



Toromont Announces Results for the Fourth Quarter and Full Year 2011

TORONTO, ONTARIO -- (MARKET WIRE) -- 02/23/12 -- Toromont Industries Ltd. (TSX: TIH) today reported excellent financial results for the three and twelve-month periods ended December 31, 2011.

	Three months ended			Twelve months ended		
	December 31			December 31		
millions, except per			%			%
share amounts	2011	2010	change	2011	2010	change
Continuing operations						
basis:						
Revenues	\$ 408.4	\$ 342.9	19%	\$ 1,382.0	\$ 1,207.0	14%
Operating income	\$ 48.2	\$ 42.2	14%	\$ 148.2	\$ 119.2	24%
Net earnings	\$ 34.2	\$ 28.0	22%	\$ 102.7	\$ 76.7	34%
Earnings per share -						
basic	\$ 0.44	\$ 0.36	22%	\$ 1.33	\$ 1.00	33%
Discontinued operations:						
Net earnings	\$ -	\$ 12.3	n/m	\$ 143.8	\$ 27.2	n/m
Earnings per share -						
basic	\$ -	\$ 0.16	n/m	\$ 1.87	\$ 0.36	n/m
Total:						
Net earnings	\$ 34.2	\$ 40.3	(15%)	\$ 246.5	\$ 103.9	n/m
Earnings per share -						

basic	\$ 0.44	\$ 0.52	(15%)	\$ 3.20	\$ 1.36	n/m
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Note - 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 22%, reflecting higher revenues and better margins. For the year, net earnings increased 34% on the same factors.

"We are pleased with our results for the quarter and year. Revenues from equipment sales, product support and rentals were at or near record levels for a fourth quarter and full year," said Robert M. Ogilvie, Chairman and CEO of Toromont Industries Ltd.

Highlights:

- Net earnings from continuing operations were \$34.2 million in the quarter (\$0.44 per share basic), up 22% from \$28.0 million reported in the same quarter last year. Higher revenues and gross margins contributed to the improvement. For the full year, net earnings from continuing operations were \$102.7 million (\$1.33 per share basic), 34% higher than the similar period last year.
- Equipment Group revenues of \$371 million were up 25% in the fourth quarter versus the similar period of 2010 on higher new and used equipment sales and product support activities. Revenues were \$1.2 billion for 2011, up 17% from a year ago. Operating income increased 17% in the fourth quarter and 24% in the full year compared to 2010 on higher revenues.
- Equipment Group backlogs were \$224 million at the end of 2011 compared to \$256 million at this time last year. Significant mining deliveries began in the fourth quarter, drawing down the order backlog. Bookings of \$157 million in the fourth quarter were 24% lower than the very strong

orders booked in the fourth quarter of 2010. Bookings in 2011 totalled \$635 million compared to \$708 million in the prior year which included a record mining order. Power systems and road building have reported strong activity levels.

-- CIMCO revenues of \$37 million in the fourth quarter were down 17% from the similar period last year and were 1% higher for the year. Decline in package sales revenues was expected given the end of the Recreational Infrastructure Canada stimulus program in 2010. Operating income increased 26% for the year, reaching a new record on improved project execution.

-- CIMCO bookings of \$27 million in the fourth quarter were 39% higher than those reported in the same period last year and were down 17% for the year, on a decline in recreation bookings. Backlogs were \$51 million at December 31, 2011.

-- Net earnings were \$34.2 million in the quarter (\$0.44 per share basic) and \$246.5 million (\$3.20 per share basic) for the year. Return on opening shareholders' equity was 28.9% and return on capital employed was 27%, both adjusted for discontinued operations.

-- The Company maintained a strong financial position and ended the year with \$75 million of cash. Total debt net of cash to total capitalization was 13%, well within stated capital targets.

-- The Board of Directors declared the regular quarterly dividend of \$0.11 per common share, paid on January 3, 2012. The Company has paid dividends every year since going public in 1968.

-- During the fourth quarter of 2011, the Company purchased and cancelled

242,769 shares under its normal course issuer bid. Total cost for the shares purchased was \$4.2 million (average cost of \$17.23 per share).

-- In the fourth quarter, Toromont delivered the first Bucyrus shovel to the Detour Lake site. This shovel, now called the CAT 6060, was one of the first in the world to feature CAT colours . Caterpillar's 2011 acquisition of Bucyrus International significantly expanded Caterpillar's market leadership in mining and Toromont is currently in discussions with Caterpillar to secure the rest of the Bucyrus line of equipment and related product support opportunity for our dealership territory. These discussions are expected to conclude in the second half of 2012.

-- The Board of Directors named Scott Medhurst to the position of President and Chief Executive Officer of Toromont Industries Ltd., effective March 1, 2012. Mr. Medhurst will also join our Board at the same time. Mr. Medhurst's career began with the Ontario Caterpillar dealership in 1988 and over the past two decades, he steadily progressed through equipment sales positions into branch and regional management roles to his appointment as President, Toromont CAT in September 2004. Robert Ogilvie will remain Executive Chairman of the Board and an active participant in Toromont's growth and development.

-- The Company completed the spinoff of its natural gas compression and processing equipment business, Enerflex Ltd. ("Enerflex"), effective June 1, 2011. The financial results of Enerflex have been included in the Company's results of operations up to that date and are reported as discontinued operations. Earnings from discontinued operations in 2011 were \$143.8 million for the first five months including a gain of \$133.2 million, \$1.73 per share basic, realized on the spinoff of Enerflex.

"Toromont is well positioned to achieve continuing success, with a healthy backlog, leading market positions and growing product support activities," continued Mr. Ogilvie. "We have significant organic expansion opportunities and continue to search for strategic acquisitions. 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 Thursday, February 23, 2012 at 5:00 p.m. (ET). The call may be accessed by telephone at 1-800-952-6845 (toll free) or 416-695-6616 (Toronto area). A replay of the conference call will be available until Thursday, March 8, 2012 by calling 1-800-408-3053 or 416-694-9451 and quoting passcode 3184026.

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, 2011, 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, 2011, the annual MD&A contained in the 2010 Annual Report and the audited annual consolidated financial statements for the year ended December 31, 2010.

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 23, 2012.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's 2010 Annual Report and 2011 Annual Information Form. These filings are available on SEDAR at www.sedar.com and on the Company's website at www.toromont.com.

SPINOFF OF ENERFLEX

On June 1, 2011, Toromont completed the spinoff of its natural gas compression business, Enerflex Ltd. ("Enerflex"). The transaction was implemented by way of a plan of arrangement. Toromont shareholders received one share of Enerflex for each common share of Toromont. Enerflex shares began trading on a "when issued" basis on the Toronto Stock Exchange on June 3, 2011 under the symbol EFX.

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.

CORPORATE PROFILE AND BUSINESS SEGMENTATION

As at December 31, 2011, Toromont employed approximately 3,000 people in almost 100 locations across Canada and the United States. Toromont is listed on the Toronto Stock Exchange (the "TSX") 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.

Prior to 2011, the Company reported two operating segments, the Equipment Group and the Compression Group. Enerflex was previously included in the Compression Group. With the completion of the spinoff, operating results have been restated to reflect Enerflex as a discontinued operation. The Compression Group has been renamed CIMCO.

PRIMARY OBJECTIVE AND MAJOR STRATEGIES

A primary objective of the Company is to build shareholder value through sustainable and profitable growth, founded on a strong financial position. 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.

CONSOLIDATED RESULTS OF OPERATIONS

Twelve months ended December 31

(\$ thousands, except per share amounts)

	2011	2010	\$ change	% change
Revenues	\$ 1,381,974	\$ 1,207,028	\$ 174,946	14%
Cost of goods sold	1,032,599	913,336	119,263	13%
Gross profit	349,375	293,692	55,683	19%
Selling and administrative expenses	201,190	181,175	20,015	11%
Asset impairment reversal	-	(6,683)	6,683	n/m
Operating income	148,185	119,200	28,985	24%
Interest expense	9,012	11,629	(2,617)	(23%)

Interest and investment income	(3,214)	(2,803)	(411)	15%

Income before income taxes	142,387	110,374	32,013	29%
Income taxes	39,709	33,715	5,994	18%

Earnings from continuing operations	102,678	76,659	26,019	34%
Net gain on spinoff of Enerflex	133,164	-	133,164	n/m
Earnings from discontinued operations	10,617	27,253	(16,636)	n/m

Net earnings	\$ 246,459	\$ 103,912	\$ 142,547	n/m

Earnings per share (basic)				
Continuing operations	\$ 1.33	\$ 1.00	\$ 0.33	33%
Discontinued operations	1.87	0.36	1.51	n/m

	\$ 3.20	\$ 1.36	\$ 1.84	n/m

Key ratios:				
Gross profit as a % of				
revenues	25.3%	24.3%		
Selling and administrative				
expenses as a % of revenues	14.6%	15.0%		
Operating income as a % of				
revenues	10.7%	9.9%		

Income taxes as a % of income

before income taxes	27.9%	30.5%
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Revenues increased 14% in 2011 compared to 2010 on higher revenues in both operating groups. Equipment Group revenues were up 17% on higher new equipment sales, rental and product support activities. CIMCO revenues were up 1% on higher product support activities, largely offset by a decline in package sales following a very strong year in 2010.

Gross profit margin was 25.3% in 2011 compared with 24.3% in 2010. Gross profit margins in the Equipment Group in 2011 were up from 2010 on higher volumes. CIMCO gross profit margins were up from 2010 on improved project execution.

Selling and administrative expenses increased \$20.0 million, 11%, from 2010. Selling and administrative expense increases are largely tracking the increase in revenues. Compensation was \$10.6 million (10%) higher in 2011 compared to 2010 on increased headcount, annual salary increases and higher annual performance incentives expense. Increased warranty and freight costs in both periods reflect increased business levels. Information technology costs increased 14% due to development projects on current systems and infrastructure upgrades. Selling and administrative expenses as a percentage of revenues for 2011 were 14.6% in 2011 versus 15.0% in 2010.

In 2010, revised pricing under certain electricity supply contracts triggered an assessment of the recoverable amount of certain power generation assets held in the Equipment Group. This assessment led to a gain of \$6,683 (\$4,812 after tax) resulting from the reversal of an asset impairment provision recorded in 2005.

Operating income increased 24% in 2011 compared to the prior year, 32% higher excluding the asset impairment reversal in the prior year. The increase is a result of higher revenues and gross margins and improved expense levels. Operating income as a percentage of revenues was 10.7% for 2011 compared to 9.9% in 2010 (9.3% in 2010 excluding asset impairment reversal).

Interest expense was \$9.0 million in 2011 compared to \$11.6 million in 2010. Interest expense was lower on lower debt balances.

The effective income tax rate for 2011 was 27.9% compared to 30.5% in 2010. The reduction in rates reflects lower statutory rates.

Net earnings from continuing operations in 2011 were \$102.7 million, 34% higher than 2010. Basic earnings per share ("EPS") from continuing operations were \$1.33, 33% higher than the 2010, reflecting the higher earnings and a 1% increase in the weighted-average number of common shares outstanding.

Earnings from discontinued operations in 2011 included results from the Enerflex operations for the five months ended May 31, 2011, net of transaction related expenses. In addition, a net gain of \$133.2 million, \$1.73 per share basic, was recorded in the second quarter of 2011 on the spinoff of Enerflex. Earnings from discontinued operations in 2010 included results from Enerflex for the full year.

Net earnings in 2011 were \$246.5 million, or \$3.20 basic EPS.

Comprehensive income in 2011 was \$253.9 million, comprised of net earnings of \$246.5 million and other comprehensive income of \$7.4 million. Other comprehensive income included \$18.0 million for cumulative translation losses of Enerflex foreign operations which were transferred to income on spinoff. The actuarial loss on employee pension plans charged to other comprehensive income in 2011 was \$7.2 million net of 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

Operating income as a % of

revenues	11.2%	10.6%
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Despite global economic uncertainty in 2010 and 2011, demand for the Company's products and services were strong.

New and used equipment sales were 24% and 6% higher in 2011 respectively. Sales increases resulted largely from higher unit sales. Many market segments, notably mining, heavy construction and agriculture, were higher.

