TOROMONT

First Quarter 2011 **May 10, 2011**

Toromont Industries Ltd. reported financial results for the three-month period ended March 31, 2011.

millions, except per share amounts	Three months ended March 31				
		2011		2010	**% change**
Revenues	**$**	**588.0**	$	425.3	**38%**
Operating income	**$**	**36.5**	$	9.0	**306%**
Net earnings	**$**	**21.6**	$	15.5	**40%**
Earnings per share - basic	**$**	**0.28**	$	0.21	**33%**
Weighted average shares outstanding		**77.2**		73.9	**4%**

Note - In the first quarter of 2010, Toromont completed the acquisition of Enerflex Systems Income Fund and its results have been consolidated from January 20, 2010, the date of acquisition.

Toromont started the year on a very strong note, continuing the positive momentum reported in the fourth quarter of 2010. First quarter bookings were up 27%, backlogs increased year-over-year by 59% to $1 billion, revenues were 38% higher and net quarterly earnings were 40% higher.

Thirty-eight percent revenue growth produced a 306% increase in operating income, reflecting higher plant loading, better margins and good expense control. Product support was especially strong in what is normally a weak quarter, indicating that equipment is being put back to work in all of our markets. The integration of Enerflex, our gas compression group, is complete as to structure and people. Expected synergies are being realized. Two non-core businesses have been sold as well as surplus inventory and real estate. As a result of asset reductions and good cash flow from operations, acquisition debt has been reduced by $215 million in the past year, $45 million in the past quarter alone.

First Quarter Highlights[1]:

- Net earnings were $21.6 million in the quarter, up 40% from $15.5 million reported in the same quarter last year. Net earnings in 2010 included (all on an after-tax basis) a gain on units of Enerflex Systems Income Fund ("ESIF") held at time of acquisition of $16.3 million partially offset by $4.3 million in acquisition and integration expenses.

- During the quarter, inter-company dividends were declared and paid by certain foreign operations. While these dividends were not subject to income tax in Canada, withholding tax of $3.2 million (5%) was paid in the foreign jurisdictions ($0.04 per share). Excluding this, the effective income tax rate in the quarter was 28.5%.

[1] Includes non-GAAP financial measures. See discussion in 'Non-GAAP Financial Measures" section in the Management's Discussion and Analysis with respect to financial results for the three-month period ending March 31, 2011.

- Equipment Group revenues of $221 million were up 25% in the first quarter versus the similar period of 2010 on strong new machine sales and higher rental activities. Product support revenues reached an all time record of $82 million. Operating income increased 51% compared to last year on higher revenues and lower relative expenses.

- Equipment Group bookings totalling $136 million in the first quarter were even with the first quarter of 2010. Backlogs were $287 million were up 72% compared to this time last year. Mining, power systems and road building have reported strong activity levels.

- Enerflex revenues of $326 million were up 54% in the quarter compared to the same period last year. Product support revenues increased 43% with strong increases in Canada and Australia. Operating income was $14.4 million for the first quarter of 2011. Enerflex reported an operating loss of $4.9 million in the first quarter of 2010, in part due to acquisition and integration costs of $5.5 million.

- With the integration of the legacy Enerflex and Toromont natural gas businesses largely complete, previously announced synergies are now being realized. In addition to cost savings, capital employed has been reduced significantly from the time of acquisition. Enerflex inventory levels have been reduced from $288 million at March 31, 2010 to $179 million at March 31, 2011. Capital assets have also reduced from $330 million to $287 million and additional facilities are listed for sale.

- Enerflex bookings totalling $252 million in the quarter were 62% higher than those reported in the first quarter of 2010. Backlogs ended the quarter at $672 million, 4% higher than at December 31, 2010 and 60% higher than at March 31, 2010.

- During the quarter, the Company sold Enerflex Environmental Australia as it was considered not to be core to the growth initiatives of the Company.

- Refrigeration Group revenues of $41 million were up 12% in the quarter compared to the same period last year. Operating income increased substantially to $2.6 million, reaching a record for this time of year.

- Refrigeration Group bookings totalling $23 million in the quarter were 29% lower than those reported in the first quarter of 2010, stemming in part from the end of the governmental stimulus program. Backlogs ended the quarter at $67 million.

- The Company maintained a strong financial position and ended the quarter with $81.8 million of cash, while reducing its acquisition debt by $45 million during the quarter. Strong cash flow over the last twelve month period has allowed the Company to repay $215 million of the $450 million acquisition financing since March 31, 2010. Total debt net of cash to shareholders' equity was 0.24:1.

- The Company held its Annual Meeting of Shareholders on April 21, 2011. The meeting is available via webcast of audio and slides at www.toromont.com.

- The Board of Directors declared the regular quarterly dividend of $0.16 per common share, payable on July 1, 2011 to shareholders of record on June 10, 2011. If the previously announced spinoff of Enerflex Ltd. is effected prior to June 10, 2011, Toromont will instead pay this quarterly dividend in an amount of $0.10 per share on its outstanding common shares. In this event, Enerflex will separately announce its dividend payable contemporaneously with Toromont's dividend. It is expected that Enerflex would declare a dividend of $0.06 per share on its outstanding common shares to holders of record on June 10, 2011, such that the initial quarterly dividends paid by Toromont and Enerflex to their respective shareholders after the spinoff is effected will, in the aggregate, equal $0.16 per share.

- A Special Shareholders Meeting will be held on May 16, 2011 at which time shareholders will be invited to vote on the proposed spinoff. Additional information is contained in Toromont's management information circular filed with respect of this meeting, dated April 11, 2011, and is available at www.sedar.com and www.toromont.com/spinoff.

- The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All 2010 comparative figures have been restated. Management believes that the impact to net earnings in the quarter as a consequence to the implementation of IFRS was insignificant. For a more detailed discussion refer to Note 3 to the unaudited interim financial statements for the three month period ending March 31, 2011.

It is expected that the Equipment and Refrigeration Groups will continue to benefit from the general recovery that appears to be taking hold in their respective markets. Enerflex bookings and backlogs were higher again this past quarter. Current prospects are encouraging and the long term outlook for natural gas has improved significantly in recent months. Shareholders are encouraged to register their support for the spinoff transaction by completing and submitting their proxy forms prior to the vote on May 16th.

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 months ended March 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 three months ended March 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 May 10, 2011.

The Board of Directors of Toromont has unanimously approved in principle a spinoff of Enerflex Ltd. ("Enerflex") to Toromont's shareholders as a separate, publicly traded company. At the time of the spinoff, Enerflex would hold Toromont's natural gas production and processing equipment business. Completion of the spinoff is subject to the receipt of required court and shareholder approval and the satisfaction of certain other conditions. The information presented herein does not give effect to the proposed spinoff. For further details, see "Proposed Spinoff of Enerflex" presented later in this MD&A. If the proposed spinoff proceeds, there will be a significant and material effect on the operations and results of Toromont. Detailed information as to the proposed spinoff and its effects are included in a management information circular filed in respect of a special shareholders meeting to be held on May 16, 2011, where shareholders will be invited to vote on the spinoff.

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.

CORPORATE PROFILE AND BUSINESS SEGMENTATION

As at March 31, 2011, Toromont employed approximately 5,700 people in more than 170 locations, predominantly in Canada and the United States. Toromont is listed on the Toronto Stock Exchange (the "TSX") under the symbol TIH.

The Company previously reported two operating segments, Equipment Group and Compression Group. In light of the proposed spinoff of Enerflex, the Company has elected to change its reportable operating segments effective January 1, 2011. Toromont's reportable operating segments are now defined as: Equipment Group, Refrigeration Group and Enerflex. Under the proposed spinoff, ongoing Toromont will be comprised of the Equipment Group and the Refrigeration Group.

There was no change to the composition of the Equipment Group. The Equipment Group is comprised of Toromont CAT, one of the world's larger Caterpillar dealerships by revenue and geographic territory, 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. Other significant activities include sales and product support activities for Caterpillar engines used in a variety of applications including industrial, commercial, marine, on-highway trucks and power generation.

The Refrigeration Group includes the operations of Cimco, market leader in the design, engineering, fabrication, installation and after-sale support of refrigeration systems in industrial and recreational markets. Results in the Refrigeration Group are influenced by conditions in the primary market segments served: food and beverage processing; cold storage; food distribution; mining; and ice rink and other recreational facility construction.

Enerflex is a leading global business specializing in the design, engineering, fabrication, installation and after-sale support of compression and process systems. Enerflex supplies and services compression and process systems used in natural gas, fuel gas and carbon dioxide applications. Results in Enerflex are influenced by conditions in the primary market segments served: natural gas production and transportation; and chemical and petrochemical processing.

PROPOSED SPINOFF OF ENERFLEX

On November 8, 2010, the Board of Directors of Toromont unanimously approved in principle all actions to prepare for and implement a spinoff of Enerflex, Toromont's natural gas compression and processing equipment business, to Toromont's shareholders as a separate, publicly traded company. The spinoff is designed to enhance long term value for the shareholders of Toromont by separating its businesses into two distinct public companies better able to pursue independent strategies and opportunities for growth.

If the transaction is completed, Toromont shareholders will exchange their current Toromont shares for new shares in both Toromont and in Enerflex.

The spinoff is expected to provide a number of benefits to the existing shareholders of Toromont, including the following:

- **Creates distinct market leaders with critical mass and momentum** - The spinoff will create two market leaders in their respective industries with the scale and operational strength to compete effectively in their distinct markets.
- **Sharper business and strategic focus** - The proposed successor companies have different business cycles, serve different markets, sell to different customers, are subject to different competitive forces and require different short term and long term strategies. Their separation into two independent companies, each with its own board of directors, will provide management of each company with a sharper business focus. This will permit them to pursue independent business strategies best suited to their business plans, and allow them to pursue opportunities in their respective markets.
- **Independent growth opportunities** - Each of the two businesses has attractive opportunities for both organic expansion and external growth through acquisitions, capital investments and geographic expansion. Separating Toromont and Enerflex will enable each to pursue independent growth strategies that may not be available to them as part of a consolidated Toromont.
- **Enhanced access to growth capital** - As separate companies, Toromont and Enerflex will have separately traded shares and independent balance sheets, which will provide them with enhanced access to the capital necessary to finance their respective growth strategies.
- **Improved market understanding and valuation** - By establishing two separate public companies with independent public reporting and a simplified corporate structure, investors and analysts will be able to more easily evaluate each one on a stand-alone basis relative to competitors, benchmarks and performance criteria specific to their respective industries. This should improve alignment of the two companies with their direct public company comparables and facilitate sector-specific analyst coverage for each.
- **Better ability to attract, retain and motivate key employees** - The separation of Toromont into two independent public companies will also enable each to provide business-specific incentives to key employees. Compensation arrangements can more closely align the role of each employee with the performance of the business that employs them, enhancing each company's ability to better attract, retain and motivate key people.

Toromont plans to structure the proposed transaction as a tax-deferred divestiture for Canadian tax purposes, subject to a favourable ruling from Canada Revenue Agency (CRA).

The transaction will be implemented by way of a plan of arrangement, which is subject to court approval, prior approval of the TSX and fulfillment of certain other conditions.

The transaction also requires the approval of the Company’s shareholders. In order to proceed with the arrangement it must be approved by two-thirds of the Toromont shares that are voted at the meeting to consider it on May 16, 2011. If the necessary conditions are met and required approvals are obtained, Toromont anticipates that the spinoff would be completed in June, shortly

after receipt of the final court approval. However, notwithstanding the receipt and satisfaction of such approvals and conditions, whether the spinoff is effected, and the timing for effecting the spinoff, will remain in the sole and absolute discretion of Toromont.
Further information on Enerflex and this proposed transaction has been provided in a management information circular filed in advance of the special meeting of shareholders to be held on May 16, 2011, at which shareholders will be invited to vote on the spinoff.

