legal, human resources and other administrative support to the business segments. Corporate overheads are allocated to the business segments based on revenue.

The Equipment Group includes one of the world's larger Caterpillar dealerships by revenue and geographic territory in addition to industry-leading rental operations. CIMCO is an industry leader specializing in the design, engineering, fabrication, and installation of industrial and recreational refrigeration systems. Both groups offer comprehensive product support services.

The accounting policies of the reportable operating segments are the same as those described in Note 1 - Significant Accounting Policies. Each reportable operating segment's performance is measured based on operating income. No reportable operating segment is reliant on any single external customer.

Segmented information excludes results from discontinued operations.

	Equipment Group		CIMCO	
	2012	2011	2012	2011
Equipment/package sales	$ 708,802	$ 668,372	$ 113,586	$ 103,925
Rentals	183,777	164,953	-	-
Product support	405,880	350,977	83,693	81,662
Power generation	11,435	12,085	-	-
Total revenues	$ 1,309,894	$ 1,196,387	$ 197,279	$ 185,587
Operating Income	$ 156,021	$ 134,314	$ 14,257	$ 13,871
Interest expense				
Interest and investment income				
Income taxes				
Net earnings from continuing operations				

	Consolidated	
	2012	2011

Equipment/package sales	$ 822,388	$ 772,297
Rentals	183,777	164,953
Product support	489,573	432,639
Power generation	11,435	12,085
Total revenues	$ 1,507,173	$ 1,381,974
Operating Income	$ 170,278	$ 148,185
Interest expense	9,714	9,012
Interest and investment income	(3,974)	(3,214)
Income taxes	43,985	39,709
Net earnings from continuing operations	$ 120,553	$ 102,678

Selected balance sheet information:

As at December 31, 2012	Equipment Group	CIMCO	Consolidated
Identifiable assets	$ 835,649	$ 65,530	$ 901,179

Corporate assets			34,991
Total assets			$ 936,170
Identifiable liabilities	$ 214,239	$ 38,845	$ 253,084
Corporate liabilities			206,511
Total liabilities			$ 459,595
Capital expenditures	$ 99,871	$ 1,440	$ 101,311
Depreciation	$ 51,247	$ 798	$ 52,045
Goodwill	$ 13,000	$ 450	$ 13,450

As at December 31, 2011	Equipment Group	CIMCO	Consolidated
Identifiable assets	$ 780,926	$ 43,651	$ 824,577
Corporate assets			88,754

Total assets			$ 913,331
Identifiable liabilities	$ 295,994	$ 27,600	$ 323,594
Corporate liabilities			185,876
Total liabilities			$ 509,470
Capital expenditures	$ 82,287	$ 590	$ 82,877
Depreciation	$ 43,642	$ 591	$ 44,233
Goodwill	$ 13,000	$ 450	$ 13,450

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

	2012	2011
Revenues		

Canada	$ 1,470,686	$ 1,337,230
United States	31,375	39,638
International	5,112	5,106
	$ 1,507,173	$ 1,381,974

	December 31 2012	December 31 2011
Capital Assets and Goodwill		
Canada	$ 329,346	$ 299,669
United States	1,029	1,071
	$ 330,375	$ 300,740

24. RELATED PARTY DISCLOSURES

Key management personnel and director compensation from continuing operations comprised:

	2012	2011
Salaries	$ 3,128	$ 2,759
Option based awards	1,337	798
Annual non-equity incentive based plan compensation	3,665	2,865
Pension	451	205
All other compensation	195	141

	$ 8,776	$ 6,768

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

Compensation to key management personnel increased as a result of succession planning activities undertaken in 2012.

25.DISCONTINUED OPERATIONS

On June 1, 2011, Toromont completed the spinoff of its natural gas compression business, Enerflex Ltd. ("Enerflex") implemented by way of a plan of arrangement. Toromont shareholders received one share of Enerflex for each common share of Toromont.

The book value of Toromont's outstanding common shares immediately prior to the arrangement was attributed to continuing Toromont common shares and the new Enerflex common shares in proportion to the relative fair value at the time of the arrangement (the "butterfly proportion"), which was determined to be 56.4% Toromont and 43.6% Enerflex.

The Toromont consolidated balance sheet reflects the transfer of various assets, liabilities and equity accounts to Enerflex as part of the arrangement. The underlying net assets representing the distribution of shares were as follows:

Assets	
Cash	$ 44,452
Accounts receivable	222,737
Inventories	201,019
Property, plant and equipment	164,818
Rental equipment	114,180
Deferred tax assets	46,753
Intangible assets	29,208
Goodwill	482,656
Other current and non-current assets	31,329
Total assets	1,337,152
Liabilities	
Accounts payable, accrued liabilities and provisions	130,254

Deferred revenues	174,027
Other current and non-current liabilities	4,523
Notes payable to Toromont	173,300
	482,104
Net assets transferred	$ 855,048

Results from discontinued operations for 2011 were as follows:

	2011
Revenues	$ 492,937
Net earnings before tax	$ 20,783
Income taxes	$ 10,166
Net earnings after tax	$ 10,617
Earnings (losses) attributable to :	
Common shareholders	$ 11,240
Non-controlling interests	$ (623)

The Company followed IFRIC 17 - Distributions of Non-cash Assets to Owners in accounting for this transaction. In accordance with this guidance, a dividend of $1,006.2 million was recorded at the time of spinoff, based on the fair value of the distribution. The difference between the fair value of the dividend and the carrying value of the assets and liabilities of Enerflex ($151,179) was recognized as a gain in the consolidated income statement for the year ended December 31, 2011, less $18,015 related to historical currency translations of Enerflex's foreign operations.

26.ECONOMIC RELATIONSHIP

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

Contacts:

Toromont Industries Ltd.

Scott J. Medhurst

President and Chief Executive Officer

(416) 667-5623

Toromont Industries Ltd.

Paul R. Jewer

Executive Vice President and Chief Financial Officer

(416) 667-5638

www.toromont.com