Rental revenues were 15% higher than 2010. Equipment utilization improved through 2011 leading to the increased rental revenues. Rental rates were fairly consistent in both years with continuing competitive market conditions. One new store in Bradford, Ontario opened in January 2011 which also contributed to the year-over-year increase.

Power generation revenues from Toromont-owned plants increased 6% compared to the similar period of the prior year, reflecting increased operating hours and higher average prices for electricity.

Product support revenues were a record \$351 million in 2011, 14% higher than the previous record set in 2010. On a constant dollar basis (adjusted for all pricing adjustments including those for foreign exchange), product support revenues were up 16%. Product support revenues in 2011 benefited from a growing installed base of equipment in our territory coupled with higher utilization of equipment in 2011 compared to the prior year which was dampened by general market conditions.

Operating income in 2010 included \$6,683 representing a reversal of an asset impairment originally taken in 2005. This reversal, required under IFRS, was generated due to a new, improved contract for the supply of electricity from Toromont-owned power plants. Excluding this in the prior year, operating income was up 32% in 2011 compared to 2010 in part reflecting the 17% increase in revenues. Gross margin as a percentage of revenues increased 70 basis points compared to 2010 on higher activity levels. Selling and administrative expenses increased 12% on the 17% increase in revenues. Higher costs were reported across a number of areas including compensation, warranty, freight and information technology. Operating income as a percentage of revenues was 11.2% in 2011, compared to 10.6% in 2010 (9.9% in 2010 excluding the asset impairment reversal).

Capital expenditures in the Equipment Group totalled \$82.3 million in 2011. Expenditures related to replacement and expansion of the rental fleet accounted for \$57.9 million of total expenditures in 2011. Expenditures of \$9.4 million related to new and expanded facilities to meet current and future growth requirements. Other capital expenditures included \$2.2 million on information technology and \$7.7 million on service and delivery vehicles.

\$ millions	2011	2010	% change
Bookings - years ended December 31	\$ 635	\$ 708	-10%
Backlog - as at December 31	\$ 224	\$ 256	-13%

Equipment bookings and backlog in 2010 benefited from a significant order of \$125 million received from Detour Gold Corporation for a fleet of mining trucks and support equipment. Deliveries of this equipment began in the fourth quarter of 2011 and are expected to be completed in 2012. Approximately 60% of backlog at December 31, 2011 represents mining orders with deliveries scheduled over the next four quarters. The remaining 40% largely represents orders for equipment to be delivered from inventory, the majority of which will be delivered within the following quarter. Excluding the Detour order in 2010, bookings were up 9% in 2011 reflecting increased activity in mining, power systems and construction.

CIMCO

Twelve months ended December 31

(\$ thousands)	2011	2010	\$ change	% change

Package sales	\$ 103,925	\$ 106,890	\$ (2,965)	(3%)
Product support	81,662	77,438	4,224	5%

Total revenues	\$ 185,587	\$ 184,328	\$ 1,259	1%

Operating income	\$ 13,871	\$ 11,034	\$ 2,837	26%

Capital expenditures	\$ 590	\$ 918	\$ (328)	(36%)

Key ratios:

Product support revenues as a		
% of total revenues	44.0%	42.0%
Group total revenues as a % of		
consolidated revenues	13.4%	15.3%
Operating income as a % of		
revenues	7.5%	6.0%

CIMCO reported record results for the year despite the windup of the federal Recreational Infrastructure Canada program.

Package revenues were down 3% in 2011 compared to 2010. Recreational revenues in Canada were healthy, although down 10% year-over-year as the federal Recreational Infrastructure Canada program was wound up in 2011. Offsetting this decline was a strengthening in US activity, in both recreational and industrial, with revenues up 37% in the year.

Product support revenues increased 5% in 2011 compared to the prior year on increased activity in Canada, most notably Ontario.

CIMCO reported operating income of \$13.9 million in 2011, up 26% from \$11.0 million reported in 2010. The increase reflects higher margins, up 200 basis points, on improved execution and a higher proportion of product support revenues to total. Selling and administrative expenses increased 4% year-over-year.

Capital expenditures totalled \$0.6 million in 2011. Capital investment was directed largely at information technology assets and branch updates.

\$ millions	2011	2010	% change

Bookings - years ended December 31	\$ 91	\$ 109	-17%
Backlog - as at December 31	\$ 51	\$ 67	-23%

Bookings were down 17% compared to 2010. Canadian recreational bookings were down 62% as expected as the stimulus spending program drove significant bookings in 2010. Somewhat offsetting this decrease was a strengthening in Canadian industrial bookings, which were up 46% in the year. US bookings were also improved, with double-digit increases in both industrial and recreational projects.

Backlog ended the year at \$51 million, down from that reported at this time last year. Backlog at December 31, 2010 benefited from significant projects carried forward under the federal stimulus program.

CONSOLIDATED FINANCIAL CONDITION

The Company has maintained a strong financial position for many years. At December 31, 2011, the ratio of total debt net of cash to total capitalization was 13%. Total assets were \$913 million at December 31, 2011, compared with \$907 million at December 31, 2010, excluding assets at discontinued operations.

Working Capital

The Company's investment in non-cash working capital was \$175.8 million at December 31, 2011. The major components, along with the changes from December 31, 2010, are identified in the following table.

\$ thousands	December 31		Change	
	2011	2010	\$	%

Accounts receivable	\$ 209,243	\$ 208,620	\$ 623	-
Inventories	301,937	224,416	77,521	35%
Other current assets	4,718	3,342	1,376	41%
Accounts payable, accrued				
liabilities and provisions	(272,302)	(232,903)	(39,399)	17%
Income taxes, net	(8,352)	229	(8,581)	n/m
Derivative financial				
instruments	(628)	(3,224)	2,596	(81%)
Dividends payable	(8,433)	(12,342)	3,909	(32%)
Deferred revenue	(49,100)	(45,069)	(4,031)	9%
Current portion of long-term				
debt	(1,280)	(6,889)	5,609	(81%)

Continuing operations	175,803	136,180	39,623	29%
Discontinued operations	-	168,020	(168,020)	n/m

Total non-cash working				
capital	\$ 175,803	\$ 304,200	\$ (128,397)	(42%)

Accounts receivable were \$209 million as at December 31, 2011, unchanged from the same time last year reflecting higher sales offset by improved collections. Revenues for the fourth quarter of 2011 in the Equipment Group were 25% higher than in the fourth quarter of 2010. Higher revenues will generally result in higher accounts receivable balances.

Inventories at December 31, 2011 were \$302 million, \$77.5 million or 35% higher compared to the same time last year. Equipment Group inventories were 39% higher to support higher sales volumes and the increased service business. CIMCO inventories were down 28% on lower work in process.

Income taxes (payable) receivable reflect amounts owing for current corporate income taxes less instalments made to date as well as refunds to be received for prior taxation years' corporate income tax.

Derivative financial instruments represent the fair value of foreign exchange contracts. Fluctuations in the value of the Canadian dollar have led to a cumulative net loss of \$0.6 million as at December 31, 2011. This is not expected to affect net income, as the unrealized losses will offset future gains on the related hedged items.

Accounts payable and accrued liabilities at December 31, 2011 were higher than at December 31, 2010 on higher activity levels, including purchases of inventories. Extended terms of payment have been offered by certain suppliers. Accruals for

performance incentive bonuses increased year-over-year on improved earnings. The liability for deferred share units (DSU's) increased on the higher market value of Toromont shares.

Lower dividends payable year-over-year reflect the apportionment of the previous \$0.16 dividend between continuing Toromont (\$0.10 per share) and Enerflex (\$0.06 per share). Toromont's dividend rate was subsequently increased by the Board of Directors to \$0.11 per share, effective with the dividend paid on October 3, 2011.

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 customer support agreements as well as on progress billings on long-term construction contracts. In CIMCO, deferred revenues arise on progress billings in advance of revenue recognition.

The current portion of long-term debt reflects scheduled principal repayments due in 2012. This amount is lower as a result of the maturity of certain senior debentures in 2011.

Goodwill

The Company performs impairment tests on its goodwill balances 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, 2011.

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, 2011, 2.4 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 \$1.1 million in 2011 (2010 - \$1.0 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, 193,728 DSUs were outstanding at a value of \$4,093 (2010 - 87,968 units at a value of \$2,747). 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 140 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 \$21.0 million as at December 31, 2011. 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 2011. The return on plan assets was \$1,650 or 3.2%. Long-term interest rates declined in 2011, driving an increase in the present value of pension obligation, up \$7,209. As a result, the funded status of the plans has declined from a deficit of \$19,851 at December 31, 2010 to a deficit of \$26,161 at December 31, 2011. These deficits included \$18,090 and \$19,561 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 2012 to be similar to 2011 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. IFRS requires that 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 2011. This issuer bid allows the Company to purchase up to approximately 5.7 million of its common shares, representing 10% of common shares in the public float, in the year ending August 30, 2012. 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 2011, the Company purchased and cancelled 720,004 shares for \$12.2 million (average cost of \$16.96 per share). No shares were purchased under the NCIB in 2010.

Outstanding Share Data

As at the date of this MD&A, the Company had 76,809,332 common shares and 2,239,505 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 2011, the Company declared dividends of \$0.48 per common share (\$0.62 per common share in 2010), reflecting the lower dividend rate subsequent to 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 from Enerflex 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 of Enerflex with no penalty.

As at December 31, 2011, there were no drawings on the Canadian facility. Letters of credit utilized \$24.8 million of the facility.

Cash and cash equivalents at December 31, 2011 was \$75.3 million, compared to \$174.1 million at December 31, 2010. Excess cash was held by the Company during 2010 in light of the acquisition/spinoff of Enerflex and the uncertain economic environment. Cash balances were drawn down in 2011 on a number of factors, most notably the repayment of acquisition related financing, net of amounts received from Enerflex on spinoff and investments in working capital, primarily inventories in light of specific orders, generally higher volumes and tightened supply.

The Company expects that continued cash flows from operations in 2012, cash and cash equivalents on hand 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:

\$ thousands	Twelve months ended	
	December 31	
	2011	2010
Cash, beginning of period	\$ 174,089	\$ 206,957
Cash, provided by (used in):		
Operating activities		
Operations - continuing operations	136,546	108,842
Change in non-cash working capital and other	(39,731)	48,437
Discontinued operations	57,433	98,507

	154,248	255,786
Investing activities		
Continuing operations	(55,941)	(48,155)
Discontinued operations	140,115	(292,887)
	84,174	(341,042)
Financing activities	(337,311)	54,453
Decrease in cash in the period	(98,889)	(30,803)
Effect of foreign exchange on cash balances	119	(2,065)
Cash, end of period	\$ 75,319	\$ 174,089

Cash Flows from Operating Activities

Operating activities from continuing operations provided \$96.8 million in 2011 compared to \$157.3 million in 2010. Net earnings adjusted for items not requiring cash were 25% higher than that reported last year on higher revenues and improved operating margins. Non-cash working capital and other used \$39.7 million compared to generating \$48.4 million in 2010. In 2011, the Equipment Group invested \$82 million in inventory in light of stronger market conditions and specific customer orders. Discontinued operations provided \$57.4 million in cash flow in 2011 compared to \$98.5 million in the similar period last year. Results for discontinued operations in 2011 include operations to May 31, 2011, while results for 2010 include a full year.

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 \$55.9 million in 2011 compared to \$48.1 million in 2010.

Net rental fleet additions (purchases less proceeds of disposition) totalled \$34.8 million in 2011 compared to \$17.7 million in 2010. Additional investments in the rental fleet were made in the current year in light of stronger demand on improved market conditions.

Investments in property, plant and equipment in 2011 totalled \$25.0 million compared to \$32.6 million in 2010. Additions in 2011 were largely made within the Equipment Group and included \$10.4 million for land and buildings for new and expanded branches, \$7.8 million for service vehicles, and \$2.8 million for information technology assets. Additions in 2010 included \$26.1 million for land and buildings acquired for new branch locations.

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.

Investing activities at discontinued operations in 2010 included cash used for acquisition of Enerflex Systems Income Fund of \$292.5 million.

Cash Flows from Financing Activities

Financing activities used \$337.3 million in 2011 and provided \$54.5 million in 2010.

During 2011, payments on long-term debt totalled \$286.9 million. The acquisition financing from the purchase of Enerflex Systems Income Fund 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. The net increase in long-term debt in 2010 was \$101.1 million.

