For immediate release

TOROMONT ANNOUNCES 2013 RESULTS AND 15% INCREASE IN QUARTERLY DIVIDEND

Toronto, Ontario (February 10, 2014) - Toromont Industries Ltd. (TSX: TIH) today reported financial results for the three and twelve-month periods ended December 31, 2013.

	Three months ended December 31			Twelve months ended December 31		
millions, except per share amounts	**2013**	2012	**% change**	**2013**	2012	**% change**
Revenues	**$ 407.3**	$ 431.1	**(6%)**	**$ 1,593.4**	**$ 1,507.2**	**6%**
Operating income	**$ 47.8**	$ 61.4	**(22%)**	**$ 174.0**	**$ 168.8**	**3%**
Net earnings	**$ 34.4**	$ 44.7	**(23%)**	**$ 123.0**	**$ 119.5**	**3%**
Earnings per share - basic	**$ 0.45**	$ 0.58	**(22%)**	**$ 1.61**	**$ 1.56**	**3%**

Toromont reported increased revenues and earnings for the year ended December 31, 2013. The Equipment Group continued to increase its revenues and earnings through strength in product support, introduction of broader product lines and capitalizing on large project opportunities. CIMCO business operations achieved best-ever project and product support revenues for 2013.

Revenues and earnings for the fourth quarter of 2013 were lower than the comparable period in 2012. This is substantially due to the completion of significant deliveries in 2012 setting up tough comparators, combined with the challenging market conditions outlined in the Company's third quarter outlook statement.

"We are pleased with our overall performance for the year, with increased revenue and operating income in both groups. Toromont is well-positioned with the people, resources and capabilities to serve the significant projects that have arisen in our markets. These projects have contributed to our growth, although they add a degree of quarter-to-quarter variability," said Scott J. Medhurst, President and Chief Executive Officer of Toromont Industries Ltd. "Construction unit sales improved and our installed base of equipment continued to increase in 2013. Our focus on product support together with improved project execution in our power systems division, also contributed to growth in earnings of 3% over excellent results in 2012."

Considering the Company's solid financial position, cash flows and balances, and positive long-term outlook, the Board of Directors today increased the quarterly dividend to 15 cents per share. This represents a 15% increase in Toromont's regular quarterly cash dividend. The next dividend is payable April 1, 2014 to shareholders of record at the close of business on March 13, 2014. The Company has paid dividends every year since going public in 1968 and this represents the 25th consecutive year of increases.

Highlights:

- Net earnings were $123 million ($1.61 per share basic), 3% higher than 2012. Higher revenues and an improved expense ratio were partly offset by lower gross margins.

- Net earnings for the quarter were $34.4 million ($0.45 per share basic), down 23% from $44.7 million reported in the same quarter last year. The decrease was due to lower revenues, lower gross margins and a higher expense ratio, in comparison with the remarkable profitability seen in the fourth quarter of 2012.

- Cash flow was substantially improved in 2013 with free cash flows[1] of $128.5 million versus a negative free cash flow of $53.9 million in 2012. This improvement resulted in cash balances increasing to $70.8 million at December 31, 2013 versus a net usage of credit facilities of $24.2 million at the end of 2012.

- Equipment Group revenues were $1.4 billion for 2013, 4% higher than last year with record levels across new and used equipment sales, product support and rental, demonstrating the diverse market opportunities. Operating income again exceeded 10% of revenues and increased 2% year-over-year on higher revenues and a lower expense ratio, offset by lower gross margins.

- Equipment Group revenues of $352 million were down 4% in the fourth quarter versus the similar period of 2012 on lower used equipment sales, rentals, RPO activity and parts sales. Operating income was $45 million, down 22% from a year ago on the lower revenues and decreased gross margins.

- Equipment Group backlogs were $97 million at the end of 2013 compared to $128 million at this time last year. Substantially all backlog is expected to be delivered in 2014. Bookings of $173 million in the fourth quarter were 11% higher than the fourth quarter of 2012. This is a good level of activity for this time of the year and represented the second highest level in the last five years. Bookings in 2013 set a new annual record at $714 million, up 16% from $614 million in the prior year.