CONSOLIDATED RESULTS OF OPERATIONS

($ thousands, except per share amounts)	**Three months ended March 31** **2011**	2010	% change
Revenues	**$ 588,015**	$ 425,274	38%
Cost of goods sold	**466,818**	342,858	36%
Gross profit	**121,197**	82,416	47%
Selling and administrative expenses	**84,731**	73,434	15%
Operating income	**36,466**	8,982	306%
Interest expense	**4,613**	7,104	(35%)
Interest and investment income	**(842)**	(801)	5%
Gain on available-for-sale financial assets	**-**	(18,627)	n/m
Equity earnings from affiliates	**(201)**	(217)	n/m
Income before income taxes	**32,896**	21,523	53%
Income taxes	**12,538**	4,763	163%
Earnings from continuing operations	**20,358**	16,760	21%
Gain on disposal of discontinued operations	**1,430**	-	n/m
Losses on discontinued operations	**(164)**	(1,283)	n/m
Net earnings	**$ 21,624**	$ 15,477	40%
Earnings per share (basic)	**$ 0.28**	$ 0.21	33%
Key ratios:			
Gross profit as a % of revenues	**20.6%**	19.4%	
Selling and administrative expenses as a % of revenues	**14.4%**	17.3%	
Operating income as a % of revenues	**6.2%**	2.1%	
Income taxes as a % of income before income taxes	**38.1%**	22.1%	

Note - 2010 amounts include the financial results of ESIF from date of acquisition, January 20, 2010.

Revenues increased 38% in the first quarter of 2011 compared to the similar quarter of 2010 on higher revenues across all operating segments. Equipment Group revenues were up 25% on higher new equipment sales and product support and rental activities on improved economic conditions. Refrigeration Group revenues were up 12% on strong activity in Canadian recreational refrigeration, largely carried over from 2010. Enerflex revenues were up 54% on stronger activity in most markets.

Volatility in the rate of exchange between the Canadian and U.S. dollar has an impact on revenue trends, although this was marginal during the first quarter of 2011. The Canadian dollar averaged

$1.01 in the first three months of 2011 compared to $0.96 in the comparable period of 2010, a 5.5% increase. Impacts of this trend include:

- The Canadian/U.S. dollar exchange rate impacts reported revenues on the translation of the financial statements of foreign subsidiaries. Simple translation of the U.S. dollar reduced reported revenues by $5 million versus 2010. The impact on net income was not significant.
- Nearly all of the equipment and parts sold in the Equipment Group are sourced in U.S. dollars. The Canadian dollar sales prices generally reflect changes in the rate of exchange. The impact on equipment revenues 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 the Refrigeration Group and Enerflex, revenues from foreign subsidiaries are impacted by the translation of results, noted above. Sales in Canada are largely impacted by the same factors as those impacting the Equipment Group.

Gross profit margin was 20.6% in the first quarter of 2011 compared with 19.4% in the similar period of 2010. Enerflex reported improved gross margins in the quarter compared to last year on better shop utilization and project execution. Gross profit margins in the Equipment Group in 2011 were down slightly from 2010 due to a higher proportion of equipment sales compared to product support revenues. Refrigeration Group margins were higher in 2011 on improved project execution.

Selling and administrative expenses increased $11.3 million or 15% in the first quarter of 2011 compared to the prior year. Selling and administrative expenses in both quarters included costs related to corporate transactions. Expenses for the first quarter of 2011 included $2.4 million in costs related to the proposed spinoff of Enerflex. Expenses for the first quarter of 2010 included $5.5 million in costs related to the acquisition and integration of ESIF. Excluding these items in both periods, selling and administrative expenses increased $14.4 million or 21%. The first quarter of 2010 was three weeks shorter than the first quarter of 2011 due to the timing of the acquisition. Selling and administrative expenses for the additional three weeks account for approximately $9 million of the increase. The remaining increase of $5.4 million was due to salary increases and additional expenses in light of the higher revenues, largely offset by cost savings realized at Enerflex. Selling and administrative expenses as a percentage of revenues were 14.4% in 2011 versus 17.3% in 2010.

Operating income increased $27.5 million or 306% in the first quarter of 2011 compared to the prior year. The improvement in 2011 reflects higher volumes, higher gross margins and lower expense levels.

In the first quarter of 2010, the Company reported a gain of $18.6 million ($16.3 million after tax and $0.21 per share) related to units of ESIF purchased by Toromont during 2009. The gain, previously recognized in other comprehensive income ("OCI"), was required to be reclassified out of OCI into net earnings on acquisition of the related business.

Interest expense was $2.5 million or 35% lower in the first quarter of 2011 on lower debt balances. Acquisition financing of $450 million has been reduced to $235 million at March 31, 2011.

During the quarter, inter-company dividends were declared and paid by certain foreign operations. While these dividends were not subject to income tax in Canada, withholding tax of $3.2 million (5%) was paid in the foreign jurisdictions. Excluding this, the effective income tax rate in the quarter was 28.5%.

The gain on sale of discontinued operations relates to the sale of Enerflex Environmental Australia during the first quarter of 2011. Losses on discontinued operations in both years reflect results at Enerflex Environmental and Enerflex Syntech, both of which have been sold.

Net earnings were 40% higher for the first quarter of 2011 compared to the similar period of 2010. Basic earnings per share ("EPS") were $0.28 for the quarter, 33% higher than the comparable period of 2010, reflecting higher earnings partially offset by a higher number of shares outstanding.

Comprehensive income was $17.8 million, comprised of net earnings of $21.6 million and other comprehensive loss of $3.8 million. The other comprehensive loss arose on translation of foreign operations of $3.3 million and changes in the value of cash flow hedges.

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

	Three months ended March 31		
($ thousands)	**2011**	2010	% change
Equipment sales and rentals			
New	**$ 81,422**	$ 49,781	64%
Used	**24,155**	28,591	(16%)
Rental	**29,963**	24,828	21%
Total equipment sales and rentals	**135,540**	103,200	31%
Power generation	**3,147**	2,563	23%
Product support	**82,344**	70,872	16%
Total revenues	**$ 221,031**	$ 176,635	25%
Operating income	**$ 19,484**	$ 12,917	51%
Key ratios:			
Product support revenues as a % of total revenues	**37.3%**	40.1%	
Group total revenues as a % of consolidated revenues	**37.6%**	41.5%	
Operating income as a % of revenues	**8.8%**	7.3%	

New equipment sales were 64% higher in the first quarter of 2011 compared to the similar quarter last year reflecting higher activity on improved market conditions. Sales increases resulted largely from higher unit sales. Many market segments, notably heavy construction, mining and industrial, were higher.

Used equipment sales were 16% lower in the first quarter of 2011 compared to the first quarter of 2010. Used equipment sales activity fluctuates based on a variety of factors including used equipment supply, new equipment supply and customer requirements.
Rental revenues were up 21% in the quarter compared to the prior year, setting a new record for the first quarter. Rental activity was strong during the quarter. Equipment utilization and rental rates were improved from the comparable period of the prior year.

Power generation revenues from Toromont-owned plants increased 23% 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 for any quarter of $82.3 million in the quarter, surpassing the record set in the fourth quarter of 2010. On a constant dollar basis (adjusted for all pricing adjustments including those for foreign exchange), product support revenues were up 20%. Product support revenues in 2011 benefited from a higher installed base of equipment in our territory coupled with higher utilization of equipment in 2011 compared to the prior year which was dampened by market conditions.

Operating income was up 51% in the quarter compared to 2010, reflecting the 25% increase in revenues together with improved expense ratios. Gross margin as a percentage of revenues decreased 60 basis points compared to the first quarter of 2010 on a larger percentage of equipment revenue to total in the current year.

Bookings ($ millions)	2011	2010	% change
Three months ended March 31	$ 136	$ 135	--
	March 31, 2011	December 31, 2010	March 31, 2010
Backlogs ($ millions)	$ 287	$ 256	$ 167

Equipment bookings matched the strong results reported last year. Backlogs were $287 million at March 31, 2011, increased from $256 million at December 31, 2010 and $167 million at March 31, 2010.

Refrigeration Group

($ thousands)	Three months ended March 31 2011	2010	% change
Package sales and rentals	**$ 21,862**	$ 19,566	12%
Product support	**18,717**	16,661	12%
Total revenues	**$ 40,579**	$ 36,227	12%
Operating income	**$ 2,609**	$ 965	171%
Key ratios:			
Product support revenues as a % of total revenues	**46.1%**	46.0%	
Group total revenues as a % of consolidated revenues	**6.9%**	8.5%	
Operating income as a % of revenues	**6.4%**	2.7%	

Refrigeration revenues were up 12% in the first quarter of 2011 compared to 2010. Recreational refrigeration in Canada saw good growth due to carryover of construction supported by the Recreational Infrastructure Canada program. Industrial refrigeration revenues in Canada were lower on reduced investment by customers during the recent economic recession. The US refrigeration market remains challenged but has improved modestly compared to this quarter last year.

Product support revenues increased 12% in the first quarter of 2011 compared to the prior year on increased activity in Canada, most notably Ontario.

Refrigeration Group reported operating income of $2.6 million in the first quarter of 2011 compared to $1.0 million in 2010. The increase reflects higher revenues, higher margins on improved execution and generally flat selling and administrative expenses. There is significant seasonality in results in the Refrigeration Group, with the first quarter typically delivering the weakest performance. The operating income delivered in the first quarter of 2011 represents record results for this Group.

Bookings ($ millions)	2011	2010	% change
Three months ended March 31	$ 23	$ 32	(29%)

	March 31, 2011	December 31, 2010	March 31, 2010
Backlogs ($ millions)	$ 67	$ 67	$ 80

Bookings are down 29% in the quarter compared to 2010. The prior year benefited from increased booking activity driven by stimulus spending programs which has not been repeated in 2011.

Enerflex

($ thousands)	Three months ended March 31 2011	2010	% change
Package sales and rentals			
Natural gas compression	**$ 143,210**	$ 111,287	29%
Process and fuel gas compression	**78,558**	25,431	209%
Compression rentals	**7,857**	7,569	4%
Other	**12,845**	9,385	37%
Total package sales and rentals	**242,470**	153,672	58%
Product support	**83,935**	58,740	43%
Total revenues	**$ 326,405**	$ 212,412	54%
Operating income	**$ 14,373**	$ (4,900)	n/m
Key ratios:			
Product support revenues as a % of total revenues	**25.7%**	27.7%	
Group total revenues as a % of consolidated revenues	**55.5%**	49.9%	
Operating income as a % of revenues	**4.4%**	-2.3%	

Note - 2010 amounts include the financial results of ESIF from date of acquisition, January 20, 2010.

Natural gas package revenues were up 29% in the first quarter of 2011 from the similar period of 2010. Sales of natural gas compression packages from Canadian operations increased 34% while sales from US operations were comparable to those reported last year. Natural gas markets have improved somewhat compared to the prior year on higher natural gas prices and improved economic conditions.

Process and fuel gas compression systems revenues were up 209% in the quarter compared to the prior year.

Rental revenues increased 4% in the quarter compared to 2010. Increased international rentals were partially offset by North American rental revenues which were down 8% on lower fleet utilization.

Other revenues include revenues from combined heat and power and project engineering and construction.

Product support revenues increased 43% in the quarter compared to 2010. Product support revenue from Canada and Northern US is up 14% from last year. Revenues in the first quarter of 2010 were somewhat dampened by integration activities. Product support in International regions was more than double that reported last year driven by growth in the expanding Australian operations.

Enerflex reported operating income of $14.4 million in the first quarter of 2011 compared to a loss of $4.9 million in 2010. Operating loss in 2010 included acquisition and integration related expenses of $5.5 million. Excluding these expenses, operating income in the first quarter of 2010 was $0.6 million. The improvement in operating income reflects higher volumes, improved shop utilization and other synergies driven by restructuring activities undertaken in 2010.

Bookings ($ millions)		2011		2010		% change
Three months ended March 31	$	252	$	156		62%
		March 31, 2011		December 31, 2010		March 31, 2010
Backlogs ($ millions)	$	672	$	646	$	419

Compression bookings were up 62% quarter-over-quarter, reflecting success in all key regions.