Dividends paid to common shareholders in 2011 totalled \$40.9 million compared to \$45.1 million paid in the prior year. The quarterly dividend rate prior to spinoff was \$0.16 per share. The rate was adjusted to \$0.10 per share for the post-spinoff dividend which, together with the \$0.06 dividend subsequently declared by the Enerflex 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, effective with the dividend paid October 3, 2011.

In 2011, the Company purchased and cancelled 720,004 shares for \$12.2 million (average cost of \$16.96 per share). No shares were purchased under the NCIB in 2010.

Cash received on the exercise of share options totalled \$3.2 million compared to \$6.7 million in the prior year. The decrease reflects a lower number of stock options exercised.

OUTLOOK

Toromont has a history of performance at a high level for all stakeholders, resulting from consistent application of long-term strategies, a proven business model and a focus on asset management and constant improvement. Toromont is well positioned in each of its markets and both business segments have good growth prospects over the longer term.

Our Equipment Group is experiencing improved activity in many markets, including mining, road building and power systems. We believe that investment levels will continue to remain high in the infrastructure markets we serve. The parts and service business has seen a resumption of growth and provides a measure of stability, driven by the larger installed base of equipment in the field.

Toromont expects to benefit from Caterpillar's expanding product line-up. In 2011, Caterpillar completed the acquisition of Bucyrus, a leading manufacturer of mining equipment for the surface and underground mining industries. Toromont has entered into discussions with Caterpillar for distribution rights to these products; however the impact of this is not determinable at this time. Also in 2011, Caterpillar completed the acquisition of MWM, a leading global supplier of natural gas and alternative-fuel engines. This initiative has expanded Toromont's Power Systems product offering.

CIMCO has seen a reduction in recreational activity in Canada subsequent to the end of the governmental infrastructure spending programs. Industrial markets in Canada and US markets have shown some recent strengthening; however it is too early to determine if this will continue.

Our management teams have been successful in adjusting to changing market conditions. Our focus on staffing, asset management, discretionary spending and capital investment have left us in good position to capitalize on opportunities going forward.

CONTRACTUAL OBLIGATIONS

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

Payments

due by

period	2012	2013	2014	2015	2016	Thereafter	Total

Long-term							
Debt							
- principal	\$ 1,280	\$ 1,372	\$ 1,471	\$ 126,576	\$ 1,690	\$ 4,774	\$ 137,163
- interest	6,986	6,895	6,796	5,342	427	517	26,963
Accounts							
payable	280,735	-	-	-	-	-	280,735
Operating							
Leases	2,520	2,037	1,575	2,586	986	1,925	11,629

	\$ 291,521	\$ 10,304	\$ 9,842	\$ 134,504	\$ 3,103	\$ 7,216	\$ 456,490

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,	2011	2010	2009 (3)	2008	2007

Expanding Markets and					
Broadening Product					
Offerings					
Revenue growth (1)	14.5%	14.8%	-18.7%	0.7%	12.3%
Revenue per employee					
(thousands) (1)	\$ 465	\$ 423	\$ 364	\$ 430	\$ 436

Strengthening Product

Support

Product support revenue

growth (1)	12.6%	7.4%	-3.0%	4.2%	3.9%
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Investing in Our Resources

Investment in information technology (millions)

(1)	\$ 12.1	\$ 10.1	\$ 10.6	\$ 10.9	\$ 10.2
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Return on capital

employed (2)	32.4%	10.8%	21.1%	26.4%	24.7%
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Strong Financial Position

Non-cash working capital

(millions) (1)	\$ 176	\$ 136	\$ 172	\$ 197	\$ 177
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Total debt, net of cash

to total capitalization	13%	17%	-6%	4%	16%
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Book value (shareholders'

equity) per share	\$ 5.27	\$ 15.50	\$ 13.17	\$ 12.06	\$ 10.08
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Build Shareholder Value

Basic earnings per share

growth (1)	32.5%	9.6%	-18.3%	-12.7%	50.5%
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Dividends per share

growth (4)	16.1%	3.3%	7.1%	16.7%	20.0%
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Return on equity (5)

	28.9%	9.1%	15.5%	21.5%	21.5%
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(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 reflect 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 2007, revenues increased at an average annual rate of 4.7%. Product support revenue growth has averaged 5.0% 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 fleet size and additional branches;
- Increased customer demand for formal product support agreements; 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 13%, 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.

Toromont has paid dividends consistently since 1968, and has increased the dividend in each of the last 22 years. 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 2011

Three months ended December 31

(\$ thousands, except per share

amounts)	2011	2010	\$ change	% change
Revenues	\$ 408,432	\$ 342,873	\$ 65,559	19%
Cost of goods sold	304,665	257,147	47,518	18%
Gross profit	103,767	85,726	18,041	21%
Selling and administrative expenses	55,549	50,204	5,345	11%
Asset impairment reversal	-	(6,683)	6,683	n/m
Operating income	48,218	42,205	6,013	14%
Interest expense	2,124	2,272	(148)	(7%)
Interest and investment income	(1,364)	(1,335)	(29)	2%

Income before income taxes	47,458	41,268	6,190	15%
Income taxes	13,235	13,313	(78)	(1%)
Earnings from continuing operations				
	34,223	27,955	6,268	22%
Earnings from discontinued operations				
	-	12,358	(12,358)	n/m
Net earnings	\$ 34,223	\$ 40,313	\$ (6,090)	(15%)

Earnings per share (basic)

Continuing operations	\$ 0.44	\$ 0.36	\$ 0.08	22%
Discontinued operations	-	0.16	(0.16)	n/m

	\$ 0.44	\$ 0.52	\$ (0.08)	(15%)
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Key ratios:

Gross profit as a % of revenues	25.4%	25.0%
Selling and administrative expenses as a % of revenues		
	13.6%	14.6%
Operating income as a % of revenues		
	11.8%	12.3%
Income taxes as a % of income before income taxes		
	27.9%	32.3%

Results from continuing operations in the fourth quarter of 2011 were strong, with double-digit increases in revenue and earnings.

Revenues were 19% higher in the fourth quarter of 2011 compared to the same period last year on higher revenues at the Equipment Group.

Gross profit increased 21% in the fourth quarter over last year on the higher sales volumes. Gross profit margin was 25.4% in 2011 compared to 25.0% in 2010. Higher margins were reported in CIMCO on sales mix. Equipment Group margins were also slightly higher than the same period last year.

In the fourth quarter of 2010, revised pricing under certain electricity supply contracts triggered an assessment of the recoverable amount of certain power generation assets held in the Equipment Group. This assessment led to a gain of \$6,683 (\$4,812 after tax) resulting from the reversal of an asset impairment provision recorded in 2005.

Selling and administrative expenses increased \$5.3 million or 11% versus the comparable period of the prior year. Approximately 30% of the increase is related to increased compensation on annual compensation increases and higher staffing levels. Selling and administrative expenses as a percentage of revenues were 13.6% compared to 14.6% in the comparable period last year.

Interest expense was \$2.1 million in the fourth quarter of 2011, down 7% from the similar period last year on lower debt balances.

The effective income tax rate was 27.9% in the fourth quarter of 2011 compared to 32.3% in the same period last year. The lower tax rate reflects lower statutory rates.

Net earnings from continuing operations in the quarter were \$34.2 million, up 22% from 2010. Basic earnings per share were \$0.44, up 22% from the fourth quarter of 2010.

Earnings from discontinued operations in the fourth quarter of 2010 were \$12.4 million.

Net earnings in the fourth quarter of 2011 were \$34.2 million, for basic EPS of \$0.44, compared to \$40.3 million, basic EPS of \$0.52 in the prior year. The decrease results from discontinued operations.

Comprehensive income in the quarter was \$19.7 million, comprised of net earnings of \$34.2 million and other comprehensive loss of \$14.5 million. Other comprehensive loss reflects actuarial losses on employee pension plans (\$7.2 million) and net losses on derivatives designated as fair value hedges (\$7.3 million). The losses on derivatives are not expected to impact net income in the future as the losses will be offset by gains on the underlying items.

Fourth Quarter Results of Operations in the Equipment Group

(\$ thousands)	Three months ended December 31			
	2011	2010	\$ change	% change

Equipment sales and rentals				
New	\$ 187,677	\$ 130,634	\$ 57,043	44%
Used	46,763	38,584	8,179	21%
Rental	45,259	43,553	1,706	4%

Total equipment sales and				

rentals	279,699	212,771	66,928	31%
Power generation	2,720	3,758	(1,038)	(28%)
Product support	88,627	81,410	7,217	9%

Total revenues	\$ 371,046	\$ 297,939	\$ 73,107	25%

Operating income	\$ 46,690	\$ 39,778	\$ 6,912	17%

Bookings (\$ millions)	\$ 157	\$ 207	\$ (49)	(24%)

Key ratios:

Product support revenues as a		
% of total revenues	23.9%	27.3%
Group total revenues as a % of		
consolidated revenues	90.8%	86.9%
Operating income as a % of		
revenues	12.6%	13.4%

New and used equipment sales increased 44% and 21% respectively compared to the fourth quarter of 2010. Significant deliveries were made to mining customers in the quarter.

Rental revenues were up 4% in the quarter compared to the prior year on higher fleet utilization. Rental rates have been largely consistent with the prior year, with continuing competitive market conditions.

Power generation revenues from Toromont-owned plants decreased 28% in the quarter. Revenues in the fourth quarter of 2010 included certain 'catch up' payments with respect to revised operating contracts with certain customers. Excluding these remedial payments in the prior year, revenues would have increased 2%.

Product support revenues were up 9% compared to the prior year. Improved market conditions and a larger installed base of equipment in territory have driven higher activity levels.

Operating income was up 17% over last year on the higher revenues, 41% higher excluding the asset impairment reversal recorded in the comparable period of the prior year. Gross margins were up slightly in the quarter. Selling and administrative expenses increased 13% on the higher volumes, higher staffing levels and annual compensation increases. Operating income as a percentage of revenues was 12.6% compared to 13.4% in the fourth quarter of 2010 (11.1% in 2010 excluding the asset impairment reversal).

Bookings in the fourth quarter of 2011 were \$157 million, down 24% from the similar period last year. Bookings in the fourth quarter of 2010 benefited from increased activity coming out of a prolonged period of purchasing restraint driven by uncertain economic conditions.

Fourth Quarter Results of Operations in CIMCO

Three months ended December 31

(\$ thousands)	2011	2010	\$ change	% change

Package sales	\$ 18,261	\$ 25,976	\$ (7,715)	(30%)
Product support	19,125	18,958	167	1%

Total revenues	\$ 37,386	\$ 44,934	\$ (7,548)	(17%)

Operating income	\$ 1,528	\$ 2,427	\$ (899)	(37%)

Bookings (\$ millions)	\$ 27	\$ 19	\$ 8	39%

Key ratios:

Product support revenues as a %

of total revenues	51.2%	42.2%
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Group total revenues as a % of

consolidated revenues	9.2%	13.1%
Operating income as a % of		
revenues	4.1%	5.4%

Package revenues were down 30% in the quarter compared to 2010. Recreational revenues in Canada were very strong in 2010 as a result of the federal Recreational Infrastructure Canada ("RinC") program. As this program was wound down in early 2011, recreational revenues have dropped 64%. Offsetting this decline is a strengthening in industrial revenues, in both Canada and the US, with revenues up 85% and 64% respectively. US recreational revenues were also strong in the fourth quarter of 2011.

Product support revenues increased 1% in the fourth quarter of 2011 compared to the prior year on increased activity in the US.

CIMCO reported operating income of \$1.5 million in the quarter compared with \$2.4 million reported in 2010. The decrease reflects the decline in revenues. Gross margins were up 170 basis points on a higher proportion of product support revenues to total. Selling and administrative expenses decreased 2% year-over-year.

Bookings in the quarter totalled \$27 million, up 39% from the similar quarter last year. Industrial bookings were more than double those recorded last year on stronger market conditions in both Canada and the US. Recreational bookings were 30% lower on the windup of the federal stimulus program.

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 2011 annual unaudited consolidated financial statements.