- CIMCO revenues for the year were $231 million, setting a new record for the fourth consecutive year, up 17% from 2012. Package sales and product support increased in Canada and the US. Operating income increased 13% for the year, reaching $16 million or 7% of revenues. Higher revenues were partially offset by lower gross margins and higher selling and administrative expenses.

- CIMCO revenues were down 13% in the fourth quarter versus the similar period of 2012 which included substantial activity on a major industrial project. Product support revenues increased 10% with strong activity in both Canada and the US. Operating income decreased 27% on the lower revenues and higher selling and administrative expenses, partially offset by higher gross margins.

[1] 'Free Cash Flows' is a non-IFRS financial measure. The Company defines free cash flow as cash provided by operating activities (as per the Consolidated Statement of Cash Flows), less cash used in investing activities, other than business acquisitions.

- CIMCO bookings were $21 million in the fourth quarter of 2013 compared to $23 million for the same period last year. Bookings for the year were $108 million, lower than 2012 due to a significant order received from Maple Leaf Foods in 2012. Excluding this record order, bookings were $112 million in 2012, comparable to 2013. Backlogs were $65 million at December 31, 2013, down from 2012 but reflective of historical levels.

- Return on opening shareholders' equity (25.7%) and return on capital employed (26.5%) along with dividend increases continued Toromont's long-term performance of superior shareholder returns.

- The Company maintained a strong financial position. Total debt, net of cash, to total capitalization was 10%, well within stated capital targets.

"Toromont enters 2014 with increased equipment populations, including large construction and high-intensity mining equipment, expanded rental fleets and a strong balance sheet," continued Mr. Medhurst. "Even though there are challenges in certain market segments, we expect construction markets to be active based on continued investment in large infrastructure projects. While mining markets are capital-constrained in the current environment, we also believe there are significant opportunities in our territory over the longer-term."

Quarterly Conference Call and Webcast

Interested parties are invited to join the quarterly conference call with investment analysts, in listen-only mode, on Tuesday, February 11, 2014 at 8:00 a.m. (ET). The call may be accessed by telephone at 1-866-223-7781 (toll free) or 416-340-2216 (Toronto area). A replay of the conference call will be available until Tuesday, February 25, 2014 by calling 1-800-408-3053 or 416-694-9451 and quoting passcode 7809226.

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

Advisory

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

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

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

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

About Toromont

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

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Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") comments on the operations, performance and financial condition of Toromont Industries Ltd. ("Toromont" or the "Company") as at and for the three and twelve months ended December 31, 2013, compared to the preceding year. This MD&A should be read in conjunction with the attached unaudited consolidated financial statements and related notes for the twelve months ended December 31, 2013, the annual MD&A contained in the 2012 Annual Report and the audited annual consolidated financial statements for the year ended December 31, 2012.

The consolidated financial statements reported herein have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in Canadian dollars. The information in this MD&A is current to February 10, 2014.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's 2012 Annual Report and 2013 Annual Information Form. These filings are available on SEDAR at www.sedar.com and on the Company's website at www.toromont.com.

CORPORATE PROFILE AND BUSINESS SEGMENTATION

As at December 31, 2013, Toromont employed over 3,200 people in almost 100 locations across Canada and the United States. Toromont is listed on the Toronto Stock Exchange under the symbol TIH.