CONSOLIDATED FINANCIAL CONDITION

At March 31, 2011, the ratio of total debt net of cash to equity was 0.24:1. Total assets were $2.2 billion at March 31, 2011, compared with $2.3 billion at December 31, 2010.

Working Capital

The Company's investment in non-cash working capital was $357.0 million at March 31, 2011. The major components, along with the changes from March 31 and December 31, 2010, are identified in the following table.

$ thousands	March 31 2011	December 31 2010	Change $	Change %	March 31 2010	Change $	Change %
Accounts receivable	$ 442,911	$ 451,858	$ (8,947)	(2%)	$ 304,745	$ 138,166	45%
Inventories	432,174	447,271	(15,097)	(3%)	512,525	(80,351)	(16%)
Income taxes, net	(1,451)	(5,112)	3,661	(72%)	29,342	(30,793)	(105%)
Derivative financial instruments	(4,767)	(3,379)	(1,388)	41%	(1,386)	(3,381)	244%
Other current assets	35,015	25,356	9,659	38%	13,659	21,356	156%
Accounts payable and accrued liabilities	(333,457)	(397,325)	63,868	(16%)	(286,184)	(47,273)	17%
Dividends payable	(12,348)	(12,342)	(6)	0%	(11,531)	(817)	7%
Deferred revenue	(199,808)	(195,388)	(4,420)	2%	(164,736)	(35,072)	21%
Current portion of long-term debt	(1,236)	(6,889)	5,653	(82%)	(81,314)	80,078	(98%)
Total non-cash working capital	$ 357,033	$ 304,050	$ 52,983	17%	$ 315,120	$ 41,913	13%

Accounts receivable generally reflect trailing activity levels and timing of customer receipts. Compared to March 31, 2010, accounts receivable were 45% higher at March 31, 2011, largely tracking the 38% increase in revenues.

Inventories decreased 3% from December 31, 2010 and 16% from March 31, 2010. Equipment Group inventories are 13% higher compared to both periods to support higher expected sales volumes and the increased service business. Enerflex inventories are 38% lower than at March 31, 2010 and 20% lower than at December 31, 2010. Lower inventories are the result of concerted efforts to reduce excess inventory levels post acquisition. Refrigeration inventories were comparable across all three periods.

Income taxes (payable) receivable reflect amounts owing for current corporate income taxes less installments 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 $4.8 million as at March 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 March 31, 2011 were lower than at December 31, 2010 on lower supplier payables and payment of year-end profit sharing amounts. Accounts payable and accrued liabilities at March 31, 2011 were higher than at March 31, 2010 on higher supplier payables on increased purchasing activity in light of stronger market conditions.

Dividends payable at March 31, 2011 were unchanged from December 31, 2010 the dividend rate per share and number of common shares outstanding were largely unchanged. Dividends payable were 7% higher than at March 31, 2010 on a higher quarterly dividend rate. The quarterly dividend rate was $0.15 per share in the first quarter of 2010 compared to $0.16 per share in the first quarter of 2011, a 7% increase.

Deferred revenues represent billings to customers in excess of revenue recognized. In the Refrigeration Group and Enerflex, deferred revenues arise on progress billings in advance of revenue recognition which increased year-over-year on increased activity levels. In the Equipment Group, deferred revenues arise on sales of equipment with residual value guarantees, extended warranty and other customer support agreements as well as on progress billings on long-term construction contracts.

The current portion of long-term debt reflects scheduled principal repayments due in 2011.

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.

Outstanding Share Data

As at the date of this MD&A, the Company had 77,201,896 common shares and 2,057,290 share options outstanding.

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.

Combined unsecured credit facilities amounted to $620 million at March 31, 2011 comprised of $600 million in Canada and US $20 million in the United States ($20 million Canadian equivalent), both maturing in 2012. Outstanding loans under these facilities bear interest at a rate equal to the prime rate plus a specified margin. As at March 31, 2011, $235 million was drawn on the Canadian facility (December 31, 2010 - $280 million).

The Company expects that continued cash flows from operations in 2011, 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.

It is expected that subsequent to the spinoff, Enerflex will repay outstanding intercompany debt owed to Toromont. Toromont will apply the funds it receives to repay amounts outstanding under Toromont's credit facilities and expects to amend the credit agreement governing these credit facilities to reduce the available amount.

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		**Three months ended March 31** **2011**		2010
Cash, beginning of period	$	174,089	$	206,957
Cash, provided by (used in):				
Operations		37,912		18,360
Change in non-cash working capital and other		(49,426)		25,758
Operating activities		(11,514)		44,118
Investing activities		(16,746)		(321,997)
Financing activities		(62,937)		264,087
(Decrease) increase in cash in the period		(91,197)		(13,792)
Effect of foreign exchange on cash balances		(1,065)		(1,289)
Cash, end of period	$	81,827	$	191,876

Cash Flows from Operating Activities

Operating activities used $11.5 million in the quarter compared to $44.1 million in the comparable period of 2010. Net earnings adjusted for items not requiring cash were double that reported last year on higher revenues, improved operating margins and certain one-time expenses related to the acquisition of ESIF incurred in the prior year. Non-cash working capital and other used $49.4 million in the quarter compared to providing $25.8 million in 2010. 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 in the first quarter of 2011 used $16.7 million and comprised the following items:

- Net rental fleet additions of $17.9 million, $15.8 million invested at the Equipment Group; and
- Additions to property, plant and equipment of $5.8 million; and
- Net proceeds on disposition of Enerflex Environmental of $3.4 million.

Investing activities in the first quarter of 2010 used $322.0 million and comprised the following items:

- Cash used for acquisition of ESIF of $292.5 million; and
- Gross investment in property, plant and equipment was $33.7 million.

Cash Flows from Financing Activities

Financing activities used $62.9 million in the first quarter of 2011 and provided $264.1 million in the same quarter of the prior year.

Net decrease in long-term debt totalled $51.3 million during the first quarter of 2011. During the first quarter of 2010, borrowings of $450 million were drawn in order to finance the acquisition of ESIF, including repayments on ESIF senior secured notes payable and bank facilities.

Dividends paid to common shareholders in the quarter amounted to totalled $12.3 million and were 27% higher than that paid in the first quarter of 2010. The number of shares outstanding increased 11.9 million (18% based on December 31, 2009 number of shares) as a result of common shares issued to acquire ESIF. The regular quarterly dividend rate was $0.16 per share in the first quarter of 2011 compared to $0.15 per share in 2010, an increase of 7%.

There were no shares purchased under the normal course issuer bid (NCIB) during the first quarter of 2011 or 2010 and, in light of the proposed spinoff, the Company has suspended the repurchase of its common shares pursuant to its NCIB.

OUTLOOK

The global economy continues to recover from the recent recession. We entered 2011 with significantly stronger backlogs than we had entering 2010.

Our Equipment Group is experiencing improved equipment orders in many markets, including mining, road building and power systems. While the government stimulus spending for Canadian infrastructure is winding down, we believe that investment levels will continue to remain high in the infrastructure markets we serve, significantly road building. The parts and service business has seen a resumption of growth and provides a measure of stability, driven by increased activity levels for our customers.

Recent results in our Refrigeration Group were significantly buoyed by federal stimulus spending on recreational refrigeration projects which should continue to contribute to performance this year, however we do not expect to match records set last year. We expect investment in recreational to continue, albeit at lower levels, and to be supplemented by resumption of business levels for industrial refrigeration, which had been hard-hit by the recent economic malaise.

The new Enerflex is a well capitalized global leader in the compression market, built on the complementary strengths of its predecessor organizations, with a strong leadership team in place. Toromont believes that the prospects for this business are excellent as Enerflex prepares to continue its activities autonomously, assuming the successful completion of the spinoff transaction.

Enerflex believes that the long term market fundamentals for natural gas in the U.S., Australia and Canada are positive. Process and other international markets also provide opportunity.

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.

We believe that the proposed spinoff transaction will increase long-term value for the shareholders of both continuing Toromont and the new Enerflex.

CONTRACTUAL OBLIGATIONS

Our 2010 Annual report contains a table and description of our contractual obligations, which consist largely of long-term financial obligations and commitments under operating leases in the normal course of business.

QUARTERLY RESULTS

The following table summarizes unaudited quarterly consolidated financial data for the eight most recently completed quarters. Results for periods ending in 2010 and 2011 are reported based on IFRS. Results for periods ending in 2009 are reported based on Canadian GAAP.

$ thousands, except per share amounts	Q2 2010	Q3 2010	Q4 2010	Q1 2011
Revenues				
Equipment Group	$ 264,538	$ 283,588	$ 297,938	$ 221,031
Refrigeration Group	50,781	52,386	44,934	40,579
Enerflex	261,305	283,466	366,838	326,405
Total revenues	$ 576,624	$ 619,440	$ 709,710	$ 588,015
Net earnings - continuing operations	$ 22,220	$ 26,124	$ 39,915	$ 20,358
Net earnings	$ 21,922	$ 26,201	$ 40,312	$ 21,624
Per share information:				
Earnings per share - continuing operations				
Basic	$ 0.29	$ 0.34	$ 0.52	$ 0.26
Diluted	$ 0.29	$ 0.33	$ 0.51	$ 0.26
Earnings per share				
Basic	$ 0.29	$ 0.34	$ 0.52	$ 0.28
Diluted	$ 0.29	$ 0.34	$ 0.51	$ 0.28
Dividends per share	$ 0.15	$ 0.16	$ 0.16	$ 0.16
Weighted average common shares outstanding - Basic (in thousands)	76,881	76,896	76,962	77,163

$ thousands, except per share amounts	Q2 2009	Q3 2009	Q4 2009	Q1 2010
Revenues				
Equipment Group	$ 217,015	$ 233,629	$ 239,009	$ 176,635
Refrigeration Group	42,214	46,113	46,734	36,227
Enerflex	224,944	150,180	167,095	212,412
Total revenues	$ 484,173	$ 429,922	$ 452,838	$ 425,274
Net earnings - continuing operations	$ 33,525	$ 31,923	$ 31,350	$ 16,760
Net earnings	$ 33,525	$ 31,923	$ 31,350	$ 15,477
Per share information:				
Earnings per share - continuing operations				
Basic	$ 0.51	$ 0.50	$ 0.48	$ 0.23
Diluted	$ 0.51	$ 0.50	$ 0.48	$ 0.23
Earnings per share				
Basic	$ 0.51	$ 0.50	$ 0.48	$ 0.21
Diluted	$ 0.51	$ 0.50	$ 0.48	$ 0.21
Dividends per share	$ 0.15	$ 0.15	$ 0.15	$ 0.15
Weighted average common shares outstanding - Basic (in thousands)	64,698	64,718	64,771	73,866

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. This pattern has been altered somewhat in recent years given changes in economic conditions, product availability and other market specific factors. Management expects the seasonality trend to resume as market conditions continue to improve.

The Refrigeration Group 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.

Enerflex also has historically had a distinct seasonal trend in activity levels due to well-site access and drilling patterns, which reflect weather conditions. Generally, higher revenues are reported in the fourth quarter of each year. This trend has not been evident in the last two years due to weaker natural gas markets, general economic conditions and the acquisition of ESIF. Geographic and product mix diversification has also served to mitigate this seasonality. Management expects the seasonality trend to resume as natural gas market fundamentals improve.

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.

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.

There have been no material changes to the operating and financial risk assessment and related risk management strategies as described in the Company's 2010 MD&A.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's significant accounting policies are described in Note 1 to the unaudited consolidated financial statements. The preparation of 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 Equipment Group, Refrigeration Group and Enerflex similarly, and therefore are not discussed on a segmented basis.

Revenue Recognition

The Company reflects revenues generated from the assembly and manufacture of projects using the percentage-of-completion approach of accounting for performance of production-type contracts. 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.

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.