\$ 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	1.76	-	-

	\$ 0.28	\$ 2.07	\$ 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

\$ thousands, except per share

amounts	Q1 2010	Q2 2010	Q3 2010	Q4 2010

Revenues				
Equipment Group	\$ 176,635	\$ 264,538	\$ 283,588	\$ 297,938
CIMCO	36,227	50,781	52,387	44,934

Total revenues	\$ 212,862	\$ 315,319	\$ 335,975	\$ 342,872

Net earnings				
Continuing operations	\$ 5,980	\$ 19,989	\$ 22,736	\$ 27,954
Discontinued operations	9,497	1,933	3,465	12,358

	\$ 15,477	\$ 21,922	\$ 26,201	\$ 40,312

Per share information:				
Earnings per share - basic				
Continuing operations	\$ 0.08	\$ 0.26	\$ 0.30	\$ 0.36
Discontinued operations	0.13	0.03	0.04	0.16

	\$ 0.21	\$ 0.29	\$ 0.34	\$ 0.52

Earnings per share - diluted				
Continuing operations	\$ 0.08	\$ 0.25	\$ 0.30	\$ 0.36

Discontinued operations	0.13	0.03	0.04	0.16
	-----	-----	-----	-----
	\$ 0.21	\$ 0.28	\$ 0.34	\$ 0.52
	-----	-----	-----	-----
Dividends paid per share	\$ 0.15	\$ 0.15	\$ 0.16	\$ 0.16
Weighted average common shares outstanding - Basic (in thousands)	73,866	76,881	76,896	76,962

Interim period revenues and earnings historically reflect some seasonality.

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 quarter 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, the increase 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. Generally, lower revenues are reported in the first quarter of each year as weather and other factors reduce construction activity. This trend was significantly put aside in 2011 as early quarters reflected increased activities associated with RInC projects. Completion of these projects in October 2011 meant a substantial reduction in activity in the fourth quarter.

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)

	2011	2010	2009 (1)
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Revenues	\$ 1,381,974	\$ 1,207,028	\$ 1,051,653
Net earnings - continuing operations	\$ 102,678	\$ 76,659	\$ 58,869
Net earnings	\$ 246,459	\$ 103,912	\$ 120,516

Earnings per share - continuing

operations			
- Basic	\$ 1.33	\$ 1.00	\$ 0.91
- Diluted	\$ 1.32	\$ 0.99	\$ 0.91
Earnings per share			
- Basic	\$ 3.20	\$ 1.36	\$ 1.86
- Diluted	\$ 3.18	\$ 1.35	\$ 1.86
Dividends declared per share	\$ 0.48	\$ 0.62	\$ 0.60
Total assets	\$ 913,331	\$ 2,271,763	\$ 1,355,867
Total long-term debt	\$ 134,095	\$ 419,929	\$ 156,970
Weighted average common shares			
outstanding, basic (millions)	77.0	76.2	64.7

(1) Prepared following Canadian GAAP.

The global economic crisis of late 2008 and 2009 served to reduce revenues in 2009 as activity levels in end markets slowed. Revenues grew 14% in 2011 and 15% in 2010 on improved market conditions within the Equipment Group.

Net earnings from continuing operations improved 30% in 2010 and 34% in 2011 on the higher revenues, generally improving margins and relatively slower growth in selling and administrative expenses.

Net earnings include results from discontinued operations, Enerflex. Toromont completed the acquisition of Enerflex Systems Income Fund ("ESIF") in 2010. Results at the combined Enerflex operations in 2010 were dampened by weak natural gas markets as well as expenses related to the acquisition and subsequent integration efforts. 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. Earnings per share were impacted in 2010 as the number of common shares outstanding increased 18% due to shares issued in connection with the acquisition of ESIF.

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 Company has announced dividend increases in each of the past 22 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 13% at December 31, 2011, 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 18 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.

Cash equivalents consist mainly of short-term investments, 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

Volatility in the rate of exchange between the Canadian and U.S. dollar has an impact on revenue trends. The Canadian dollar averaged US \$0.98 in the fourth quarter of 2011 compared to US \$0.99 in 2010, a 1.0% decrease, however for the year the Canadian dollar was 4.2% stronger in 2011 versus 2010. 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, 2011, the Company's debt portfolio is comprised of 100% 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 financial statements in conformity with IFRS requires estimates and assumptions that affect the results of operations and financial position. By their nature, these judgments are subject to an inherent degree of uncertainty and are based upon historical experience, trends in the industry and information available from outside sources. Management reviews its estimates on an ongoing basis. Different accounting policies, or changes to estimates or assumptions could potentially have a material impact, positive or negative, on Toromont's financial position and results of operations. 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

The liability method of accounting for income taxes is used. Deferred tax assets and liabilities, measured at substantively enacted tax rates, are recognized for all temporary differences caused when the tax bases of assets and liabilities differ from those reported in the financial statements.

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.

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 a portion of its revenues from the assembly and manufacture of equipment and these revenues are recognized using the percentage-of-completion approach of accounting. This approach to revenue recognition 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. However, there are many of these projects in process at any given point, the majority of which are in actual construction for a period of three months or less.

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, 2011, 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 - Disclosures - On October 7, 2010, the IASB issued amendments to IFRS 7 - Financial Instruments: Disclosures, which increase the disclosure requirements for transactions involving transfers of financial assets. This amendment is effective for annual periods beginning on or after July 1, 2011.

Deferred Tax - Recovery of Underlying Assets - On December 20, 2010, the IASB issued amendments to IAS 12 - Income Taxes, that introduce an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value. The amendment is effective for annual periods beginning on or after January 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.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

International Financial Reporting Standards ("IFRS") replaced Canadian generally accepted accounting principles ("Canadian GAAP") for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. Accordingly, Toromont has adopted IFRS effective January 1, 2011 and has prepared the current financial statements using IFRS accounting policies. Prior to the adoption of IFRS, the Company's financial statements were prepared in accordance with

Canadian GAAP. The Company's financial statements for the year ending December 31, 2011 are the first annual financial statements that comply with IFRS.

Transitional Impacts

IFRS 1 - First-Time Adoption of International Financial Reporting Standards provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS.

To assist with, and in some cases, simplify, transition to IFRS, certain exemptions and elections are available for first-time adopters under IFRS 1 First-Time Adoption of International Financial Reporting Standards ("IFRS 1"). The following are the key transitional provisions which were adopted on January 1, 2010 and which had an impact on the Company's financial position on transition.

Area of IFRS

Summary of Exemption Available

Business Combinations

Choices: The Company may elect on transition to IFRS to either restate all past business combinations in accordance with IFRS 3 "Business Combinations" or to apply an elective exemption from applying IFRS to past business combinations.

Policy selection: The Company elected to apply the exemption such that transactions entered into prior to the transition date are not restated. In addition, the Company adopted Canadian Handbook Section 1582, 1601 and 1602 effective January 1, 2010. These new standards are considered to be IFRS compliant.

Transition impact: None

Property, Plant and
Equipment

Choices: The Company may elect to report items of property, plant and equipment in its opening statement of financial position on the transition date at a deemed cost instead of the actual cost that would be determined under IFRS. The deemed cost of an item may be either its fair value at

the date of transition to IFRS or an amount determined by a previous revaluation under Canadian GAAP (as long as that amount was close to either its fair value, cost or adjusted cost). The exemption can be applied on an asset-by-asset basis.

Policy selection: The Company did not elect to report any items of property, plant and equipment in its opening statement of financial position on the transition date at a deemed cost instead of the actual cost that would be determined under IFRS.

Transition impact: None

Share-Based Payments

Choices: The Company may elect not to apply IFRS 2 "Share-Based Payments" to equity instruments granted on or before November 7, 2002 or which vested before the Company's date of transition to IFRS.

Policy selection: The Company elected to apply IFRS 2 to equity instruments granted on or before November 7, 2002 or which vested before the Company's date of transition to IFRS.

Transition impact: None

Employee Future Benefits

Choices: The Company may elect to recognize all cumulative gains and losses through opening retained earnings at the date of transition to IFRS. Actuarial gains and losses would have to be recalculated under IFRS from the inception of the defined benefit plan if the exemption is not

taken.

Policy selection: The Company elected to recognize all cumulative actuarial gains and losses at the date of transition.

Transition impact: Increase total liabilities, increase deferred tax assets and decrease retained earnings

Foreign Exchange

Choices: On transition, cumulative translation gains or losses in accumulated other comprehensive income (OCI) can be reclassified to retained earnings. If not elected, all cumulative translation differences must be recalculated under IFRS from inception.

Policy selection: The Company elected to reclassify all cumulative translation gains and losses at the date of transition to retained earnings.

Transition impact: Reclassification of all cumulative translation gains and losses in OCI results in a charge to retained earnings of \$16 million.

Borrowing Costs

Choices: On transition, the Company must select a commencement date for capitalization of borrowing costs related to all qualifying assets which is on or before January 1, 2010.

Policy selection: The Company elected to capitalize borrowing costs on all qualifying assets commencing on January 1, 2010.

Transition impact: None

There are several accounting policy differences which may impact the Company on a go-forward basis. The significant accounting policy differences are presented below. This is not an exhaustive list.

Accounting Area	Key Difference from GAAP	Status
Employee Future Benefits	<p>Under Canadian GAAP, the Company applied the 'corridor' method of accounting, whereby actuarial gains and losses are deferred and amortized over time. Under IFRS, a Company may elect to recognize actuarial gains and losses: In full, as they arise, in the income statement</p> <p>Over a longer period, using the 'corridor' method, or In full as they arise, outside profit or loss, in OCI</p>	<p>The Company has elected to record actuarial gains and losses arising from its defined benefit pension plans in OCI. Expense associated with the defined benefit pension plans will be different under IFRS than under Canadian GAAP as actuarial gains/losses are no longer amortized. The impact in 2010 was to reduce defined benefit pension expense by \$600. Variability in OCI will increase as actuarial gains/losses are recorded.</p>

Stock Based Compensation	<p>The valuation of stock options under IFRS required individual 'tranche based' valuations for those option plans with graded</p>	The impact of these changes is not significant.
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vesting, whilst Canadian GAAP allowed a single valuation for all tranches.

Impairment of Assets	IFRS requires impairment testing to be done at the smallest identifiable group of assets that generate cash inflows that are largely independent of cash inflows from other groups of assets ('cash generating unit'), rather than the reporting unit level considered by Canadian GAAP. IFRS requires the assessment of asset impairment to be based on discounted future cash-flows. IFRS allows the reversal of impairment losses, other than for goodwill and indefinite life intangible assets, while GAAP does not.	The Company has identified more cash generating units than the reporting units currently used to assess for impairment under Canadian GAAP. Whether the Company will be materially impacted by this change will depend upon the facts at the time of each impairment test.
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Borrowing Costs	Under IFRS, borrowing costs will be capitalized to assets which take a substantial time to develop or construct using a capitalization rate based on all of the company's	The impact of this policy change will be dependent on the magnitude of capital spend on qualifying assets in the future. Generally, this will reduce finance costs and
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outstanding third-party debt. increase property, plant and
equipment balances and
associated depreciation for
those assets.

Comparative 2010 financial position and results of operations were required to be restated. Note 3 of our unaudited consolidated financial statements provides a complete list of our IFRS 1 elections, detailed reconciliations between Canadian GAAP and IFRS of shareholders' equity, net earnings and comprehensive income for 2010.