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

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

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

PRIMARY OBJECTIVE AND MAJOR STRATEGIES

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

Expand Markets

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

Strengthen Product Support

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

Broaden Product Offerings

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

Invest in Resources

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

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

Maintain a Strong Financial Position

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

CONSOLIDATED RESULTS OF OPERATIONS

	Twelve months ended December 31			
($ thousands, except per share amounts)	**2013**	2012	$ change	% change
REVENUES	**$ 1,593,431**	$ 1,507,173	$ 86,258	6%
Cost of goods sold	**1,201,913**	1,122,765	79,148	7%
Gross profit	**391,518**	384,408	7,110	2%
Selling and administrative expenses	**217,556**	215,600	1,956	1%
OPERATING INCOME	**173,962**	168,808	5,154	3%
Interest expense	**8,693**	9,714	(1,021)	(11%)
Interest and investment income	**(3,793)**	(3,974)	181	(5%)
Income before income taxes	**169,062**	163,068	5,994	4%
Income taxes	**46,031**	43,595	2,436	6%
NET EARNINGS	**123,031**	119,473	3,558	3%
EARNINGS PER SHARE (BASIC)	**$ 1.61**	$ 1.56	$ 0.05	3%
KEY RATIOS:				
Gross profit as a % of revenues	**24.6%**	25.5%		
Selling and administrative expenses as a % of revenues	**13.7%**	14.3%		
Operating income as a % of revenues	**10.9%**	11.2%		
Return on capital employed	**26.5%**	28.5%		
Income taxes as a % of income before income taxes	**27.2%**	26.7%		

Revenues increased in both operating groups. Equipment Group revenues were up 4% and CIMCO revenues were up 17% with increases in most areas.

Gross profit margin was 24.6% in 2013 compared with 25.5% in 2012. Gross profit margins were lower in both the Equipment Group and CIMCO.

Selling and administrative expenses increased 1% from 2012, in part reflecting the 6% increase in revenues. Bad debt expense increased $3.1 million on specific exposures and the general aging of accounts receivable. Mark-to-market expense on deferred share units increased $1.9 million, due to the increased share price. Compensation was $3.3 million (2%) lower in 2013 compared to 2012. Certain expense categories such as occupancy, legal, freight, training and travel costs were higher ($3.5 million), reflecting increased business levels, while warranty was lower ($3.2 million).

Operating income increased on higher revenues and contained expense levels, partially offset by lower gross margins.

Interest expense decreased on the lower average debt balances resulting from good cash flows.

Interest income decreased reflecting lower levels of interest on conversion of rental equipment.

The increased effective income tax rate for 2013 largely reflects a change in the mix of income by tax jurisdiction.

Net earnings in 2013 were $123.0 million and basic earnings per share (“EPS”) were $1.61 per share, as compared to net earnings of $119.5 million and basic EPS of $1.56 per share. These represented 3% increases over 2012.

Comprehensive income in 2013 was $131.2 million (2012 – $115.7 million), comprised of net earnings of $123.0 million (2012 - $119.5 million) and other comprehensive income of $8.2 million (2012 – ($3.8 million) loss). Other comprehensive income included actuarial gains on employee pension plans of $7.3 million (2012 – $3.1 million loss), net of tax.

BUSINESS SEGMENT OPERATING RESULTS

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

Equipment Group

	Twelve months ended December 31			
($ thousands)	**2013**	2012	$ change	% change
Equipment sales and rentals				
New	**$ 590,796**	$ 564,435	$ 26,361	5%
Used	**155,210**	144,367	10,843	8%
Rental	**193,454**	183,777	9,677	5%
Total equipment sales and rentals	**939,460**	892,579	46,881	5%
Power generation	**11,650**	11,435	215	2%
Product support	**411,582**	405,880	5,702	1%
Total revenues	**$ 1,362,692**	$ 1,309,894	$ 52,798	4%
Operating income	**$ 157,924**	$ 154,589	$ 3,335	2%
Capital expenditures	**$ 90,784**	$ 99,871	$ (9,087)	(9%)
KEY RATIOS:				
Product support revenues as a % of total revenues	**30.2%**	31.0%		
Group total revenues as a % of consolidated revenues	**85.5%**	86.9%		
Return on capital employed	**24.0%**	26.5%		
Operating income as a % of revenues	**11.6%**	11.8%		

Despite sector-specific weakness, overall demand for the Company’s products and services remained buoyant as evidenced by the year over year growth.

Equipment sales and rentals exceeded the record set in 2012, continuing the steady increase over the last four years.

New equipment sales increased 5% mainly on increases from construction (up $56.5 million), agriculture (up $7.9 million) and forestry (up $5.0 million), offset by decreases from mining (down $43.2 million). Excluding mining, revenues increased $70.6 million or 18% year over year on strong sales across most markets, representative of the diverse product lines.