FUTURE ACCOUNTING STANDARDS

IFRS 9 – Financial Instruments

In November 2009, the International Accounting Standards Board ("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, 2013 and must be applied retrospectively. Earlier adoption is permitted. We are currently assessing the impact of adopting IFRS 9 on the consolidated financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

International Financial Reporting Standards ("IFRS") replaces 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 interim 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 will be 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 have been 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

Area of IFRS	Summary of Exemption Available
Employee 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 Benefits	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: a) In full, as they arise, in the income statement b) Over a longer period, using the ‘corridor’ method, or c) In full as they arise, outside profit or loss, in OCI	The Company has elected to record actuarial gains and losses arising from its defined benefit pension plans in OCI. This will impact the Company’s income statement expense associated with the defined benefit pension plans as actuarial gains/losses are no longer amortized. Variability in OCI will increase as actuarial gains/losses are recorded.

Accounting Area	Key Difference from GAAP	Status
Stock Based Compensation	The valuation of stock options under IFRS required individual 'tranche based' valuations for those option plans with graded vesting, whilst Canadian GAAP allowed a single valuation for all tranches.	The impact of these changes is not significant.
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.
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 outstanding third-party debt.	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 increase property, plant and equipment balances and associated depreciation for those assets.

The International Accounting Standards Board (IASB) work plan anticipates the completion of several projects in 2011. The projects on financial instruments, post-employment benefits, financial statement presentation, revenue recognition and leases are most relevant to the Company's IFRS transition plans. Management will be monitoring any changes to these standards closely.

Although we adopted IFRS on January 1, 2011, comparative 2010 annual and interim financial positions and results of operations, effective from January 1, 2010 were required to be restated. The 2010 comparative amounts have not been audited by our external auditor. Note 1 of our unaudited interim consolidated financial statements as at and for the three months ended March 31, 2011 outlines our IFRS accounting policies and Note 3 provides a complete list of our IFRS 1 elections, detailed reconciliations between Canadian GAAP and IFRS of shareholders' equity as at January 1, March 31 and December 31, 2010, and of net earnings and comprehensive income for the three and twelve months ending March 31 and December 31, 2010, respectively.

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 designed the Company's disclosure controls and procedures ("DC&P") in order to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would have been known to them and by others within those entities.

Additionally, they have designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting ("ICFR") and the preparation of financial reporting in accordance with IFRS. The control framework used in the design of both DC&P and ICFR is the internal control integration framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

There have been no significant changes in the design of the Company's internal controls over financial reporting during the three-month period ended March 31, 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 designed the Company's disclosure controls and procedures and internal control over financial reporting, they expect that the controls and procedures 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-GAAP 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 (ROE) and Return on Capital Employed (ROCE)

Return on equity is monitored to assess the profitability of the consolidated Company. ROE is calculated by dividing net earnings by opening shareholders' equity.

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.

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 or Enerflex 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 and Enerflex operate; commodity price changes, including changes in the price of precious and base metals and natural gas; 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; environmental regulation; the integration of

Enerflex's operations with the gas compression operations of Toromont; and Enerflex's future dividend policy. Forward-looking information in respect of the spinoff of Enerflex as a separate, publicly traded company also entails various risks and uncertainties, including, among others, risks and uncertainties related to: obtaining approvals, rulings and consents, or satisfying other requirements, necessary or desirable to permit or facilitate completion of the spinoff; future factors that may arise making it inadvisable to proceed with, or advisable to delay, all or part of the spinoff, the potential for a lower combined trading price of common shares of Toromont and Enerflex after the spinoff the lack of an established market for common shares of Enerflex, the possibility of a negative effect on trading prices if current shareholders of Toromont are unwilling or unable to hold common shares of Toromont or Enerflex after the spinoff, potential exposure to substantial tax liabilities if the tax-deferred spinoff requirements are not met, delays or amendments to the spinoff if certain consents and approvals are not obtained on a timely basis, potentially significant indemnification obligations on Toromont and Enerflex following the spinoff and less diverse businesses of the separate companies resulting from the spinoff.

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. Certain risks and uncertainties specific to the proposed spinoff and Enerflex are further described in the information circular dated April 11, 2011 for the special shareholder meeting at which the spinoff will be considered. 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.

TOROMONT INDUSTRIES LTD.
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(unaudited)

($ thousands)	Note	**March 31 2011**	December 31 2010	March 31 2010	January 1 2010
Assets					
Current assets					
Cash and cash equivalents	6	**$ 81,827**	$ 174,089	$ 191,876	$ 206,957
Accounts receivable	7	**442,911**	451,858	304,745	244,759
Inventories	8	**432,174**	447,271	512,525	373,110
Income taxes receivable		**3,810**	2,506	29,380	16,967
Derivative financial instruments		**1,024**	1,272	1,851	-
Other current assets		**35,015**	25,356	13,659	6,037
Total current assets		**996,761**	1,102,352	1,054,036	847,830
Property, plant and equipment	9	**316,887**	320,884	341,310	186,491
Rental equipment	9	**245,496**	236,106	245,561	183,175
Derivative financial instruments		**-**	-	62	-
Other assets	10	**22,849**	22,818	12,946	67,885
Deferred tax assets		**56,020**	69,411	74,676	39,180
Intangible assets	11	**30,216**	33,127	41,861	-
Goodwill		**496,106**	496,106	491,973	34,800
Total assets		**$ 2,164,335**	$ 2,280,804	$ 2,262,425	$ 1,359,361
Liabilities					
Current liabilities					
Accounts payable, accrued liabilities and provisions	12	**$ 345,805**	$ 409,667	$ 297,715	$ 238,164
Deferred revenues		**199,808**	195,388	164,736	89,810
Current portion of long-term debt	13	**1,236**	6,889	81,314	14,044
Derivative financial instruments		**5,791**	4,651	3,237	874
Income taxes payable		**5,261**	7,618	38	-
Total current liabilities		**557,901**	624,213	547,040	342,892
Deferred revenues		**13,392**	14,137	11,481	13,386
Long-term debt	13	**368,099**	413,040	514,324	142,926
Accrued pension liability		**19,140**	19,851	17,107	17,249
Derivative financial instruments		**2,342**	1,839	-	-
Deferred tax liabilities		**-**	10,885	28,025	7,924
Shareholders' equity					
Share capital	14	**469,952**	469,080	462,940	132,261
Contributed surplus	15	**11,395**	10,882	10,043	10,012
Retained earnings		**738,972**	729,694	681,330	677,385
Accumulated other comprehensive (loss) income		**(17,586)**	(13,763)	(10,384)	15,326
Shareholders' equity before non-controlling interest		**1,202,733**	1,195,893	1,143,929	834,984
Non-controlling interest		**728**	945	519	-
Shareholders' equity		**1,203,461**	1,196,838	1,144,448	834,984
Total liabilities and shareholders' equity		**$ 2,164,335**	$ 2,280,804	$ 2,262,425	$ 1,359,361

See accompanying notes

TOROMONT INDUSTRIES LTD.
INTERIM CONSOLIDATED INCOME STATEMENTS
(unaudited)

($ thousands, except share amounts)	Note		Three months ended March 31 2011		2010
Revenues		$	588,015	$	425,274
Cost of goods sold			466,818		342,858
Gross profit			121,197		82,416
Selling and administrative expenses			84,731		73,434
Operating income			36,466		8,982
Interest expense	18		4,613		7,104
Interest and investment income	18		(842)		(801)
Gain on available-for-sale financial assets	4		-		(18,627)
Equity earnings from associate			(201)		(217)
Income before income taxes			32,896		21,523
Income taxes	19		12,538		4,763
Net earnings from continuing operations			20,358		16,760
Gain on disposal of discontinued operations	5		1,430		-
Loss from discontinued operations	5		(164)		(1,283)
Net Earnings		$	21,624	$	15,477
Earnings attributable to :					
Common shareholders		$	21,841	$	15,489
Non-controlling interests		$	(217)	$	(12)
Basic earnings per share					
Continuing operations	20	$	0.26	$	0.23
Discontinued operations	20		0.02		(0.02)
		$	0.28	$	0.21
Diluted earnings per share					
Continuing operations	20	$	0.26	$	0.23
Discontinued operations	20		0.02		(0.02)
		$	0.28	$	0.21
Weighted average number of shares outstanding					
Basic			77,162,569		73,866,042
Diluted			77,492,954		74,205,914

See accompanying notes

TOROMONT INDUSTRIES LTD.
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

($ thousands)		Three months ended March 31 **2011**		2010
Net earnings	**$**	**21,624**	$	15,477
Other comprehensive income (loss):				
Change in fair value of derivatives designated as cash flow hedges, net of income taxes [Income taxes 2011 - ($889); 2010 - ($534)]		**(1,501)**		(763)
Losses on derivatives designated as cash flow hedges transferred to net income in the current period, net of income taxes [Income taxes 2011 - $500; 2010 - $134]		**954**		260
Unrealized loss on translation of financial statements of foreign operations [Income taxes 2011 - nil; 2010 - nil]		**(3,276)**		(9,592)
Reclassification to net income of gain on available-for-sale financial assets as a result of business acquisition [net of Income taxes 2011 - nil; 2010 - $3,090]		**-**		(15,615)
Other comprehensive loss		**(3,823)**		(25,710)
Comprehensive income (loss)	**$**	**17,801**	$	(10,233)
Comprehensive income (loss) attributable to:				
Common shareholders	**$**	**18,018**	$	(10,221)
Non-controlling interests	**$**	**(217)**	$	(12)

See accompanying notes

TOROMONT INDUSTRIES LTD.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

($ thousands)	Note	Three months ended March 31 2011	2010
Operating activities			
Net earnings		**$ 21,624**	$ 15,477
Items not requiring cash and cash equivalents			
Depreciation and amortization		**20,002**	18,668
Equity earnings from affiliates		**(201)**	(217)
Stock-based compensation		**700**	717
Accrued pension liability		**(711)**	8
Future income taxes		**1,758**	3,793
Gain on sale of rental equipment, property, plant and equipment		**(3,830)**	(1,459)
Gain on available-for-sale financial instruments on business acquisition		**-**	(18,627)
Gain on disposal of discontinued operations		**(1,430)**	-
		37,912	18,360
Net change in non-cash working capital and other	24	**(49,426)**	25,758
Cash (used in) provided by operating activities		**(11,514)**	44,118
Investing activities			
Additions to:			
Rental equipment		**(24,712)**	(8,788)
Property, plant and equipment		**(5,817)**	(33,656)
Proceeds on disposal of:			-
Rental equipment		**6,860**	8,666
Property, plant and equipment		**2,820**	2,698
Decrease in other assets		**714**	1,616
Business disposition, net of cash	5	**3,389**	-
Business acquisition, net of cash	4	**-**	(292,533)
Cash used in investing activities		**(16,746)**	(321,997)
Financing activities			
Issue of long-term debt		**-**	450,000
Repayment of long-term debt		**(51,281)**	(171,279)
Financing costs		**-**	(6,951)
Dividends	14	**(12,342)**	(9,728)
Cash received on exercise of stock options		**686**	2,045
Cash (used in) provided by financing activities		**(62,937)**	264,087
Effect of exchange rate changes on cash denominated in foreign currency		**(1,065)**	(1,289)
Decrease in cash and cash equivalents		**(91,197)**	(13,792)
Cash and cash equivalents at beginning of period		**174,089**	206,957
Cash and cash equivalents at end of period		**$ 81,827**	$ 191,876

Supplemental cash flow information (note 24)

See accompanying notes

TOROMONT INDUSTRIES LTD.
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(unaudited)

($ thousands)	Note	Share Capital	Contributed Surplus	Retained Earnings	Foreign Currency Translation Adjustments	Cash Flow Hedges	Available-for-sale financial assets	Total accumulated other comprehensive income	Non-Controlling Interest	Total
At December 31, 2010		**$ 469,080**	**$ 10,882**	**$ 729,694**	**$ (11,219)**	**$ (2,544)**	**$ -**	**$ (13,763)**	**$ 945**	**$ 1,196,838**
Net earnings				21,624						21,624
Other comprehensive income		-			(3,276)	(547)	-	(3,823)	-	(3,823)
Non- controlling interests									(217)	(217)
Effect of stock compensation plans	21	872	513							1,385
Dividends				(12,346)						(12,346)
At March 31, 2011		**$ 469,952**	**$ 11,395**	**$ 738,972**	**$ (14,495)**	**$ (3,091)**	**$ -**	**$ (17,586)**	**$ 728**	**$ 1,203,461**