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 Chairman & 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, 2011, 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, 2011, 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, 2011, 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 2011 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, 2011 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)

		December 31	December 31	January 1
(\$ thousands)	Note	2011	2010	2010

Assets				
Current assets				
Cash and cash equivalents	6	\$ 75,319	\$ 174,089	\$ 206,957
Accounts receivable	7	209,243	208,620	166,748
Inventories	8	301,937	224,416	205,835
Income taxes receivable		-	712	11,191
Derivative financial instruments		12	824	-
Other current assets		4,718	3,342	2,919
Current assets of discontinued				

operations	4	-	490,499	254,180

Total current assets		591,229	1,102,502	847,830
Property, plant and equipment	9	151,928	142,508	116,710
Rental equipment	9	135,362	119,944	124,033
Derivative financial instruments		418	-	-
Other assets	10	8,195	9,021	11,383
Deferred tax assets	19	12,749	10,435	12,492
Goodwill	11	13,450	13,450	13,450
Long-term assets of discontinued operations	4	-	873,903	229,969

Total assets		\$ 913,331	\$ 2,271,763	\$ 1,355,867

Liabilities

Current liabilities

Accounts payable, accrued liabilities and provisions	12	\$ 280,735	\$ 245,245	\$ 169,291
Deferred revenues		49,100	45,069	30,059
Current portion of long-term debt	13	1,280	6,889	14,044
Derivative financial instruments		640	4,048	874
Income taxes payable		8,352	483	-
Current liabilities of discontinued operations	4	-	322,479	128,624

Total current liabilities		340,107	624,213	342,892
Deferred revenues		10,387	14,137	13,386

Long-term debt	13	132,815	413,040	142,926
Accrued pension liability	23	26,161	19,851	17,249
Derivative financial instruments		-	1,839	-
Long-term liabilities of discontinued operations	4	-	1,845	4,430
Shareholders' equity				
Share capital	14	265,436	469,080	132,261
Contributed surplus	15	5,890	10,882	10,012
Retained earnings		131,643	729,694	677,385
Accumulated other comprehensive income (loss)		892	(13,763)	15,326

Shareholders' equity before non-controlling interest		403,861	1,195,893	834,984

Non-controlling interest		-	945	-

Shareholders' equity		403,861	1,196,838	834,984

Total liabilities and shareholders' equity		\$ 913,331	\$ 2,271,763	\$ 1,355,867

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED INCOME STATEMENTS

(Unaudited)

Years ended December 31 (\$ thousands, except

share amounts)	Note	2011	2010

Revenues		\$ 1,381,974	\$ 1,207,028
Cost of goods sold		1,032,599	913,336

Gross profit		349,375	293,692
Selling and administrative expenses		201,190	181,175
Asset impairment reversal	5	-	(6,683)

Operating income		148,185	119,200
Interest expense	18	9,012	11,629
Interest and investment income	18	(3,214)	(2,803)

Income before income taxes		142,387	110,374
Income taxes	19	39,709	33,715

Net earnings from continuing operations		102,678	76,659
Net gain on spinoff of Enerflex	4	133,164	-
Earnings from discontinued operations	4	10,617	27,253

Net Earnings		\$ 246,459	\$ 103,912

Earnings (losses) attributable to :			
Common shareholders		\$ 247,082	\$ 103,450
Non-controlling interests		\$ (623)	\$ 462

Other comprehensive income (loss):

Unrealized loss on translation of financial statements of foreign operations	(6,250)	(11,220)
Change in fair value of derivatives designated as cash flow hedges, net of income tax (recovery) (2011 - \$2,245; 2010 - (\$1,848))	4,552	(3,380)
Loss on derivatives designated as cash flow hedges transferred to net income in the current period, net of income tax (recovery) (2011 - (\$719); 2010 - \$621)	(1,662)	1,126
Loss on translation of financial statements of foreign operations transferred to net income on spinoff of Enerflex	18,015	-
Actuarial losses on pension plans, net of income tax (2011 - \$2,411; 2010 - \$1,308)	(7,234)	(3,887)
Gain on financial assets designated as available-for-sale transferred to net income as a result of business acquisition, net of income taxes of \$3,090	-	(15,615)

Other comprehensive income (loss)	7,421	(32,976)

Comprehensive income	\$ 253,880	\$ 70,936
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Comprehensive (loss) income attributable to non-

controlling interests	\$ (623)	\$ 462
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See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

Years ended December 31 (\$ thousands)	Note	2011	2010
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Operating activities

Net earnings from continuing operations		\$ 102,678	\$ 76,659
Items not requiring cash and cash equivalents			
Depreciation and amortization		45,863	46,383
Asset impairment charge reversal	5	-	(6,683)
Stock-based compensation	15	1,001	3,005
Accrued pension liability		(3,335)	(7,188)
Future income taxes		(1,450)	3,293
Gain on sale of rental equipment, property, plant and equipment		(8,211)	(6,627)
Cash flow from discontinued operations		26,028	37,173

		162,574	146,015
Net change in non-cash working capital and			
other from discontinued operations	4	31,405	61,334
Net change in non-cash working capital and			
other from continuing operations	25	(39,731)	48,437

Cash provided by operating activities		154,248	255,786

Investing activities			
Additions to:			
Rental equipment		(57,860)	(38,579)
Property, plant and equipment		(25,017)	(32,564)
Proceeds on disposal of:			
Rental equipment		23,040	20,859
Property, plant and equipment		4,080	899
(Increase) decrease in other assets		(184)	1,230
Discontinued operations	4	140,115	(292,887)

Cash provided by (used in) investing			
activities		84,174	(341,042)

Financing activities			
Increase in term credit facility debt		-	280,000
Increase in term loan facility		-	450,000
Repayment of term loan facility		-	(450,000)
Repayment of long-term debt		(286,888)	(178,854)
Financing costs		(575)	(8,330)
Dividends	14	(40,877)	(45,099)

Shares purchased for cancellation	(12,213)	-
Cash received on exercise of stock options	3,242	6,736

Cash (used in) provided by financing activities	(337,311)	54,453

Effect of exchange rate changes on cash denominated in foreign currency	119	(2,065)
Decrease in cash and cash equivalents	(98,770)	(32,868)
Cash and cash equivalents at beginning of year	174,089	206,957

Cash and cash equivalents at end of year	\$ 75,319	\$ 174,089

Supplemental cash flow information (note 25)

See accompanying notes

TOROMONT INDUSTRIES LTD.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)

				Foreign		
				currency		
		Share Contributed	Retained	translation	Cash flow	
(\$ thousands)	Note	capital	surplus	adjustments	hedges	
			earnings			

At January 1,

2011		\$ 469,080	\$ 10,882	\$ 729,694	\$ (11,220)	\$ (2,543)
Net earnings		-	-	246,459	-	-
Enerflex						
spinoff	4	(205,332)	(5,081)	(790,560)	-	(4,950)
Other						
comprehensive						
income		-	-	(7,234)	(6,250)	7,840
Translation						
losses						
recognized on						
Enerflex						
spinoff	4	-	-	-	18,015	-
Shares						
purchased for						
cancellation	14	(2,467)		(9,748)		
Effect of						
stock						
compensation						
plans		4,155	89	-	-	-
Dividends	14	-	-	(36,968)	-	-

At December

31, 2011		\$ 265,436	\$ 5,890	\$ 131,643	\$ 545	\$ 347
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Total

Available- accumulated

(\$ thousands)	Note	for-sale financial assets	other comprehensive income	Non- controlling Interest	Total

At January 1,					
2011		\$ -	\$ (13,763)	\$ 945	\$ 1,196,838
Net earnings		-		(623)	245,836
Enerflex					
spinoff	4	-	(4,950)	(322)	(1,006,245)
Other					
comprehensive					
income		-	1,590	-	(5,644)
Translation					
losses					
recognized on					
Enerflex					
spinoff	4	-	18,015	-	18,015
Shares					
purchased for					
cancellation	14				(12,215)
Effect of					
stock					
compensation					
plans		-	-	-	4,244
Dividends	14	-	-	-	(36,968)

At December					
31, 2011		\$ -	\$ 892	\$ -	\$ 403,861

		Share	Contributed	Retained	Foreign	Cash flow
	Note	capital	surplus	earnings	translation	hedges
(\$ thousands)					adjustments	

At January 1,						
2010		\$ 132,261	\$ 10,012	\$ 677,385	\$ -	\$ (289)
Non-						
controlling						
interest on						
acquisition		-	-	-	-	-
Net earnings		-	-	103,912	-	-
Other						
comprehensive						
income		-	-	(3,887)	(11,220)	(2,254)
Issue of share						
capital on						
Enerflex						
acquisition		327,947	-	-	-	-
Effect of						
stock						
compensation						
plans		8,872	870	-	-	-
Dividends	14	-	-	(47,716)	-	-

At December						
31, 2010		\$ 469,080	\$ 10,882	\$ 729,694	\$ (11,220)	\$ (2,543)

		Total			
		Available-	accumulated		
		for-sale	other	Non-	
		financial	comprehensive	controlling	
(\$ thousands)	Note	assets	income	Interest	Total

At January 1,					
2010		\$ 15,615	\$ 15,326	\$ -	\$ 834,984
Non-					
controlling					
interest on					
acquisition		-	-	483	483
Net earnings		-	-	462	104,374
Other					
comprehensive					
income		(15,615)	(29,089)	-	(32,976)
Issue of share					
capital on					
Enerflex					
acquisition		-	-	-	327,947
Effect of					
stock					
compensation					
plans		-	-	-	9,742
Dividends	14	-	-	-	(47,716)

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 statement and within equity in the consolidated statement 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 income statement.

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 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 cash-generating unit and part of the operation within that unit is disposed, the goodwill associated with the operation disposed is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed in this circumstance is measured based on the relative fair values of the operation disposed and the portion of the cash-generating unit 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 income statement.

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 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. Estimated useful lives range from 20 to 30 years for buildings, 3 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 1 to 10 years.

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 borrowing, 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 and losses arising from changes in the fair value of derivatives are taken directly to the statement of earnings, 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 and 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 profit and loss (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 (cash-generating

units). 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 statement of earnings.

The Company bases its impairment calculation on detailed budgets which are prepared for each of the cash generating units 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 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 statement of earnings in selling and administrative expenses.

Employee Future Benefits

For defined contribution plans, the pension expense recorded in the statement of earnings 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 for the current period 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 statement of earnings 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 risk 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 statement of earnings 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 assets. All other borrowing costs are expensed in the period they occur.

The Company capitalizes borrowing costs for all eligible assets where construction was commenced on or after January 1, 2010.

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, 2011, 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. 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 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 - Disclosures - On October 7, 2010, the IASB issued amendments to IFRS 7 - Financial Instruments: Disclosures, which increase the disclosure requirements for transactions involving transfers of financial assets. This amendment is effective for annual periods beginning on or after July 1, 2011. The Company is currently assessing the impact of the amendment on its financial statement disclosures.

Deferred Tax - Recovery of Underlying Assets - On December 20, 2010, the IASB issued amendments to IAS 12 - Income Taxes, that introduce an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value. The amendment is effective for annual periods beginning on or after January 1, 2012. The Company does not hold investment properties and as such does not expect the implementation of the amendment to have an impact on its 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 financial statements.

2. Significant Accounting Estimates and Assumptions

The preparation of the Company's consolidated financial statements 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.

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 judgement 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 revenue and costs of sales 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.

Stock-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. TRANSITION TO IFRS

The Company has adopted IFRS effective January 1, 2011. Prior to the adoption of IFRS, the Company prepared its financial statements in accordance with Canadian GAAP. The Company's transition date is January 1, 2010 (the "transition date") and the Company has prepared its opening IFRS statement of financial position as at that date. These financial statements have been prepared in accordance with the accounting policies described in Note 1.

Initial Elections and Exemptions upon Adoption of IFRS

IFRS 1 provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. Most adjustments required on transition to IFRS were made retrospectively against opening retained earnings as of the date of the first comparative statement of financial position presented which is January 1, 2010.

The following are the key IFRS 1 exemptions and elections utilized by the Company:

- Business Combinations - The Company elected to apply the exemption such that transactions entered into prior to the transition date, January 1, 2010, were not restated. As a condition of applying this exemption, goodwill relating to business combinations that occurred prior to January 1, 2010 was tested for impairment even though no impairment indicators were identified. No impairment existed at the date of transition.

- Property, Plant and Equipment - The Company has not elected to report any items of property, plant and equipment in its opening statement of financial position on the transition date, at a deemed cost instead of the actual cost that would be determined under IFRS.

- Employee Future Benefits - The Company has elected to recognize all cumulative actuarial gains and losses on the Company's employee future

benefits plans at the date of transition in opening retained earnings.

- Cumulative Translation Differences - The Company has elected to set the previously accumulated translation account, \$15,954, which was included in accumulated other comprehensive income, to zero at the date of transition and charged opening retained earnings.

- Share-Based Payment Transactions - The Company has elected to apply IFRS 2 to equity instruments that were granted on or after November 7, 2002 but which had not vested by the Company's date of transition to IFRS.

- Borrowing Costs - IAS 23 Borrowing Costs has been applied prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after the transition date.

The following are the key IFRS 1 mandatory exceptions from full retrospective application of IFRS.