Used equipment sales include used equipment purchased for resale, equipment received on trade-in, rental returns (demo class which is the key driver of used sales this past year) and sales of Company owned rental fleet. The increase of 8% was largely due to mining (up $5.8 million) and agriculture (up $2.2 million). Used equipment sales vary on factors such as product availability (both new and used), customer demands and the general pricing environment.

Rental revenues were higher on an improved utilization and on expanded fleet as the Company invested $47 million, net of disposals, in 2013. Utilization of light equipment was exceptional, driving revenues up 10% year over year, while heavy equipment rental increased 20%. Operating efficiencies with the heavy rental fleet remains a focus as the high repair costs, freight expense, rental processes experienced in 2013 diluted the profitability of the larger fleet. Equipment on rent with a purchase option decreased 20%, reflective of the general economic uncertainty which led some customers to opt for rent-to-rent solutions. Rental rates were fairly consistent in both years with continuing competitive market conditions.

Power generation revenues from Toromont-owned plants increased marginally over last year on higher electricity sales from the Waterloo Landfill and Sudbury Hospital plants, together with higher thermal revenue for the Sudbury Downtown plant.

Product support revenues were up 1% from the record set in 2012, benefiting from the larger installed base of equipment in our territory together with good activity levels for the equipment. Parts revenues were down 0.5% due to substantial parts deliveries to remote mine sites experienced in the fourth quarter of 2012. Excluding mining, parts sales were up 8% with strong results from construction. Service revenues were up 7%, principally from strong mining results (up $6.8 million), reflecting a mining sector that remains focused on production but with a change in timing of major rebuilds from 2012. Excluding mining, service revenues were largely in line with last year across all industries.

Operating income increased 2% versus a year ago. Gross margin as a percentage of revenues decreased 80 basis points compared to 2012. Equipment gross margins were relatively flat year-over-year and were more than offset by a decrease in product support gross margins. Bad debt expenses increased by $3.6 million on specific exposures and aged accounts receivable balances. Other selling and administrative expenses were down 2% year-over-year as the Company remained focused on controlling costs in a competitive environment. Operating income as a percentage of revenues was 11.6% in 2013 versus 11.8% in 2012.

Capital expenditures in the Equipment Group were $9.1 million (9%) lower year-over-year, on reduced spending on rental assets and vehicles. Replacement and expansion of the rental fleet accounted for $69.1 million of total investment in 2013. Expenditures of $3.3 million related to new and expanded facilities to meet current and future growth requirements. Other capital expenditures included $8.2 million for service and delivery vehicles.

($ millions)	**2013**	2012	$ change	% change
Bookings - year ended December 31	**$ 714**	$ 614	$ 100	16%
Backlogs - as at December 31	**$ 97**	$ 128	$ (31)	(24%)

Bookings in 2013 totalled $714 million, up 16% from 2012, lifted by substantial mining orders booked and delivered in the year.

Backlogs were lower in 2013 on improved equipment availability and completed deliveries. At December 31, the backlog was almost evenly split between mining, power systems and construction equipment orders. Substantially all backlog is expected to be delivered in 2014. Shortened delivery windows due to process improvements and increased capacity at Caterpillar have also contributed to reduced backlogs.

CIMCO

	Twelve months ended December 31			
($ thousands)	**2013**	2012	$ change	% change
Package sales	**$ 140,747**	$ 113,586	$ 27,161	24%
Product support	**89,992**	83,693	6,299	8%
Total revenues	**$ 230,739**	$ 197,279	$ 33,460	17%
Operating income	**$ 16,038**	$ 14,219	$ 1,819	13%
Capital expenditures	**$ 4,019**	$ 1,440	$ 2,579	179%
KEY RATIOS:				
Product support revenues as a % of total revenues	**39.0%**	42.4%		
Group total revenues as a % of consolidated revenues	**14.5%**	13.1%		
Return on capital employed	**65.4%**	70.3%		
Operating income as a % of revenues	**7.0%**	7.2%		

CIMCO reported record results for the third straight year on growth in recreational and industrial activity.

Package revenues increased 24% year-over-year. Activity in recreational markets was strong in both Canada (up 51%) and the US (up 83%). Industrial markets were also strong, up 12%, with increases in both Canada and the US. Product support revenues were up with increased activity in both Canada (6%) and in the US (15%).