($ thousands)	Note	Share Capital	Contributed Surplus	Retained Earnings	Foreign Currency Translation Adjustments	Cash Flow Hedges	Available-for-sale financial assets	Total accumulated other comprehensive income	Non-Controlling Interest	Total
At January 1, 2010		**$ 132,261**	**$ 10,012**	**$ 677,385**	**$ -**	**$ (289)**	**$ 15,615**	**$ 15,326**	**$ -**	**$ 834,984**
Non-controllling interest on acquisition									531	531
Net earnings				15,477						15,477
Other comprehensive income		-	-		(9,592)	(503)	(15,615)	(25,710)		(25,710)
Non- controlling interests									(12)	(12)
Issue of share capital re Enerflex acquisition	4, 14	327,947	-	-	-	-	-	-	-	327,947
Effect of stock compensation plans	21	2,732	31	-	-	-	-	-	-	2,763
Dividends		-	-	(11,532)	-	-	-	-	-	(11,532)
At March 31, 2010		**$ 462,940**	**$ 10,043**	**$ 681,330**	**$ (9,592)**	**$ (792)**	**$ -**	**$ (10,384)**	**$ 519**	**$ 1,144,448**

See accompanying notes

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2011
($ thousands except where otherwise indicated)

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

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

Basis of Preparation

These interim condensed consolidated financial statements of the Company and its subsidiaries were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). These interim consolidated financial statements were prepared in accordance with IAS 34 - Interim Financial Reporting. The accounting policies of the Company are based on the IFRS that the Company expects to be applicable at December 31, 2011 and encompass individual IFRS standards and interpretations made by the International Financial Reporting Interpretations Committee ("IFRIC") and the Standing Interpretations Committee. The Company is a first-time adopter of IFRS and has followed the requirements of IFRS 1 - First-time Adoption of IFRS in its initial application of IFRS as more fully discussed in Note 3 to these unaudited consolidated financial statements.

IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement in those financial statements of compliance with IFRS. The Company will make this statement when it issues its 2011 annual financial statements.

These financial statements were prepared on a going concern basis, under the historical cost convention and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

These condensed consolidated interim financial statements were authorized for issue by the Audit Committee of the Board of the Directors on May 10, 2011.

The policies set out below were consistently applied to all the periods presented unless otherwise required under IFRS 1 and as described in Note 3.

Principles of Consolidation

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

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

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

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition, irrespective of the extent of any minority interest.

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

Interest in a Joint Venture

The Company recognizes its interest in joint ventures using the proportionate consolidation method. The Company combines its proportionate share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its consolidated financial statements. The financial statements of the joint venture are prepared for the same reporting period as the parent company.

Investment in an Associate

An associate is an entity in which the Company has significant influence. The Company's investment in its associate is accounted for using the equity method.

The investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Company's share of net assets of the associate. The consolidated income statement reflects the share of the results of operations of the associate. The financial statements of the associate are prepared for the same reporting period as the parent company.

Foreign Currency Translation

The Company's functional currency is the Canadian dollar.

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 statement of financial position 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 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.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is recognized principally on a straight-line basis to amortize the cost of these assets over their estimated useful lives.

Estimated useful lives range from 20 to 30 years for buildings, 3 to 10 years for equipment and 20 years for power generation assets. Land is not depreciated.

Leasehold improvements and lease inducements are amortized on a straight-line basis over the term of the lease.

Rental Equipment

Rental equipment is recorded at cost. Depreciation is recognized principally on a straight-line basis over their estimated useful lives which range from 1 to 15 years.

Intangible Assets

Goodwill

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

Other Identifiable Intangible Assets

Upon acquisition, identifiable finite-lived intangible assets are recorded at fair value and are carried at cost less accumulated amortization.

Acquired identifiable intangible asset with finite lives are amortized on a straight-line basis over their estimated useful lives as follows:

- Customer relationships 5 years
- Long-term contracts 3 years
- Distribution agreements 1 year
- Order backlog term of the contract

Residual values and useful lives are reviewed at the end of each reporting period and adjusted if appropriate. Amortization of identifiable intangibles is charged to cost of goods sold.

Impairment of Non-financial Assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment or more frequently when conditions indicating impairment exists. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and 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). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. 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.

Financial Instruments

<u>Financial Assets</u>

Financial assets are measured at fair on initial recognition. Purchases and sales of financial assets are recognized on the trade date. Transaction costs are expensed as incurred for financial assets classified or designated as held for trading.

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

- Cash and cash equivalents 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 provision for doubtful accounts.
- Investments are classified as available-for-sale and are recorded at fair value based on quoted market prices. Gains and losses resulting from the periodic revaluation are recorded directly in other comprehensive income. No investments were held at March 31, 2010, December 31, 2010 or March 31, 2011.

The Company primarily applies the market approach for recurring fair value measurements. Three levels of inputs may be used to measure fair value:

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – observable inputs other than Level 1 prices that are observable or can be corroborated by observable market data for substantially the full term of asset or liability
- Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

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.

<u>Financial Liabilities</u>

Financial liabilities are initially measured at fair value. Accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

Transaction costs are expensed as incurred for financial liabilities classified or designated as held for trading. Transaction costs related to other financial liabilities are added to the value of the instrument at acquisition and taken into earnings using the effective interest rate method.

<u>Derivatives</u>

Derivatives are measured at fair value, with changes in fair value being included in profit or loss unless designated as cash flow hedges in which case the effective portion of the cash flow hedge is recognized in other comprehensive income. The fair value of derivative assets is classified as non-current assets if the remaining maturity of the instruments are more than, and it is not expected to be realised within, 12 months.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risk and characteristics are not closely related to those of the host contract and the host contract is not classified as at fair value through profit or loss.

Hedges

Derivative financial arrangements are used to manage exposure to fluctuations in exchange rates. The Company does not enter into derivative financial agreements for speculative purposes.

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

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 include the transfer from accumulated other comprehensive income (loss) of gains and losses on qualifying cash flow hedges 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.

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.

Cash and Cash Equivalents

Cash and short-term deposits are comprised of cash at banks and on hand and short-term deposits with an original maturity of three months or less.

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, the fair value of each tranche is recognized over its respective vesting period. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in selling and administrative expenses.

For cash-settled plans, the expense is determined based on the fair value of the liability incurred at each 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 recognized in selling and administrative expenses.

Income Taxes

The liability method of accounting for income taxes is used. Deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases. 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 net earnings in the period that includes the date of substantive enactment.

Employee Benefits

For defined contribution plans, the pension expense recorded in 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 Company accrues its obligations and the related costs, net of plan assets. The Company has adopted the following policies for its defined benefit plans:

- 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.

Provisions

Provisions represent liabilities of uncertain timing or amount. Provisions are recognized when the Company has a present legal or constructive obligation 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. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provisions for warranty costs are recognized at the date of sale of the relevant products, at the estimated expenditure required to settle the group's obligation.

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 are recorded using the stage of completion method. Stage of completion is 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. The Company presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceed progress billings. Progress billings not yet paid by customers are included within 'trade and other receivables'. The Company presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses).

- 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 a percentage completion basis determined based on performance of the contracted upon services.
- Revenues from long-term maintenance contracts and separately priced extended warranty are recognized on a stage-of-completion basis proportionate to the service work that has been performed based on the parts and labour service provided. At the completion of the contract, any remaining profit on the contract is recognized as revenue. Any losses estimated during the term of the contract are recognized when identified.
- Interest income is recognized as interest accrues using the effective interest method and is included in finance revenue in the income statement.

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

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease or another basis if more representative of the time pattern of the user's benefit. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the term of the lease.

Finance leases are recognized as assets and liabilities at the lower of the fair value of the asset and the present value of the minimum lease payments at the date of acquisition. Finance costs represent the difference between the total leasing commitments and the fair value of the assets acquired. Finance costs are charged to profit or loss over the term of the lease and at interest rates applicable to the lease on the remaining balance of the obligations.

Property, plant and equipment acquired under a finance lease are depreciated over the useful life of the assets. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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.

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Company's net investment in the leases. Finance lease income is recognized so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Earnings per Share ("EPS")

Basic EPS is calculated by dividing the net earnings available to common shareholders by the weighted average number of common shares outstanding during the year, excluding shares purchased by the Company and held as treasury shares.

Diluted EPS is calculated using the treasury stock method, which assumes that all outstanding stock option grants are exercised, if dilutive, and the assumed proceeds are used to purchase the company's common shares at the average market price during the year.

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

In November 2009, the International Accounting Standards Board ("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, 2013 and must be applied retrospectively. Earlier adoption is permitted. We are currently assessing the impact of adopting IFRS 9 on the consolidated 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. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. 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 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:

Revenue Recognition – Long-term Contracts

The Company reflects revenues generated from the assembly and manufacture of projects using the percentage-of-completion approach of accounting for performance of production-type contracts. 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.

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.

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.

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.

Income Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

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 at that date.

IFRS 1 – First Time Adoption of International Financial Reporting Standards provides specific requirements for an entity's initial adoption of IFRS. IFRS 1 requires that an entity's accounting policies used in its opening consolidated statement of financial position and throughout all periods presented in its first IFRS financial statements comply with IFRS effective at the end of its first IFRS reporting period. Accordingly, the IFRS currently issued and effective as of December 31, 2011 and prior, have been applied in preparing the consolidated financial statements as at and for the period ended March 31, 2011, the comparative information presented as at and for the period ended March 31, 2010, and in preparation of the opening IFRS statement of financial position as at January 1, 2010.

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 will be made retrospectively against opening retained earnings as of the date of the first comparative statement of financial position presented which will be 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 Benefits - The Company has elected to recognize all cumulative actuarial gains and losses on the Company's employee 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 are 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 Equity as Reported Under Canadian GAAP to IFRS

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

	Note	December 31, 2010	March 31, 2010	January 1, 2010
Total shareholders' equity under Canadian GAAP		$ 1,206,637	$ 1,155,509	$ 846,157
Differences (decreasing) increasing reported amounts				
Employee benefits	i	(14,611)	(11,062)	(11,174)
Reversal of asset impairment	ii	4,812	-	-
Total equity under IFRS		$ 1,196,838	$ 1,144,448	$ 834,984

i) Employee Future Benefits - Cumulative unrecognized actuarial gains and losses that existed at the transition date were recognized in opening retained earnings ($15.9 million less tax of $3.9 million). Cumulative unrecognized past service benefits that existed at the transition date were recognized in opening retained earnings ($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 OCI in the period in which they occur ($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.

Reconciliation of Net Earnings as Reported Under Canadian GAAP to IFRS

	Note		Three Months Ended March 31, 2010		Year Ended December 31, 2010
Net earnings under Canadian GAAP		$	15,365	$	98,650
Differences increasing reported amounts					
Employee benefits	i		112		450
Reversal of asset impairment	ii		-		4,812
Net earnings under IFRS		$	15,477	$	103,912
Attributable to:					
Common Shareholders		$	15,489	$	103,450
Non-controlling Interests		$	(12)	$	462

Notes – see above.

Goodwill was assessed for impairment as at December 31, 2010, and the recoverable amounts exceeded the aggregated carrying values of the cash-generating units. Accordingly, no impairment was recognized.

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

	Note		Three Months Ended March 31, 2010		Year Ended December 31, 2010
Comprehensive (loss) income under Canadian GAAP		$	(10,345)	$	69,561
Differences increasing reported amounts					
Increase in net earnings			112		5,262
Actuarial losses on pension plans	i		-		(3,887)
Comprehensive (loss) income under IFRS		$	(10,233)	$	70,936

Notes – see above.

Consolidated Statements of Cash Flow Impact

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

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 under IFRS but are shown as long-term.

4. BUSINESS ACQUISITION

No businesses were acquired in the first quarter of 2011.