- Hedge Accounting - Only hedging relationships that satisfied the hedge accounting criteria as of the Transition Date were reflected as hedges in the Company's financial statements under IFRS.

- Estimates - Hindsight was not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP are consistent with their application under IFRS.

Reconciliation of Shareholders' Equity as Reported Under Canadian GAAP to IFRS

The following is a reconciliation of the Company's shareholders' equity reported in accordance with Canadian GAAP to its shareholders' equity in accordance with IFRS at the transition date, January 1, 2010 and December 31, 2010.

	December 31,	January 1,
	2010	2010

Total shareholders' equity under Canadian GAAP	\$ 1,206,637	\$ 846,157
IFRS adjustments (1)		
(i) Employee future benefits	(14,611)	(11,173)
(ii) Reversal of asset impairment	4,812	-

Total equity under IFRS	\$ 1,196,838	\$ 834,984

1 - Refer to Notes for Canadian GAAP to IFRS Reconciliations

Reconciliation of Net Earnings as Reported Under Canadian GAAP to IFRS

Year Ended December 31, 2010

Net earnings under Canadian GAAP	\$ 98,650
IFRS adjustments (1)	
(i) Employee future benefits	450
(ii) Reversal of asset impairment	4,812

Increase in net earnings	5,262

Net earnings under IFRS	\$ 103,912

Attributable to:

Common Shareholders	\$ 103,450
Non-controlling Interests	\$ 462

1 - Refer to Notes for Canadian GAAP to IFRS Reconciliations

Reconciliation of Comprehensive (Loss) Income as Reported Under Canadian GAAP to IFRS

Year Ended December 31, 2010

Comprehensive income under Canadian GAAP	\$ 69,561
IFRS adjustments (1)	
Increase in net earnings	5,262
(ii) Actuarial losses on pension plans	(3,887)

Comprehensive income under IFRS	\$ 70,936

1 - Refer to Notes for Canadian GAAP to IFRS Reconciliations

Reconciliation of Cash Flows as Reported Under Canadian GAAP to IFRS

There was no change to total cash flows from operating, investing or financing activities under IFRS.

Notes for Canadian GAAP to IFRS Reconciliations

i) Employee Future Benefits - Cumulative unrecognized actuarial gains and losses that existed at the transition date were recognized in opening retained earnings (loss of \$15.8 million less tax of \$3.9 million). Cumulative unrecognized past service benefits that existed at the transition date were recognized in opening retained earnings (gain of \$0.9 million less tax of \$0.2 million). Actuarial gains and losses arising subsequent to transition to IFRS are recognized in retained earnings and included in the statement of comprehensive income in the period in which they occur (loss of \$5.2 million less tax of \$1.3 million). Pension expense in 2010 under IFRS was \$600 lower than under Canadian GAAP, less tax of \$150.

ii) Reversal of Asset Impairment - In the fourth quarter of 2010, revised pricing under certain electricity supply contracts triggered an assessment of the recoverable amount of certain power generation assets. The value in use was based on cash flow forecast in real terms and discounted at a pre-tax rate of 3.3 per cent. This led to a reversal of \$6.7 million (\$4.8 million after tax) of asset impairment provision previously recorded in 2005.

Statement of Financial Position Restatements

The following adjustments and reclassifications were made as at January 1, 2010 but are not evident in the above reconciliations:

Cumulative Translation Differences - The Company has elected to set the previously accumulated translation account, which was included in accumulated other comprehensive income, to zero at the date of transition and charged opening retained earnings.

Deferred Tax Assets and Liabilities - Deferred tax assets and liabilities are not classified as current under IFRS but are shown as non-current.

4. 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. Enerflex shares began trading on the Toronto Stock Exchange on June 3, 2011 under the symbol EFX.

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 Ltd. common shares in proportion to the relative fair value at the time the arrangement (the "butterfly proportion"), which was determined to be 56.4% Toromont and 43.6% Enerflex.

In addition to assisting with the allocation of components of equity to the two entities, the butterfly proportion is also used by previous Toromont shareholders to allocate adjusted cost base of their shares between the continuing Toromont shares and new Enerflex shares, as well as in the allocation of stock option values, as more completely described in Note 22.

Coterminous with the arrangement, Enerflex Ltd. repaid amounts owing to Toromont of \$173.3 million. Toromont used these proceeds to repay amounts outstanding related to the acquisition of Enerflex Systems Income Fund. Toromont amended its credit facility to reflect reduced requirements and extend the term, as described more fully in Note 13.

The Toromont consolidated balance sheet reflects the transfer of various assets, liabilities and equity accounts to Enerflex Ltd. 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

The assets and liabilities at discontinued operations at December 31, 2010 and January 1, 2010 were as follows:

	December 31	January 1.
	2010	2010

Accounts receivable	\$ 243,238	\$ 78,011
Inventories	222,855	167,275
Other current assets	24,406	8,894

Total current assets	\$ 490,499	\$ 254,180

Property, plant and equipment	\$ 178,377	\$ 69,781
Rental equipment	116,162	59,142

Deferred tax assets	49,784	23,194
Intangible assets	33,127	-
Goodwill	482,656	21,350
Other assets	13,797	56,502

Total long-term assets	\$ 873,903	\$ 229,969

Accounts payable, accrued liabilities and provisions	\$ 164,422	\$ 68,873
Deferred revenues	150,319	59,751
Other current liabilities	7,738	-

Total current liabilities	\$ 322,479	\$ 128,624

Deferred tax liabilities	\$ 1,845	\$ 4,430

Total long-term liabilities	\$ 1,845	\$ 4,430

Results of discontinued operations were as follows:

	2011	2010

Revenues	\$ 492,937	\$ 1,167,107

Net earnings before tax	\$ 20,783	\$ 43,447
Income taxes	\$ 10,166	\$ 16,194
Net earnings after tax	\$ 10,617	\$ 27,253

Earnings (losses) attributable to :

Common shareholders	\$ 11,240	\$ 26,791
Non-controlling interests	\$ (623)	\$ 462

Toromont incurred certain legal and advisory costs related to the spinoff. These totalled \$3.2 million for the year ended December 31, 2011 and have been allocated to discontinued operations. In addition, \$3.4 million in tax expense was incurred with respect to withholding taxes and other tax items related to spinoff activities. This expense was allocated to discontinued operations.

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 (\$13.03 per share) was recorded. The dividend was based on the fair value of the distribution, determined using the trading price of the Enerflex Ltd. common shares immediately following the date of spinoff. The difference between the fair value of the dividend and the carrying value of the assets and liabilities of Enerflex Ltd. (\$151,179) was recognized as a gain in the consolidated statement of income for the year ended December 31, 2011. Deducted from this gain was an amount of \$18,015, related to historical currency translations of Enerflex's foreign operations. This amount had previously been reflected as an "Other comprehensive loss" on the Consolidated Statements of Comprehensive Income. There are was no income tax expense/recovery associated with either of these items.

Cash flows from investing activities at discontinued operations included cash used for the acquisition of Enerflex Systems Income Fund in 2010. For more information on this transaction, please refer to the audited annual consolidated statements for 2010.

5. ASSET IMPAIRMENT REVERSAL

In the fourth quarter of 2010, revised pricing under certain electricity supply contracts triggered an assessment of the recoverable amount of certain power generation assets held in the Equipment Group.

The recoverable amount is its value in use, which was based on cash flow forecasts and discounted at a pre-tax rate of 3.3 per cent. This led to a reversal of \$6.7 million (\$4.8 million after tax) of an asset impairment provision previously recorded in 2005.

6. CASH AND CASH EQUIVALENTS

	December 31 2011	December 31 2010	January 1 2010
Cash	\$ 75,319	\$ 174,089	\$ 90,357
Cash equivalents	-	-	116,600
Cash and cash cash equivalents	\$ 75,319	\$ 174,089	\$ 206,957

Cash equivalents include Bankers' Acceptances and Term Deposits with an original maturity of three months or less and are denominated in Canadian dollars.

7. ACCOUNTS RECEIVABLES

	December 31 2011	December 31 2010	January 1 2010
Trade receivables	\$ 200,009	\$ 191,498	\$ 146,757
Less: allowance for doubtful accounts	(5,574)	(5,096)	(5,089)
Trade receivables - net	194,435	186,402	141,668
Other receivables	14,808	22,218	25,080
Trade and other receivables	\$ 209,243	\$ 208,620	\$ 166,748

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

	December 31 2011	December 31 2010	January 1 2010
Current to 90 days	\$ 189,069	\$ 179,813	\$ 136,124
over 90 days	10,940	11,685	10,633

\$ 200,009 \$ 191,498 \$ 146,757

The movement in the Company's allowance for doubtful accounts is identified below:

	2011	2010
Balance, beginning of year	\$ 5,096	\$ 5,089
Provisions and revisions, net	478	7
Balance, end of year	\$ 5,574	\$ 5,096

8. INVENTORIES

	December 31 2011	December 31 2010	January 1 2010
Equipment	\$ 204,936	\$ 138,818	\$ 130,847
Repair and distribution parts	73,725	59,531	56,189
Direct materials	2,606	2,359	2,207
Work-in-process	20,670	23,708	16,592
	\$ 301,937	\$ 224,416	\$ 205,835

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 2011 were \$844 million (2010 - \$735 million). The cost of goods sold includes inventory write-downs pertaining to obsolescence and aging together with recoveries of past write-downs upon disposition. The amounts charged to the income statement and included in cost of goods sold on a net basis for inventory valuation issues during 2011 was \$1.7 million. A net reversal of write-downs of \$2.4 million was recorded in 2010.

9. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Equipment

Cost			
December 31, 2010	\$ 46,268	\$ 102,152	\$ 99,125
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
Depreciation charge	-	4,175	8,091
Depreciation of disposals	-	(380)	(6,756)
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		Rental
	Generation	Total	Equipment

Cost			
December 31, 2010	\$ 37,736	\$ 285,281	\$ 235,183
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
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Accumulated depreciation			
December 31, 2010	\$ 18,783	\$ 142,773	\$ 115,239
Depreciation charge	1,485	13,751	30,482
Depreciation of disposals	(22)	(7,158)	(18,615)
Currency translation effects	-	10	-

December 31, 2011	\$ 20,246	\$ 149,376	\$ 127,106
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Net book value - December 31, 2011	\$ 17,746	\$ 151,928	\$ 135,362
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	Land	Buildings	Equipment
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Cost			
January 1, 2010	\$ 27,982	\$ 95,615	\$ 96,265
Additions	19,481	6,643	7,420
Disposals	(1,188)	(76)	(4,537)
Currency translation effects	(7)	(30)	(23)

December 31, 2010	\$ 46,268	\$ 102,152	\$ 99,125
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Accumulated depreciation

Janaury 1, 2010	\$ -	\$ 41,775	\$ 74,740
Depreciation charge	-	4,084	7,575
Depreciation of disposals	-	(76)	(4,082)
Impairment Reversal	-	-	-
Currency translation effects	-	(4)	(22)

December 31, 2010	\$ -	\$ 45,779	\$ 78,211
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Net book value - December 31, 2010	\$ 46,268	\$ 56,373	\$ 20,914
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	Power		Rental
	Generation	Total	Equipment

Cost

January 1, 2010	\$ 37,714	\$ 257,576	\$ 232,477
Additions	22	33,566	39,774
Disposals	-	(5,801)	(37,068)
Currency translation effects	-	(60)	-

December 31, 2010	\$ 37,736	\$ 285,281	\$ 235,183
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Accumulated depreciation

Janaury 1, 2010	\$ 24,351	\$ 140,866	\$ 108,444
Depreciation charge	1,115	12,774	29,402
Depreciation of disposals	-	(4,158)	(22,607)
Impairment Reversal	(6,683)	(6,683)	

Currency translation effects	-	(26)	-

December 31, 2010	\$ 18,783	\$ 142,773	\$ 115,239

Net book value - December 31, 2010	\$ 18,953	\$ 142,508	\$ 119,944

During 2011 depreciation expenses of \$39,578 has been charged in cost of goods sold (2010 - \$37,819) and \$4,655 has been charged to selling and administrative expenses (2010 - \$4,356).