Operating income included a gain of $1.0 million from the insurance proceeds related to a fire at the Mobile facility (2012 - $0.5 million). Excluding this, operating income increased 9%, reflecting higher revenues, offset partially by lower margins and higher selling and administrative expenses. Gross margins were down 160 basis points on lower package margins due to relative technical complexity impacting value-add and tighter bids. A change in the sales mix, with a lower proportion of product support revenues to total, also dampened gross margins. Selling and administrative expenses, excluding the insurance gain, increased 9%, mainly due to increased compensation expense and increased legal fees associated with defending various patents, offset by a reduction in bad debt expense.

Capital expenditures totalled $4 million in 2013 and related mainly to rebuilding the Mobile facility, together with investments in information technology and branch renovations.

($ millions)	2013	2012	$ change	% change
Bookings - year ended December 31	**$ 108**	$ 162	$ (54)	(33%)
Backlogs - as at December 31	**$ 65**	$ 99	$ (34)	(34%)

Bookings in 2012 included $49.8 million in orders from Maple Leaf Foods ("MLF") for their transformation project. Excluding these record orders for CIMCO, bookings were comparable year-over-year. Recreational bookings were up 29%, with increases in both Canada and the US. Industrial bookings were down 53% (28% excluding MLF in 2012), with a 59% decrease in Canada, partially offset by a 28% increase in the US.

Backlogs were lower on significant completion of the MLF project. Excluding the MLF order in both years, backlogs were 3% higher in 2013. Recreational backlogs were comparable to 2012 as an increase in the US (39%) was offset by a decrease in Canada (15%). Industrial backlogs were 5% higher excluding MLF. Substantially the entire backlog is expected to revenue in 2014.

CONSOLIDATED FINANCIAL CONDITION

The Company has maintained a strong financial position for many years. At December 31, 2013, the ratio of total debt net of cash to total capitalization was 10%.

Working Capital

The Company's investment in non-cash working capital was $281 million at December 31, 2013. The major components, along with the changes from December 31, 2012, are identified in the following table.

($ thousands)	**December 31 2013**	December 31 2012	**$ change**	**% change**
Accounts receivable	$ 240,259	$ 231,518	$ 8,741	4%
Inventories	327,439	327,785	(346)	-
Other current assets	4,585	4,086	499	12%
Accounts payable, accrued liabilities and provisions	(238,473)	(194,304)	(44,169)	23%
Income taxes receivable (payable)	6,135	(3,130)	9,265	nm
Derivative financial instruments	1,331	(219)	1,550	nm
Dividends payable	(9,988)	(9,164)	(824)	9%
Deferred revenue	(48,924)	(54,664)	5,740	(11%)
Current portion of long-term debt	(1,470)	(1,372)	(98)	7%
Total non-cash working capital	$ 280,894	$ 300,536	$ (19,642)	(7%)

Accounts receivable increased on higher days sales outstanding (DSO). CIMCO accounts receivable decreased $3 million or 7% on the decrease in revenues in the fourth quarter of 2013. Equipment Group accounts receivable increased $11 million or 6%. DSO was 48 at December 31, 2013 compared to 45 at the same time last year.

In total, inventories at December 31, 2013 were largely unchanged year-over-year. Equipment Group inventories were $2.4 million (0.8%) higher than this time last year; however, total mobile equipment inventory was down 9% on new inventory reductions of 13% from the previous year. Parts inventories increased $8.6 million, substantially in support of newer remote mine-sites. Mining equipment inventories increased $17.8 million, largely offset by decreases in construction equipment $13.9 million and inventories of rental equipment with purchase options

($9.8 million). CIMCO inventories were lower by $2.7 million or 16% versus a year ago on lower work-in-process ($3.3 million).

Accounts payable and accrued liabilities at December 31, 2013 increased $44.2 million or 23% from this time last year. The increase was primarily due to the timing of order inflow from a key supplier in the fourth quarter of 2013.

Income taxes receivable represents amounts due to the Company as installments made during the year exceeded current tax expense.