On January 20, 2010, the Company completed its offer for the units of Enerflex Systems Income Fund (“Enerflex”). Enerflex is a supplier of products and services to the global oil and gas production industry, and has operations in Canada, Australia, the Netherlands, the United States, Germany, Pakistan, the United Arab Emirates, Indonesia and Malaysia. Enerflex has been integrated with the Company’s existing natural gas and process compression business, Toromont Energy Systems, and is continuing under the name Enerflex. This acquisition creates a stronger organization, better able to serve customers and compete globally. The financial results of Enerflex are presented as its own operating segment.

Toromont paid approximately $315.5 million in cash and issued approximately 11.9 million Toromont common shares to complete the acquisition. For accounting purposes, the cost of Toromont’s common shares issued in the Acquisition was calculated based on the average share price traded on the TSX on the relevant dates.

Prior to the acquisition, Toromont owned 3,902,100 Trust Units which were purchased with cash of $37.8 million ($9.69 per unit). Prior to the date of acquisition, Toromont designated its investment in Enerflex as available-for-sale and as a result the units were measured at fair value with the changes in fair value recorded in Other Comprehensive Income (“OCI”). On acquisition, the cumulative gain on this investment was reclassified out of OCI and into the income statement. The fair value of this investment was included in the cost of purchase outlined below. The fair value of these units at January 20, 2010 was $56.4 million.

Purchase price	
Units owned by Toromont prior to Offer	$ 56,424
Cash consideration	315,539
Issuance of Toromont common shares	328,105
Total	$ 700,068

The acquisition is accounted for as a business combination using the purchase method of accounting with Toromont designated as the acquirer of Enerflex. Results from Enerflex have been consolidated from the acquisition date, January 20, 2010.

Cash used in the investment is determined as follows:

Cash consideration	$	315,539
less cash acquired		(23,006)
	$	292,533

The purchase cost was allocated to the underlying assets acquired and liabilities assumed based upon their fair value at the date of acquisition. The Company determined the fair values based on discounted cash flows, market information, independent valuations and management's estimates.

The final allocation of the purchase price was as follows:

Purchase price allocation		
Cash	$	23,006
Non-cash working capital		125,742
Property, plant and equipment		135,400
Rental equipment		67,587
Other long term assets		24,315
Intangible assets with a definite life		
Customer relationships		38,400
Other		5,700
Long term liabilities		(181,388)
Net identifable assets		238,762
Residual purchase price allocated to goodwill		461,306
	$	700,068

Non-cash working capital includes accounts receivable of $109 million, representing gross contractual amounts receivable of $115 million less management's best estimate of the contractual cash flows not expected to be collected of $6 million.

Factors that contributed to a purchase price that resulted in the recognition of goodwill include: the existing ESIF business; the acquired workforce; time-to-market benefits of acquiring an established manufacturing and service organization in key international markets such as Australia, Europe and the Middle East; and the combined strategic value to the Company's growth plan. The amount assigned to goodwill is not expected to be deductible for tax purposes.

5. DISCONTINUED OPERATIONS

During the first quarter of 2011, the Company sold its investment in Enerflex Environmental Australia as it was considered not to be core to the future growth of the Company. Enerflex Environmental offers engineered solutions to environmental air and noise pollution problems for the mining and mineral processing industries.

Total consideration received was $3,389 resulting in a pre-tax gain of $2,471, less tax of $1,041. Revenues, loss before income taxes and income taxes from discontinued operations in 2011 were $2,653. $239 and $75 respectively. Revenues, loss before income taxes and income taxes from discontinued operations were $1,199, $602 and $181 respectively for the first quarter of 2010.

Effective September 1, 2010, the Company sold certain assets and the operations of Syntech Enerflex, an electrical, instrumentation and controls business. Syntech was a component of the January 20, 2010 acquisition of ESIF; however it was considered not to be core to the future growth of the Company.

Total consideration received was $7.0 million comprised of $3.5 million in cash and $3.5 million in a note receivable due in twelve equal monthly instalments, plus interest, commencing January 2011. Net assets disposed, including transactions costs, also totalled $7.0 million, comprised of $6.0 million of non-cash working capital and $1.0 million of capital assets. Revenues, loss before income taxes and income taxes from discontinued operations in 2010 were $41,887, $2,003 and $505 respectively.

6. CASH AND CASH EQUIVALENTS

		March 31 2011		December 31 2010		March 31 2010		January 1 2010
Cash	**$**	**53,830**	$	174,089	$	128,884	$	90,357
Cash equivalents		**27,997**		-		62,992		116,600
Cash and cash cash equivalents	**$**	**81,827**	$	174,089	$	191,876	$	206,957

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

7. TRADE AND OTHER RECEIVABLES

		March 31 2011		December 31 2010		March 31 2010		January 1 2010
Trade receivables	**$**	**423,188**	$	428,799	$	301,921	$	228,715
Less: allowance for doubtful accounts receivable		**(12,639)**		(11,312)		(8,440)		(7,096)
Trade receivables - net		**410,549**		417,488		293,481		221,619
Other receivables		**32,362**		34,370		11,264		23,139
Trade and other receivables	**$**	**442,911**	$	451,858	$	304,745	$	244,759

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

		March 31 2011		December 31 2010		March 31 2010		January 1 2010
Current to 90 days	**$**	**391,329**	$	399,271	$	274,778	$	214,407
over 90 days		**31,859**		29,529		27,142		14,308
	$	**423,188**	$	428,799	$	301,921	$	228,715

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

		Three month period ended		
		March 31, 2011		March 31, 2010
Balance, beginning of period	**$**	**11,312**	$	7,096
Change in foreign exchange rates		**(55)**		(43)
Provisions and revisions, net		**1,382**		1,387
Balance, end of period	**$**	**12,639**	$	8,440

8. INVENTORIES

	March 31 2011	December 31 2010	March 31 2010	January 1 2010
Equipment	**$ 187,668**	$ 173,988	$ 206,843	$ 164,744
Repair and distribution parts	**103,071**	101,142	112,554	74,809
Direct materials	**49,332**	56,294	113,544	75,740
Work-in-process	**92,103**	115,847	79,584	57,817
	$ 432,174	$ 447,271	$ 512,525	$ 373,110

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 the first quarter of 2011 was $224 million (2010 - $188 million). The cost of goods sold includes inventory write-down pertaining to obsolescence and aging together with recoveries of past write-down upon disposition. The net amount recovered to the income statement and included in cost of goods sold during the first quarter of 2011 was $0.5 million (2010 - $1.5 million).

9. PROPERTY PLANT AND EQUIPMENT AND RENTAL ASSETS

	Land	**Buildings**	**Equipment**	**Power Generation**	**Assets under construction**	**Total**	**Rental assets**
Cost							
December 31, 2010	**$ 93,651**	**$ 209,997**	**$ 151,789**	**$ 37,737**	**$ 15,611**	**$ 508,785**	**$ 367,885**
Additions	37	1,862	2,524	84	1,311	5,817	24,712
Disposals	(210)	(924)	(2,575)	-	-	(3,709)	(12,481)
Currency translation effects	(157)	(1,435)	(458)	-	(22)	(2,071)	(337)
March 31, 2011	**$ 93,321**	**$ 209,500**	**$ 151,281**	**$ 37,821**	**$ 16,900**	**$ 508,822**	**$ 379,779**
Accumulated depreciation							
December 31, 2010	**$ -**	**$ 64,087**	**$ 105,029**	**$ 18,785**	**$ -**	**$ 187,901**	**$ 131,779**
Depreciation charge	-	2,829	3,288	368	-	6,486	9,927
Depreciation of disposals	-	(204)	(1,810)	-	-	(2,014)	(7,357)
Currency translation effects	-	(191)	(246)	-	-	(438)	(66)
March 31, 2011	**$ -**	**$ 66,521**	**$ 106,261**	**$ 19,153**	**$ -**	**$ 191,935**	**$ 134,283**
Net book value - March 31, 2011	**$ 93,321**	**$ 142,979**	**$ 45,020**	**$ 18,668**	**$ 16,900**	**$ 316,887**	**$ 245,496**

	Land	**Buildings**	**Equipment**	**Power Generation**	**Assets under construction**	**Total**	**Rental assets**
Cost							
January 1, 2010	**$ 41,269**	**$ 157,829**	**$ 129,987**	**$ 37,714**	**$ 497**	**$ 367,296**	**$ 301,489**
Business combinations	31,906	50,741	16,501	-	36,252	135,400	67,587
Reclassifications	-	-	-	-	(18,278)	(18,278)	18,278
Additions	22,279	5,236	16,600	22	32,137	76,275	51,412
Disposals	(1,565)	(1,928)	(10,856)	-	(34,997)	(49,346)	(69,149)
Currency translation effects	(238)	(1,881)	(443)	-		(2,562)	(1,731)
December 31, 2010	**$ 93,651**	**$ 209,997**	**$ 151,789**	**$ 37,737**	**$ 15,611**	**$ 508,785**	**$ 367,885**
Accumulated depreciation							
January 1, 2010	**$ -**	**$ 58,679**	**$ 97,774**	**$ 24,353**	**$ -**	**$ 180,806**	**$ 118,314**
Asset impairment reversal	-	-	-	(6,683)	-	(6,683)	-
Depreciation charge	-	10,674	17,359	1,115	-	29,148	41,167
Depreciation of disposals	-	(4,943)	(9,773)	-	-	(14,716)	(27,579)
Currency translation effects	-	(322)	(332)	-	-	(654)	(124)
December 31. 2010	**$ -**	**$ 64,087**	**$ 105,029**	**$ 18,785**	**$ -**	**$ 187,901**	**$ 131,779**
Net book value - December 31, 2010	**$ 93,651**	**$ 145,910**	**$ 46,760**	**$ 18,952**	**$ 15,611**	**$ 320,884**	**$ 236,106**

	Land	Buildings	Equipment	Power Generation	Assets under construction	Total	Rental assets
Cost							
January 1, 2010	**$ 41,269**	**$ 157,829**	**$ 129,987**	**$ 37,714**	**$ 497**	**$ 367,296**	**$ 301,489**
Business combinations	27,575	53,172	16,501	-	36,252	133,500	69,072
Reclassifications	-	-	-	-	-	-	-
Additions	14,996	9,036	2,046	7	7,570	33,656	8,788
Disposals	(190)	(7,119)	(2,486)	-	-	(9,795)	(16,673)
Currency translation effects	(149)	(1,308)	(1,302)	-	(12)	(2,771)	3,813
March 31, 2010	**$ 83,501**	**$ 211,611**	**$ 144,746**	**$ 37,722**	**$ 44,307**	**$ 521,886**	**$ 366,488**
Accumulated depreciation							
January 1, 2010	**$ -**	**$ 58,679**	**$ 97,774**	**$ 24,353**	**$ -**	**$ 180,806**	**$ 118,314**
Depreciation charge	-	2,536	3,929	279	-	6,744	8,724
Depreciation of disposals	-	(4,321)	(2,130)	-	-	(6,451)	(10,112)
Currency translation effects	-	(222)	(300)	-	-	(522)	4,001
March 31. 2010	$ -	$ 56,672	$ 99,273	$ 24,632	$ -	$ 180,576	$ 120,927
Net book value - March 31, 2010	$ 83,501	$ 154,939	$ 45,473	$ 13,090	$ 44,307	$ 341,310	$ 245,561

During the first quarter of 2011, depreciation expense of $13,099 has been charged in cost of goods sold (first quarter 2010 - $11,233) and $3,314 has been charged to selling and administrative expenses (first quarter 2010 - $4,235).

10. OTHER LONG-TERM ASSETS

	March 31 2011	December 31 2010	March 31 2010	January 1 2010
Equipment sold with guaranteed residual values	**$ 8,995**	$ 8,451	$ 10,226	$ 10,940
Investment in associate	**4,527**	3,146	2,250	-
Net investment in sales-type lease	**8,599**	10,651	-	-
Investment in units of ESIF	**-**	-	-	56,502
Other	**728**	570	470	443
	$ 22,849	$ 22,818	$ 12,946	$ 67,885

The amounts receivable under a finance lease are as follows:

	March 31 2011	December 31 2010
Minimum future lease payments	**$ 20,281**	$ 23,202
unearned finance income	**(1,494)**	(1,900)
	18,787	21,302
Less current portion	**10,188**	10,651
	$ 8,599	$ 10,651

The interest rate inherent in the lease is fixed at the contract date for the entire lease term and is approximately 9% per annum.