In the fourth quarter of 2010, revised pricing under certain electricity supply contracts triggered an assessment of the recoverable amount of certain power generation assets. This led to a reversal of \$6.7 million of asset impairment provision against cost of sales depreciation charges in 2010 (See Note 5 for additional information).

Operating income from rental operations for the year ended December 31, 2011 was \$23.5 million (2010 - \$16.4 million).

10. OTHER ASSETS

	December 31	December 31	January 1
	2011	2010	2010

Equipment sold with guaranteed residual values	\$ 7,263	\$ 8,451	\$ 10,940
Other	932	570	443

	\$ 8,195	\$ 9,021	\$ 11,383

11. GOODWILL

Goodwill acquired through business combinations has been allocated to two cash generating units (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 allocated to each of the CGUs

	December 31, 2011	December 31, 2010	January 1, 2010
Toromont CAT	\$ 13,000	\$ 13,000	\$ 13,000
CIMCO	450	450	450
Total	\$ 13,450	\$ 13,450	\$ 13,450

The Company performed the annual impairment test of goodwill allocated to Toromont CAT as at December 31, 2011. 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 are 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 11.3%. 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, 2011. 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 are 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 13.4%. 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 CGUs 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 is 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.

12. PAYABLES, ACCRUALS AND PROVISIONS

	December 31 2011	December 31 2010	January 1 2010

Accounts payable and accrued liabilities	\$ 263,544	\$ 226,079	\$ 153,010
Dividends payable	8,433	12,342	9,728
Provisions	8,758	6,824	6,553

	\$ 280,735	\$ 245,245	\$ 169,291

Activities related to provisions were as follows:

	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
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	Warranty	Other	Total
Balance as at January 1, 2010	\$ 4,879	\$ 1,674	\$ 6,553
New provisions	4,701	1,154	5,855
Charges/credits against provisions	(4,768)	(816)	(5,584)
Balance as at December 31, 2010	\$ 4,812	\$ 2,012	\$ 6,824

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. No one claim is significant.

13. LONG-TERM DEBT

	December 31 2011	December 31 2010	January 1 2010
Bank credit facility	\$ -	\$ 280,000	\$ -
Senior debentures	137,163	144,051	155,999
Notes payable	-	-	2,096
Debt issuance costs, net of amortization	(3,068)	(4,122)	(1,125)

Total long-term debt	134,095	419,929	156,970
Less current portion	1,280	6,889	14,044
	\$ 132,815	\$ 413,040	\$ 142,926

All debt is unsecured.

In January 2010, Toromont established a term loan facility in connection with the acquisition of Enerflex Systems Income Fund. Borrowings of \$450 million were drawn down under this facility, with principal repayments of \$16.875 million due quarterly beginning June 30, 2010, and a lump sum final repayment due in July 2011 (eighteen month term). In conjunction with the refinancing of the Canadian credit facility noted below, amounts outstanding under the term loan facility were repaid in full on November 5, 2010.

Effective November 5, 2010, the Company completed a refinancing of its Canadian committed credit facility. The new committed credit facility, with a maturity date of June 30, 2012, provided \$600 million in available financing. \$280 million was drawn under this facility at December 31, 2010 and all amounts outstanding on May 31, 2011 were fully paid coincident with the spinoff of Enerflex Ltd.

Effective June 1, 2011, the Company amended its Canadian committed credit facility. The new credit facility, with a maturity date of June 1, 2015, provides \$200 million in available financing. Debt incurred under the new facility is unsecured and ranks pari passu with debt outstanding under Toromont's existing debentures. The facility includes covenants, restrictions and events of default typical for credit facilities of this nature. Debt issuance costs of \$575 were adjusted against the carrying value of the debt. There were no drawings against this facility as at December 31, 2011 (December 31, 2010 - \$280 million; January 1, 2010 - \$Nil).

At December 31, 2011, standby letters of credit issued utilized \$24.8 million of the credit lines (December 31, 2010 - \$64.2 million; January 1, 2010 - \$33.2 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
- \$12,163, 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

2012	\$ 1,280	\$ 6,986
2013	1,372	6,895
2014	1,471	6,796
2015	126,576	5,342
2016	1,690	427
2017 to 2019	4,774	517

	\$ 137,163	\$ 26,963

Interest expense included interest on debt initially incurred for a term greater than one year of \$8,436 (2010 - \$10,521).

14. 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 period were as follows:

2011		2010	
Number of Common Shares	Common Share Capital	Number of Common Shares	Common Share Capital

Balance, beginning of				
year	77,149,626	\$ 469,080	64,867,467	\$ 132,261
Enerflex spinoff	-	(205,318)	-	-
Issue of shares re				
Enerflex acquisition	-	-	11,875,250	327,947
Exercise of stock				
options	200,155	4,141	406,909	8,872
Purchase of shares for				
cancellation	(720,004)	(2,467)	-	-

Balance, end of year	76,629,777	\$ 265,436	77,149,626	\$ 469,080

The adjustment to contributed surplus on the spinoff of Enerflex represents 43.6% (butterfly proportion) of the balance of contributed surplus immediately prior to spinoff.

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. Unless renewed by shareholders at the Annual and Special Meeting of Shareholders to be held on April 26, 2012, the plan expires in April 2012.

Normal Course Issuer Bid ("NCIB")

Toromont renewed its NCIB program in 2011. The current issuer bid allows the Company to purchase up to approximately 5.7 million of its common shares in the 12 month period ending August 30, 2012, 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, 2011, the Company purchased and cancelled 720,004 shares for \$12,215 (average cost of \$16.96 per share) under its NCIB program. The Company did not purchase any shares under the normal course issuer bid in 2010.

Dividends

The Company paid dividends of \$40.9 million (\$0.53 per share) for the year ended December 31, 2011 and \$45.1million (\$0.61 per share) for the year ended December 31, 2010.

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 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.

15. 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:

	2011	2010

Contributed surplus, beginning of year	\$ 10,882	\$ 10,012
Enerflex spinoff	(5,081)	-
Stock-based compensation, net of forfeitures	1,001	3,005
Value of compensation cost associated with exercised options	(912)	(2,135)

Contributed surplus, end of year	\$ 5,890	\$ 10,882

The adjustment to contributed surplus on the spinoff of Enerflex represents 43.6% (butterfly proportion) of the balance of contributed surplus immediately prior to spinoff.

16. 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:

	Cash, loans and receivables	Derivatives used for hedging	Available for sale	Other financial liabilities	Total
as at December 31, 2011					

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)

	Cash, loans	Derivatives	Other	
as at December	and	used for	Available	financial
31, 2010	receivables	hedging	for sale	liabilities
				Total

Cash and cash					
equivalents	\$ 174,089	\$ -	\$ -	\$ -	\$ 174,089
Accounts					
receivable	208,620	-	-	-	208,620
Accounts					
payable and					
accrued					
liabilities	-	-	-	(245,245)	(245,245)

Current portion of long-term debt	-	-	-	(6,889)	(6,889)
Derivative financial instruments	-	(5,063)	-	-	(5,063)
Long term debt	-	-	-	(413,040)	(413,040)
Discontinued operations	264,540	(155)	-	(164,422)	99,963

Total	\$ 647,249	\$ (5,218)	\$ -	\$ (829,596)	\$ (187,565)

	Cash, loans and receivables	Derivatives used for hedging	Available for sale	Other financial liabilities	Total
as at January 1, 2010					

Cash and cash equivalents	\$ 206,957	\$ -	\$ -	\$ -	\$ 206,957
Accounts receivable	166,748	-	-	-	166,748
Accounts payable and accrued liabilities	-	-	-	(169,291)	(169,291)
Current portion of long-term debt	-	-	-	(14,044)	(14,044)
Derivative					

financial					
instruments	-	(874)	-	-	(874)
Long term debt	-	-	-	(142,926)	(142,926)
Discontinued					
operations	78,011	-	56,502	(68,873)	65,640

Total	\$ 451,716	\$ (874)	\$ 56,502	\$ (395,134)	\$ 112,210

(i) Certain investments at discontinued operations were classified as available for sale and were recorded at fair value based on quoted market prices. Gains and losses resulting from the periodic revaluation were recorded in other comprehensive income.

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 asset or liability.

The fair value of senior debentures as at December 31, 2011 was \$147,572 (carrying value of \$137,163). 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 that has been adjusted for our credit quality. 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 asset or liability.

During the year ended December 31, 2011, 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, 2011.

	Average		
Notional	Exchange		
Amount	Rate (i)	Maturity	

Purchase contracts	USD	248,453	\$ 1.0200	January 2012 to January 2014
	EUR	3,648	\$ 1.3540	January 2012 to May 2012
	GBP	1,800	\$ 1.5611	January 2012

(i) CDN \$ required to purchase one denominated unit

Management estimates that a loss of \$210 would be realized if the contracts were terminated on December 31, 2011. Certain of these forward contracts are designated as cash flow hedges, and accordingly, an unrealized gain of \$493 has been included in other comprehensive income. These gains are not expected to affect net income as the gains will be reclassified to net income within the next twelve months and will offset losses recorded on the underlying hedged items, namely foreign denominated accounts payable. A loss of \$703 on forward contracts not designated as hedges is included in net income which offsets gains 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.

17. 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, 2011 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, Euro 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	Euro	GBP	Total
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Financial instruments held in foreign

operations:

Other comprehensive Income	\$ 302	\$ -	\$ -	\$ 302
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Financial instruments held in Canadian

operations:

Net earnings	\$ 1,497	\$ -	\$ -	\$ 1,497
Other comprehensive Income	\$ 4,195	\$ 178	\$ 105	\$ 4,478

The movement in other comprehensive income in foreign operations reflects the change in the fair value of financial instruments. Gains or losses on translation of foreign subsidiaries are deferred in other comprehensive income. 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 other comprehensive income 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 income 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 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, 2011 or December 31, 2010.

The Company had no floating rate debt as at December 31, 2011.

Liquidity Risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting obligations associated with financial liabilities. As at December 31, 2011, the Company had unutilized lines of credit of \$175 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 2011, together with cash and cash equivalents on hand and 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 twelve months, and that the Company's credit ratings provide reasonable access to capital markets to facilitate future debt issuance.

18. INTEREST INCOME AND EXPENSE

The components of interest expense are as follows:

	2011	2010
Term loan facility	\$ 1,941	\$ 3,808
Senior debentures	7,071	7,821
	\$ 9,012	\$ 11,629

The components of interest and investment income are as follows:

	2011	2010
Interest income on rental conversions	\$ 2,981	\$ 2,503
Other	233	300
	\$ 3,214	\$ 2,803

19. INCOME TAXES

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

	2011	2010

Current income tax expense	\$ 41,159	\$ 30,422
Deferred income tax expense (recovery)	(1,450)	3,293

Total income tax expense	\$ 39,709	\$ 33,715

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

	Twelve months ended Dec 31	
	2011	2010

Statutory Canadian federal and provincial income tax rates	28.25%	31.0%

Expected taxes on income	\$ 40,224	\$ 34,216
Increase (decrease) in income taxes resulting from:		
Higher (lower) effective tax rates in other jurisdictions	(67)	(383)
Manufacturing and processing rate reduction	(239)	(198)
(Income) expenses not (taxable) deductible for tax purposes	(218)	(919)

Non-taxable gains	(244)	(61)
Effect of future income tax rate reductions	64	(28)
Other	189	1,088

Provision for income taxes	\$ 39,709	\$ 33,715

Effective income tax rate	27.9%	30.5%

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:

	December 31, 2011	December 31, 2010	January 1, 2010

Accrued liabilities	\$ 8,964	\$ 8,836	\$ 8,043
Deferred revenue	1,021	659	1,202
Accounts receivable	1,231	1,070	1,142
Inventories	2,927	2,949	3,814
Capital assets	(8,454)	(9,565)	(9,206)
Pension	4,294	4,975	4,349
Other	503	112	2,985
Cash flow hedges in other comprehensive income	2,263	1,399	163

Deferred tax assets	\$ 12,749	\$ 10,435	\$ 12,492
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Movement in net deferred tax assets:

	2011	2010
Balance, January 1	\$ 10,435	\$ 12,492
Tax expense (recovery) recognized in income	1,450	(3,293)
Tax expense recognized in other comprehensive income	864	1,236
Balance, December 31	\$ 12,749	\$ 10,435

The aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax assets have not been recognized as at December 31, 2011 was \$31,270 (December 31, 2010 - \$197,432; January 1, 2010 - \$183,297).