Higher dividends payable year over year reflect the higher dividend rate. In 2013, the quarterly dividend rate was increased from $0.12 per share to $0.13 per share, an 8% increase.

Deferred revenues represent billings to customers in excess of revenue recognized. In the Equipment Group, deferred revenues arise on sales of equipment with residual value guarantees, extended warranty contracts and other long-term customer support agreements as well as on progress billings on long-term construction contracts. Equipment Group deferred revenues were 10% lower than this time last year. In CIMCO, deferred revenues arise on progress billings in advance of revenue recognition. CIMCO deferred revenues decreased 12% from this time last year.

The current portion of long-term debt reflects scheduled principal repayments due in 2014.

Goodwill and Intangibles

The Company performs impairment tests on its goodwill and intangibles with indefinite lives on an annual basis or as warranted by events or circumstances. The assessment entails estimating the fair value of operations to which the goodwill and intangibles relate, using the present value of expected discounted future cash flows. This assessment affirmed goodwill and intangibles values as at December 31, 2013.

Employee Share Ownership

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

The Company maintains an Executive Stock Option Plan for its senior employees. Effective 2013, non-employee directors no longer receive grants under this plan. Stock options vest 20% per year on each anniversary date of the grant and are exercisable at the designated common share price, which is fixed at prevailing market prices of the common shares at the date the option is granted. Stock options granted prior to 2013 have a seven year term and those granted in 2013 have a ten year term. At December 31, 2013, 2.6 million options to purchase common shares were outstanding, of which 1.0 million were exercisable.

The Company offers an Employee Share Ownership Plan whereby employees can purchase shares by way of payroll deductions. Under the terms of this plan, eligible employees may purchase common shares of the Company in the open market at the then current market price. The Company pays a portion of the purchase price, matching contributions at a rate of $1 for every $3 dollars contributed, to a maximum of $1,000 per annum per employee. Company contributions vest to the employee immediately. Company contributions amounting to $0.9

million in 2013 (2012 – $0.9 million) were charged to selling and administrative expense when paid. Approximately 48% of employees participate in this plan.

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

As at December 31, 2013, 288,920 DSUs were outstanding with a total value of $7.7 million (2012 – 211,872 units at a value of $4.3 million). The liability for DSUs is included in accounts payable, accrued liabilities and provisions on the consolidated statement of financial position.

Employee Future Benefits

Defined Contribution Plans

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

Defined Benefit Plans

The Company sponsors three defined benefit plans (Powell Plan, Executive Plan and Toromont Plan) for approximately 121 qualifying employees. These defined benefit plans are administered by a separate Fund that is legally separated from the Company and are described fully in note 19 to the consolidated financial statements.

The funded status of these plans changed by $13.7 million (a decrease in the accrued pension liability) as at December 31, 2013. The improvement resulted from (i) a good return on the plan assets in 2013 of 15% (2012 – 8%); and (ii) a net actuarial gain of $10 million (2012 – net actuarial loss of $4.2 million), largely reflecting the change in the discount rate (4.6% in 2013 versus 3.9% in 2012), partially offset by the impact of adopting new mortality rates in 2013.

The Executive Plan is a supplemental plan, whose members are largely retirees with only one active member remaining, and is solely the obligation of the Company. The Company is not obligated to fund the plan but is obligated to pay benefits under the terms of the plan as they come due. The Company has posted letters of credit to secure the obligations under this plan, which were $20.2 million as at December 31, 2013. As there are only nominal plan assets, the impact of volatility in financial markets on pension expense and contributions for this plan are insignificant.

The Company expects pension expense and cash pension contributions for 2014 to be similar to 2013 levels.

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

Off-Balance Sheet Arrangements

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

Legal and Other Contingencies

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

Normal Course Issuer Bid

Toromont believes that, from time to time, the purchase of its common shares at prevailing market prices may be a worthwhile investment and in the best interests of both Toromont and its shareholders. As such, the normal course issuer bid with the TSX was renewed in 2013. This issuer bid allows the Company to purchase up to approximately 6.5 million of its common shares, representing 10% of common shares in the public float, in the year ending August 30, 2014. The actual number of shares purchased and the timing of any such purchases will be determined by Toromont. All shares purchased under the bid will be cancelled.