11. INTANGIBLE ASSETS

	As At March 31, 2011			As At December 31, 2010			As At March 31, 2010		
	Acquired Value	**Accumulated Amortization**	**Net Book Value**	Acquired Value	Accumulated Amortization	Net Book Value	Acquired Value	Accumulated	Net Book Value
Customer relationships	**$ 38,400**	**$ 9,689**	**$ 28,711**	$ 38,400	$ 7,658	$ 30,742	$ 38,400	$ 1,563	$ 36,837
Other	**5,700**	**4,195**	**1,505**	5,700	3,315	2,385	5,700	676	5,024
	$ 44,100	**$ 13,884**	**$ 30,216**	$ 44,100	$ 10,973	$ 33,127	$ 44,100	$ 2,239	$ 41,861

Intangible assets relate to the acquisition of Enerflex Systems Income Fund on January 20, 2010.

12. PAYABLES, ACCRUALS AND PROVISIONS

	March 31 2011	December 31 2010	March 31 2010	January 1 2010
Accounts payable and accrued liabilities	**$ 310,190**	$ 374,238	$ 255,335	$ 208,299
Dividends payable	**12,348**	12,342	11,531	9,728
Provisions	**23,267**	23,087	30,849	20,137
	$ 345,805	$ 409,667	$ 297,715	$ 238,164

Activities related to provisions were as follows:

	Warranty	**Other**	**Total**
Balance as at December 31, 2010	$ 18,213	$ 4,874	$ 23,087
Currency translation effects	(152)	(17)	(169)
Charges, additions and adjustments, net	934	(585)	349
Balance as at March 31, 2011	$ 18,995	$ 4,272	$ 23,267

	Warranty	**Other**	**Total**
Balance as at January 1, 2010	$ 16,168	$ 3,969	$ 20,137
Currency translation effects	(519)	(23)	(542)
Business acquisition	4,768	-	4,768
Charges, additions and adjustments, net	(2,204)	928	(1,276)
Balance as at December 31, 2010	$ 18,213	$ 4,874	$ 23,087

	Warranty	**Other**	**Total**
Balance as at January 1, 2010	$ 16,168	$ 3,969	$ 20,137
Currency translation effects	(324)	(14)	(338)
Business acquisition	4,768	-	4,768
Charges, additions and adjustments, net	(1,743)	8,025	6,282
Balance as at March 31, 2010	$ 18,869	$ 11,980	$ 30,849

13. LONG-TERM DEBT

	March 31 2011	December 31 2010	March 31 2010	January 1 2010
Bank credit facility	**$ 235,000**	$ 280,000	$ 450,000	$ -
Senior debentures	**137,781**	144,051	150,125	155,999
Notes payable	**-**	-	1,501	2,096
Debt issuance costs, net of amortization	**(3,445)**	(4,122)	(5,988)	(1,125)
Total long-term debt	**369,336**	419,929	595,638	156,970
Less current portion	**1,236**	6,889	81,314	14,044
	$ 368,099	$ 413,040	$ 514,324	$ 142,926

All debt is unsecured.

The committed credit facilities permit drawings of up to $620 million, with $600 million in Canada and $20 million in the US, both maturing in 2012. Outstanding loans under these facilities bear interest at a rate equal to the prime rate plus a specified margin. As at March 31, 2011, $235 million was drawn on the Canadian facility (December 31, 2010 - $280 million; March 31, 2010 - $450 million).

At March 31, 2011, standby letters of credit issued utilized $70.6 million of the credit lines (December 31, 2010 – $64.2 million; March 31, 2010 - $43.2 million; January 1, 2010 – $33.2 million).

14. SHARE CAPITAL

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

	Three months ended March 31, 2011		Three months ended March 31, 2010	
	Number of Common Shares	**Common Share Capital**	Number of Common Shares	Common Share Capital
Balance, beginning of period	**77,149,626**	**$ 469,080**	64,867,467	$ 132,261
Issue of shares re Enerflex acquisition	**-**	**-**	11,875,250	327,947
Exercise of stock options	**30,260**	**872**	131,600	2,732
Balance, end of period	**77,179,886**	**$ 469,952**	76,874,317	$ 462,940

Dividends

The Company paid dividends of $12.3 million, $0.16 per share, for the three months ended March 31, 2011 (March 31, 2010 – $9.7 million, $0.15 per share).

The Board of Directors declared a second quarter dividend of $0.16 per common share, payable on July 1, 2011 to shareholders of record on June 10, 2011. If, as expected, the previously announced spinoff of Enerflex Ltd. is effected prior to June 10, 2011, Toromont will instead pay this quarterly dividend in an amount of $0.10 per share on its outstanding common shares. In these circumstances, it is expected that the Board of Directors of Enerflex Ltd. would declare a dividend of $0.06 per share on its outstanding common shares to holders of record on June 10, 2011, such that the initial quarterly dividends paid by Toromont and Enerflex Ltd. to their respective shareholders after the spinoff is effected will, in the aggregate, equal $0.16 per share.

15. CONTRIBUTED SURPLUS

	Three months ended March 31	
	2011	2010
Contributed surplus, beginning of period	**$ 10,882**	$ 10,012
Stock-based compensation	**700**	717
Value of compensation cost associated with exercised options	**(187)**	(686)
Contributed surplus, end of period	**$ 11,395**	$ 10,043

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:

as at March 31, 2011	Cash, loans and receivables	Derivatives used for hedging	Available for sale	Other financial liabilities	Total
Cash and cash equivalents	$ 81,827	$ -	$ -	$ -	$ 81,827
Accounts receivable	442,911	-	-	-	442,911
Other current assets	10,188	-	-	-	10,188
Other assets	8,599	-	-	-	8,599
Accounts payable and accrued liabilities	-	-	-	(345,805)	(345,805)
Current portion of long-term debt	-	-	-	(1,236)	(1,236)
Derivative financial instruments	-	(7,109)	-	-	(7,109)
Long term debt	-	-	-	(368,099)	(368,099)
Total	$ 543,525	$ (7,109)	$ -	$ (715,140)	$ (178,724)

as at December 31, 2010	Cash, loans and receivables	Derivatives used for hedging	Available for sale	Other financial liabilities	Total
Cash and cash equivalents	$ 174,089	$ -	$ -	$ -	$ 174,089
Accounts receivable	451,858	-	-	-	451,858
Other current assets	10,651	-	-	-	10,651
Other assets	10,651	-	-	-	10,651
Accounts payable and accrued liabilities	-	-	-	(409,667)	(409,667)
Current portion of long-term debt	-	-	-	(6,889)	(6,889)
Derivative financial instruments	-	(5,218)	-	-	(5,218)
Long term debt	-	-	-	(413,040)	(413,040)
Total	$ 647,249	$ (5,218)	$ -	$ (829,596)	$ (187,565)

as at March 31, 2010	Cash, loans and receivables	Derivatives used for hedging	Available for sale	Other financial liabilities	Total
Cash and cash equivalents	$ 191,876	$ -	$ -	$ -	$ 191,876
Accounts receivable	304,745	-	-	-	304,745
Accounts payable and accrued liabilities	-	-	-	(297,715)	(297,715)
Current portion of long-term debt	-	-	-	(81,314)	(81,314)
Derivative financial instruments	-	(1,324)	-	-	(1,324)
Long term debt	-	-	-	(514,324)	(514,324)
Total	$ 496,621	$ (1,324)	$ -	$ (893,353)	$ (398,056)

as at January 1, 2010	Cash, loans and receivables	Derivatives used for hedging	Available for sale	Other financial liabilities	Total
Cash and cash equivalents	$ 206,957	$ -	$ -	$ -	$ 206,957
Accounts receivable	244,759	-	-	-	244,759
Investment in Enerflex units	-	-	56,502	-	56,502
Accounts payable and accrued liabilities	-	-	-	(238,164)	(238,164)
Current portion of long-term debt	-	-	-	(14,044)	(14,044)
Derivative financial instruments	-	(874)	-	-	(874)
Long term debt	-	-	-	(142,926)	(142,926)
Total	$ 451,716	$ (874)	$ 56,502	$ (395,134)	$ 112,210

Fair Value of Financial Instruments

The following table presents information about the Company's financial assets and financial liabilities measured at fair value on a recurring basis as at March 31, 2011 and indicates the fair value hierarchy of the valuation techniques used to determine such fair value. During the three-month period ended March 31, 2011, there were no transfers between Level 1 and Level 2 fair value measurements.

	Carrying Value	Fair Value Level 1	Level 2	Level 3	Total
Financial Assets					
Derivative financial instruments	$ 1,024	-	$ 1,024	-	$ 1,024
Financial Liabilities					
Derivative financial instruments	$ 8,133	-	$ 8,133	-	$ 8,133
Senior debentures	$ 137,781	-	$ 142,146	-	$ 142,146

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 estimated fair value of net investment in finance leases is measured using the discounted value of the minimum future lease payments discounted at the rate implicit in the lease.

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 fair value of senior debentures is 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.

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 March 31, 2011.

		Notional Amount	Average Exchange Rate	Maturity
Canadian dollar denominated contracts				
Purchase contracts	USD	247,296	$ 1.0101	April 2011 to October 2012
	EUR	11,081	$ 1.3317	May 2011 to January 2012
Sales contracts	USD	99,293	$ 0.9866	April 2011 to February 2012
	EUR	3,572	$ 1.3930	April 2011 to May 2011
Australian dollar denominated contracts				
Purchase contracts	USD	6,888	$ 1.0459	April 2011 to December 2011
	EUR	765	$ 1.3738	May 2011 to August 2011

Management estimates that a loss of $7,109 would be realized if the contracts were terminated on March 31, 2011. Certain of these forward contracts are designated as cash flow hedges, and accordingly, a loss of $4,867 has been included in other comprehensive income. These losses are not expected to affect net income as the losses will be reclassified to net income within the next twelve months and will offset gains recorded on the underlying hedged items, namely foreign denominated accounts payable and accounts receivable. A loss of $2,242 on forward contracts not designated as hedges is included in net income which offsets gains recorded on the foreign-denominated items, namely accounts payable and accounts receivable.

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 types of foreign exchange risk and the Company's related risk management strategies are as follows:

Transaction Exposure

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 also sells equipment in foreign currencies, primarily the U.S. dollar, the Australian dollar and the Euro and enters into foreign currency contracts to reduce these exchange rate risks.

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

Translation Exposure

The Company's earnings from and net investment in, foreign subsidiaries are exposed to fluctuations in exchange rates. The currencies with the most significant impact are the US dollar, Australian dollar and the Euro.

Earnings at foreign operations are translated into Canadian dollars each period at current exchange rates for the period. As a result, fluctuations in the value of the Canadian dollar relative to these other currencies will impact reported net income. Such exchange rate fluctuations have historically not been material year-over-year relative to the overall earnings or financial position of the Company. The following table shows the effect on net income before tax for the three months ended March 31, 2011 of a 5% weakening of the Canadian dollar against the US dollar, Euro and Australian dollar, everything else being equal. 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		AUD
Net income before tax	$	588	$	(88)	$	(298)

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 March 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 Australian dollar. 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		AUD		Total
Financial instruments held in foreign operations:								
Other comprehensive Income	$	1,046	$	557	$	1,814	$	3,417
Financial instruments held in Canadian operations:								
Net earnings	$	1,166	$	(106)	$	49	$	1,110
Other comprehensive Income	$	3,088	$	494	$	-	$	3,583

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, net investment in finance leases 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, natural gas production and transportation, chemical and petrochemicals, food and beverage, and governmental agencies that are not concentrated in any specific geographic area. These specific industries may be affected by economic factors that may impact accounts receivable. Management does not believe that any single industry or particular geographic region 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 net investment in finance lease arises from the possibility that the counterparty may default on their obligations. In order to minimize this risk the Company enters into finance lease transactions only in select circumstances. Close contact is maintained with the customer over the duration of the lease to ensure visibility to issues as and if they occur.