20. 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 in 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.

2011	2010
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Net earnings available to common shareholders	\$ 246,459	\$ 103,912
Net earnings from discontinued operations	143,781	27,253

Net earnings from continuing operations	\$ 102,678	\$ 76,659

Weighted average common shares outstanding	77,013,509	76,170,972
Dilutive effect of stock option conversion	379,744	190,977

Diluted weighted average common shares outstanding	77,393,253	76,361,949

Basic earnings per share		
Continuing operations	\$ 1.33	\$ 1.00
Discontinued operations	1.87	0.36

	\$ 3.20	\$ 1.36

Diluted earnings per share		
Continuing operations	\$ 1.32	\$ 0.99
Discontinued operations	1.86	0.36

	\$ 3.18	\$ 1.35

For the calculation of diluted earnings per share for the year ended December 31, 2010, 936,920 outstanding stock options with an exercise price range of \$16.27 to \$16.76 were considered anti-dilutive (exercise price in excess of market price) and as such were excluded from the calculation. There were no anti-dilutive options for the year ended December 31, 2011.

21. EMPLOYEE BENEFITS EXPENSE

	2011	2010

Wages and salaries	\$ 243,995	\$ 221,133
Other employment benefit expenses	46,644	42,461
Share options granted to directors and employees	1,001	3,005
Pension costs	8,768	8,423

	\$ 300,407	\$ 275,022

22. 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 policy that no more than 1% of outstanding shares or 771,149 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.

With the completion of the Enerflex spinoff, previously issued stock options 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.

Toromont accrues compensation cost over the vesting period based on fair value. The Enerflex options are reflected in the financial statements of Enerflex Ltd.

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

	Weighted
	Average
Number of	Exercise
Options	Price

Options outstanding, beginning of year	2,144,860	\$ 26.04
Granted prior to spinoff	-	-
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
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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
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Options exercisable, end of year	972,605	\$ 14.43
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(1) weighted average share price at date of exercise was \$31.45

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

A reconciliation of the outstanding options for the year ended December 31, 2010 is as follows:

	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of year	1,961,809	\$ 22.91
Granted	610,050	29.71
Exercised (1)	(406,909)	16.37
Forfeited	(20,090)	21.25
Options outstanding, end of year	2,144,860	\$ 26.04
Options exercisable, end of year	811,824	\$ 24.51

(1) weighted average share price at date of exercise was \$29.64

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, 2011.

Range of	Options Outstanding		Options Exercisable
	Weighted Average	Weighted Average	Weighted Average

Exercise Prices	Number Outstanding	Remaining Life (years)	Exercise Price	Number Outstanding	Exercise Price
\$12.32 - \$13.17	492,625	3.2	\$ 12.41	255,685	\$ 12.40
\$13.86 - \$17.10	1,926,435	4.4	16.18	716,920	15.16
Total	2,419,060	4.2	\$ 15.41	972,605	\$ 14.43

The fair value of the stock options granted during 2011 was determined at the time of grant using the Black-Scholes option pricing model with the following assumptions: share price \$17.10; expected life of options 5.81 years; expected stock price volatility 25%; expected dividend yield 2.57%; and risk-free interest rate 1.67%. This resulted in a weighted average fair value price per option of \$3.19. Expected stock price volatility was determined at time of grant considering historical share price volatility.

The fair value of the stock options granted during 2010 was determined at the time of grant using the Black-Scholes option pricing model with the following assumptions: share price \$29.71; expected life of options 5.84 years; expected stock price volatility 25%; expected dividend yield 2.0%; and risk-free interest rate 2.6%. This resulted in a weighted average fair value price per option of \$6.59. Based on the butterfly proportion, the value of the Toromont 2010 option grant was \$3.72 and the value of an Enerflex option was \$2.87.

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 deferred share units. In addition, the Board may grant discretionary DSUs.

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 following table summarizes information related to DSU activity:

Twelve months ended December 31, 2011		Twelve months ended December 31, 2010	
Number of DSUs	Value	Number of DSUs	Value

Outstanding, beginning				
of year	87,969	\$ 2,747	68,357	\$ 1,872
Units taken in lieu of				
bonuses and dividends	25,900	690	20,475	564
Redemptions	-	-	(864)	(25)
Adjustment to reflect				
spinoff	58,888	-	-	-
DSUs granted	20,971	362	-	-
Market value				
adjustment		294		336

Outstanding, end of				
year	193,728	\$ 4,093	87,968	\$ 2,747

The liability for deferred share units is recorded in Accounts payable and accrued liabilities.

Employee Share Ownership Plan

The Company offers an Employee Share Ownership 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 dollars contributed by the employee. Company contributions vest to the employee immediately. Company contributions amounting to \$1.1 million in 2011 (2010 - \$1.0 million), were charged to selling and administrative expense when paid. The Plan is administered by a third party.

23. 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 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. The cost of pension benefits for defined contribution plans are expensed as the contributions are paid.

Approximately 140 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, 2010. The next valuation is scheduled as at December 31, 2011.

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, 2011. The next valuation is scheduled as at December 31, 2012.

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:

	2011	2010

Accrued benefit obligations:		
Balance, beginning of year	\$ 72,164	\$ 65,649
Service cost	998	854
Interest cost	3,614	3,732
Net actuarial loss	7,666	6,657
Benefits paid	(5,502)	(5,135)
Voluntary contributions	433	407

Balance, end of year	\$ 79,373	\$ 72,164

Plan assets:		
Fair value, beginning of year	\$ 52,313	\$ 48,400
Expected return on plan assets	3,640	3,397
Net actuarial gain (loss)	(1,990)	1,470
Company contributions	4,306	3,771
Participant contributions	433	407
Benefits paid	(5,502)	(5,135)
Other adjustments	12	3

Fair value, end of year	\$ 53,212	\$ 52,313
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Accrued pension liability	\$ 26,161	\$ 19,851
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The funded status of the Company's defined benefit pension plans at year-end are as follows:

	2011		
	Accrued benefit	Plan assets	Accrued pension asset
	obligation		(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)

	2010		
	Accrued benefit	Plan assets	Accrued pension asset
	obligation		(liability)

Powell Plan	\$ 43,525	\$ 40,364	\$ (3,161)
Executive Plan	20,342	2,252	(18,090)
Other plan assets and obligations	8,297	9,697	1,400

Accrued pension asset (liability)	\$ 72,164	\$ 52,313	\$ (19,851)

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 \$21.0 million to secure the obligations under this plan.

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

	2011	2010

Discount rate	4.25%	5.00%
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:

	2011	2010

Equity securities	39.5%	45.3%

Debt securities	44.2%	43.1%
Real estate	15.2%	11.5%
Cash and cash equivalents	1.1%	0.1%

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:

	2011	2010

Defined Benefit Plans		
Service cost	\$ 998	\$ 854
Interest cost	3,614	3,732
Expected return on plan assets	(3,640)	(3,397)

	972	1,189
Defined Contribution Plans	7,692	7,145
401(k) matched savings plan	104	89

Net pension expense	\$ 8,768	\$ 8,423

The total cash amount paid or payable for employee future benefits in 2011, including defined benefit and defined contribution plans, was \$11,929 (2010 - \$10,883).

The Company expects to contribute \$3,593 to its defined benefit pension plans in 2012.

The cumulative actuarial losses recognized in OCI as at December 31, 2011 was \$14,840 (2010 - \$5,195).

24. 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 2011	December 31 2010	January 1 2010

Shareholders' equity	\$ 403,861	\$ 1,196,838	\$ 834,984
Long-term debt	134,095	419,929	156,970
Less cash and cash equivalents	(75,319)	(174,089)	(206,957)

Total capitalization	\$ 462,637	\$ 1,442,678	\$ 784,997

Net debt as a % of total capitalization	13%	17%	n/m
Net debt to equity ratio	0.15:1	0.21:1	n/m

n/m - not meaningful, cash exceeds long-term debt at January 1, 2010

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.

25. SUPPLEMENTAL CASH FLOW INFORMATION

	2011	2010

Net change in non-cash working capital and other		
Accounts receivables	\$(623)	\$(41,873)
Inventories	(77,521)	(18,580)
Accounts payable, accrued liabilities and provisions	35,490	75,953
Deferred revenues	4,031	15,011
Other	(1,108)	17,926

	\$(39,731)	\$48,437

Cash paid during the year for:

Interest	\$8,788	\$7,761
Income taxes	\$31,412	\$29,780

Cash received during the year for:

Interest	\$3,214	\$2,738
Income taxes	\$740	\$11,396

26. 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 3 and 5 years with no renewal options. The building leases have a maximum lease term of 20 years including renewal options. Some of the contracts include lease escalation clause, which is usually based on consumer price index.

Future minimum lease payments under non-cancellable operating leases as at December 31, 2011 are as follows:

2012	\$ 2,520
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2013	2,037
2014	1,575
2015	2,586
2016	986
2017 and thereafter	1,925

	\$ 11,629

27. 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 Company previously reported two operating segments, Equipment Group and Compression Group. Enerflex was previously included in the Compression Group. With the completion of spinoff, operating results have been restated to reflect Enerflex as a discontinued operation. Compression Group was renamed to CIMCO.

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	
	2011	2010	2011	2010

Equipment/package				
e sales	\$ 668,372	\$ 561,218	\$ 103,925	\$ 106,890
Rentals	164,953	143,398	-	-
Product support	350,977	306,634	81,662	77,438

Power generation	12,085	11,450	-	-
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Total revenues	\$ 1,196,387	\$ 1,022,700	\$ 185,587	\$ 184,328
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Operating Income	\$ 134,314	\$ 108,166	\$ 13,871	\$ 11,034
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Interest expense

Interest and

investment

income

Income taxes

Net earnings

from continuing

operations

Consolidated

2011

2010

Equipment/packag

e sales

\$ 772,297

\$ 668,108

Rentals

164,953

143,398

Product support

432,639

384,072

Power generation	12,085	11,450
------------------	--------	--------

Total revenues	\$ 1,381,974	\$ 1,207,028
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Operating Income	\$ 148,185	\$ 119,200
------------------	------------	------------

Interest expense	9,012	11,629
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Interest and investment income	(3,214)	(2,803)
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Income taxes	39,709	33,715
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Net earnings from continuing operations	\$ 102,678	\$ 76,659
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Selected balance sheet information:

	Equipment	
As at December 31, 2011	Group	CIMCO Consolidated

Identifiable assets	\$ 780,926	\$ 43,651	\$ 824,577
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Assets of discontinued operations -

Corporate assets 88,754

Total assets \$ 913,331

Identifiable liabilities \$ 294,994 \$ 27,600 \$ 323,594

Liabilities of discontinued operations -

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

Depreciation	\$ 41,530	\$ 645	\$ 42,175
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Goodwill	\$ 13,000	\$ 450	\$ 13,450
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Equipment

As at January 1, 2010	Group	CIMCO Consolidated	
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Identifiable assets	\$ 599,358	\$ 47,367	\$ 646,725
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Assets of discontinued operations			484,149
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Corporate assets			224,992
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Total assets			\$ 1,355,867
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Identifiable liabilities	\$ 154,039	\$ 32,880	\$ 186,919
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Liabilities of discontinued operations			133,054
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Corporate liabilities			200,910
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Total liabilities			520,883
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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.

	2011	2010
Revenues		
Canada	\$ 1,337,230	\$ 1,164,518
United States	39,638	37,270
International	5,106	5,240
	\$ 1,381,974	\$ 1,207,028

	December 31 2011	December 31 2010	January 1 2010
Capital Assets and Goodwill			
Canada	\$ 299,669	\$ 274,841	\$ 253,042
United States	1,071	1,061	1,151
International	-	-	-
	\$ 300,740	\$ 275,902	\$ 254,193

28. RELATED PARTY DISCLOSURES

Key management personnel and director compensation from continuing operations comprised:

	2011	2010
Salaries	\$ 2,759	\$ 2,841
Option based awards	798	1,054
Annual non-equity incentive based plan compensation	2,865	2,075
Pension	205	103
All other compensation	141	143
	\$ 6,768	\$ 6,216

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.

29. 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.

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Source: Toromont Industries Ltd.

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