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

In relation to its debt financing, the Company is exposed to changes in interest rates, which may impact on the Company's borrowing costs. Floating rate debt exposes the Company to fluctuations in short-term interest rates. As at March 31, 2011, $235 million or 63% of the Company's total debt portfolio was subject to movements in floating interest rates. A 1.0% increase in interest rates, all things being equal, would reduce income before taxes by $2.35 million on an annualized basis.

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 March 31, 2011, March 31, 2010 or December 31, 2010.

Liquidity Risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting obligations associated with financial liabilities. As at March 31, 2011, the Company was holding cash and cash equivalents of $82 million and had unutilized lines of credit of $320 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 net interest expense are as follows:

	Three Months Ended March 31	
	2011	2010
Term loan facility	**$ 2,780**	$ 3,765
Senior debentures	**1,833**	2,035
Other	**-**	1,304
	$ 4,613	$ 7,104

The components of net interest income are as follows:

	Three Months Ended March 31	
	2011	2010
Interest income on rental conversions	**$ 469**	$ 721
Other	**373**	79
	$ 842	$ 801

19. INCOME TAXES

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

	Three months ended	
	2011	2010
Statutory Canadian federal and provincial income tax rates	**28.25%**	31.0%
Expected taxes on income	**$ 9,293**	$ 6,672
Increase (decrease) in income taxes resulting from:		
Higher (lower) effective tax rates in other jurisdictions	**222**	392
Manufacturing and processing rate reduction	**(44)**	(48)
(Income) expenses not (taxable) deductible for tax purposes	**200**	379
Non-taxable gains	**-**	(3,059)
Effect of future income tax rate reductions	**-**	(137)
Withholding tax on non-taxable inter-company dividends	**3,159**	-
Other	**(292)**	564
Provision for income taxes	**$ 12,538**	$ 4,763
Effective income tax rate	**38.1%**	22.1%

20. EARNINGS PER SHARE

		Three months ended March 31		
		2011		2010
Net earnings available to common shareholders	**$**	**21,624**	$	15,477
Weighted average common shares outstanding		**77,162,569**		73,866,042
Dilutive effect of stock option conversion		**330,385**		339,872
Diluted weighted average common shares outstanding		**77,492,954**		74,205,914
Basic earnings per share				
Continuing operations	**$**	**0.26**	$	0.23
Discontinued operations		**0.02**		(0.02)
	$	**0.28**	$	0.21
Diluted earnings per share				
Continuing operations	**$**	**0.26**	$	0.23
Discontinued operations		**0.02**		(0.02)
	$	**0.28**	$	0.21

There were no anti-dilutive shares for the three months ended March 31, 2011. In the three-month period ended March 31, 2010, 945,450 outstanding stock options with an exercise price range of $28.84 to $29.71 were excluded from the calculation of diluted earnings per share as these options were anti-dilutive.

21. 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 Company policy that no more than 1% of outstanding shares or approximately 770,000 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.

A reconciliation of the outstanding options is as follows:

	Three Months ended March 31					
	2011			2010		
	Number of Options		**Weighted Average Exercise Price**	Number of Options		Weighted Average Exercise Price
Options outstanding, beginning of period	**2,144,860**	**$**	**26.04**	1,961,809	$	22.91
Granted	**-**		**-**	610,050		29.71
Exercised	**(30,260)**		**21.80**	(131,600)		15.35
Forfeited	**(35,300)**		**29.71**	(1,000)		25.68
Options outstanding, end of period	**2,079,300**	**$**	**26.07**	2,439,259	$	25.02
Options exercisable, end of period	**1,148,880**	**$**	**25.21**	1,068,453	$	22.57

The following table summarizes stock options outstanding and exercisable as at March 31, 2011:

	Options Outstanding				Options Exercisable		
Range of Exercise Prices	**Number Outstanding**	**Weighted Average Remaining Life (years)**		**Weighted Average Exercise Price**	**Number Outstanding**		**Weighted Average Exercise Price**
$16.59 - $23.34	647,280	3.5		22.00	385,640		21.98
$24.58 - $29.71	1,432,020	4.2		27.91	763,240		26.84
Total	2,079,300	4.0	$	26.07	1,148,880	$	25.21

No stock options were granted in the first quarter of 2011. The fair value of the stock options granted during the first quarter of 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.

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 management incentive award or fees, respectively, in deferred share units. In addition, the Board may grant discretionary DSUs to executives. As at March 31, 2011, 104,985 units were outstanding at a value of $3,236 (December 31, 2010 – 87,969 units at a value of $2,747; January 1, 2010 – 68,723 units at a value of $1,882).

22. 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 150 employees are included in defined benefit plans. Pension benefit obligations under the defined benefit plans are determined periodically by independent actuaries and are accounted for using the accrued benefit method using a measurement date of December 31.

The net pension expense recorded for the periods are presented below.

	Three months ended March 31	
	2011	2010
Defined benefit plans	**$ 235**	$ 387
Defined contribution plans	**2,760**	3,032
401(k) matched savings plans	**242**	239
Net pension expense	**$ 3,237**	$ 3,658

23. CAPITAL MANAGEMENT

The Company defines capital as the aggregate of shareholders' equity (excluding accumulated other comprehensive income) 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 equity ratio of 0.5:1, 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:

		March 31 2011		December 31 2010		March 31 2010		January 1 2010
Shareholders' equity (1)	**$**	**1,220,319**	$	1,209,656	$	1,154,313	$	819,658
Long-term debt		**369,335**		419,929		595,638		156,970
Less cash and cash equivalents		**(81,827)**		(174,089)		(191,876)		(206,957)
Capital under management	**$**	**1,507,827**	$	1,455,496	$	1,558,075	$	769,671

(1) excludes accumulated other comprehensive income and non-controlling interests

Net debt as a % of capital under management	**19%**	17%	26%	n/m
Net debt to equity ratio	**0.24:1**	0.20:1	0.35:1	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 periods.

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

24. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended March 31			
		2011		2010
Net change in non-cash working capital and other				
Trade receivables	**$**	**4,230**	$	49,238
Inventories		**15,073**		5,083
Trade and other payables		**(54,921)**		(89,919)
Deferred revenues		**4,420**		74,926
Other		**(18,228)**		(13,570)
	$	**(49,426)**	$	25,758
Cash paid during the period for:				
Interest	**$**	**4,044**	$	3,784
Income taxes	**$**	**12,733**	$	6,624
Dividends	**$**	**12,342**	$	9,728
Cash received during the period for:				
Interest	**$**	**95**	$	31
Income taxes	**$**	**2,109**	$	532

25. 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 March 31, 2011 are as follows:

2011	$ 12,610
2012	11,928
2013	9,049
2014	6,792
2015	4,943
2016 and thereafter	13,218
	$ 58,540

26. SEGMENTED INFORMATION

The Company has three 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. In light of the proposed spinoff of Enerflex, the Company has elected to change its reportable operating segments effective January 1, 2011. Toromont's reportable operating segments are now defined as: Equipment Group, Refrigeration Group and Enerflex. Subsequent to the proposed spinoff, Toromont will be comprised of the Equipment Group and the Refrigeration Group. Prior period amounts have been restated to reflect the current segmentation.

The Equipment Group includes one of the world's largest Caterpillar dealerships by revenue and geographic territory in addition to industry leading rental operations. The Refrigeration Group is a leader specializing in the design, engineering, fabrication, and installation of industrial and recreational refrigeration systems. Enerflex is a global leader specializing in the design, engineering, fabrication, and installation of compression systems for natural gas compression units and hydrocarbon and petrochemical process systems. All groups offer comprehensive product support capabilities.

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.

Three months ended March 31, 2011

	Equipment	Refrigeration Group	Enerflex	Consolidated
Equipment /package sales	$ 105,577	$ 21,862	$ 234,613	$ 362,052
Rentals	29,963	-	7,857	37,820
Product support	82,344	18,717	83,935	184,996
Power Generation	3,147	-	-	3,147
Revenues	$ 221,031	$ 40,579	$ 326,405	$ 588,015
Operating Income	$ 19,484	$ 2,609	$ 14,373	$ 36,466
Operating income as a % of revenues	8.8%	6.4%	4.4%	6.2%

Three months ended March 31, 2010

	Equipment Group	Refrigeration Group	Enerflex	Consolidated
Equipment /package sales	$ 78,372	$ 19,566	$ 146,103	$ 244,041
Rentals	24,828	-	7,569	32,397
Product support	70,872	16,661	58,740	146,273
Power Generation	2,563	-	-	2,563
Revenues	$ 176,635	$ 36,227	$ 212,412	$ 425,274
Operating Income	$ 12,917	$ 965	$ (4,900)	$ 8,982
Operating income as a % of revenues	7.3%	2.7%	-2.3%	2.1%

Selected balance sheet information:

As at March 31, 2011	Equipment Group	Refrigeration Group	Enerflex	Consolidated
Goodwill	$ 13,000	$ 450	$ 482,656	$ 496,106
Identifiable assets	$ 689,692	$ 45,933	$ 1,348,462	$ 2,084,087
Corporate assets				80,247
Total assets				$ 2,164,335

As at December 31, 2010		Equipment Group		Refrigeration Group		Enerflex		Consolidated
Goodwill	$	13,000	$	450	$	482,656	$	496,106
Identifiable assets	$	662,021	$	52,087	$	1,409,571	$	2,123,679
Corporate assets								157,125
Total assets							$	2,280,804

As at March 31, 2010		Equipment Group		Refrigeration Group		Enerflex		Consolidated
Goodwill	$	13,000	$	450	$	478,523	$	491,973
Identifiable assets	$	596,330	$	42,272	$	1,375,636	$	2,014,238
Corporate assets								248,187
Total assets							$	2,262,425

As at January 1, 2010		Equipment Group		Refrigeration Group		Enerflex		Consolidated
Goodwill	$	13,000	$	450	$	21,350	$	34,800
Identifiable assets	$	599,358	$	47,367	$	412,205	$	1,058,930
Corporate assets								300,431
Total assets							$	1,359,361

Operating income from rental operations for the quarter ended March 31, 2011 was $4.2 million (2010 - $2.7 million).

27. SEASONALITY OF BUSINESS

Interim period revenues and earnings historically reflect seasonality. For the Equipment Group, the first quarter is typically the weakest due to winter shutdowns in the construction industry while the fourth quarter has consistently been the strongest quarter due to higher conversions at the Caterpillar dealership of equipment on rent with a purchase option. For the Refrigeration Group, the fourth quarter tends to be the strongest due to higher activity in recreational markets in advance of the winter recreational season. For Enerflex, the fourth quarter tends to be the strongest due to higher activity levels in Canada resulting from well-site access and drilling patterns.

28. ENERFLEX SPINOFF

On November 8, 2010, Toromont announced its intention to spin off Enerflex Ltd., its natural gas compression and processing equipment supply subsidiary, to existing shareholders by means of a tax-deferred divestiture for Canadian tax purposes. After the spinoff, Toromont's remaining operations will include the business of Toromont CAT, Battlefield – The CAT Rental Store and CIMCO. The proposed corporate reorganization would be implemented through a court approved plan of arrangement, which is subject to court and shareholder approval. Completion of the spinoff will also be subject to prior approval of the TSX and fulfillment of certain other conditions. If the necessary conditions are met and required approvals are obtained, the Company anticipates that the spinoff would be completed shortly after receipt of the final court approval. However, notwithstanding the receipt and satisfaction of such approvals and conditions, whether the spinoff is effected, and the timing for effecting the spinoff, will remain in the sole and absolute discretion of the Company.

A Special Shareholders Meeting will be held on May 16, 2011 at which time shareholders will be invited to vote on the proposed spinoff. Additional information, including Enerflex Ltd. operations combined financial statements and Toromont pro forma financial statements, is contained in Toromont's management information circular filed with respect of this meeting, dated April 11, 2011. This document is available at www.sedar.com and www.toromont.com/spinoff.

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