In 2013, no shares were purchased. In 2012, the Company purchased and cancelled 666,039 shares for $14.1 million (average cost of $21.23 per share).

Outstanding Share Data

As at the date of this MD&A, the Company had 76,891,347 common shares and 2,563,824 share options outstanding.

Dividends

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

During 2013, the Company declared dividends of $0.52 per common share, $0.13 per quarter. In 2012, the Company declared dividends of $0.48 per common share, $0.12 per quarter.

Considering the Company's solid financial position, cash flows and balances, and positive long-term outlook, the Board of Directors announced it is increasing the quarterly dividend to 15 cents per share effective with the dividend payable on April 1, 2014. This represents a 15% increase in Toromont's regular quarterly cash dividend. The Company has paid dividends every year since going public in 1968 and this represents the 25th consecutive year of increases.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity

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

The Company maintains a $200 million committed credit facility. The facility matures in September 2017. Debt incurred under the facility is unsecured and ranks on par with debt outstanding under Toromont's existing debentures. Interest is based on a floating rate, primarily bankers' acceptances and prime, plus applicable margins and fees based on the terms of the credit facility.

As at December 31, 2013, no amounts were drawn on the facility. Letters of credit utilized $26.6 million of the facility.

Cash at December 31, 2013 was $70.8 million, compared to $2.4 million at December 31, 2012.

The Company expects that continued cash flows from operations in 2014 and currently available credit facilities will be more than sufficient to fund requirements for investments in working capital and capital assets.

Principal Components of Cash Flow

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

($ thousands)	**2013**	2012
Cash, beginning of year	**$ 2,383**	$ 75,319
Cash, provided by (used in):		
Operating activities		
Operations	**178,873**	161,830
Change in non-cash working capital and other	**21,665**	(124,475)
	200,538	37,355
Investing activities	**(72,032)**	(91,205)
Financing activities	**(60,285)**	(19,033)
Effect of foreign exchange on cash balances	**165**	(53)
Increase (decrease) in cash in the year	**68,386**	(72,936)
Cash, end of year	**$ 70,769**	$ 2,383

Cash Flows from Operating Activities

Operating activities provided $200.5 million in 2013 compared to $37.4 million in 2012. Net earnings adjusted for items not requiring cash were 11% higher than last year on higher revenues. Non-cash working capital and other provided $21.7 million compared to $124.5 million used in 2012.

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 used $72 million in 2013 compared to $91.2 million in 2012.

Net rental fleet additions (purchases less proceeds of disposition) totalled $47 million in 2013 compared to $55 million in 2012. Rental fleet additions were lower in 2013 as compared to 2012 when increased investments were made in light of stronger demand on improved market conditions, the existing fleet age profile and the expansion of our heavy rental operations.

Investments in property, plant and equipment in 2013 totalled $25.7 million compared to $23.7 million in 2012. Additions in 2013 were largely made within the Equipment Group. Capital additions included $5.7 million for land and buildings, mainly to rebuild CIMCO's Mobile facility that was damaged by fire, as well as for new and expanded branches, $8.6 million for service vehicles, $4.2 million for machinery and equipment and $1.9 million for IT equipment. Additions in 2012 included $4.1 million for land and buildings acquired for new and expanded branch locations, $14.3 million for service vehicles and $3.2 million for machinery and equipment.

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

Cash Flows from Financing Activities

Financing activities used $60.3 million in 2013 compared to $19 million in 2012.

Significant sources and uses of cash in 2013 included:
- Repayments on the credit facility of $26.5 million;
- Dividends paid to common shareholders of $39 million or $0.51 cents per share; and
- Cash received on exercise of share options of $6.7 million.

Significant sources and uses of cash in 2012 included:
- Drawings on the credit facility of $26.5 million;
- Dividends paid to common shareholders of $36 million or $0.47 cents per share;
- Normal course purchase and cancellation of common shares of $14.1 million, 666,039 shares at an average cost of $21.23; and
- Cash received on exercise of share options of $6.2 million.

OUTLOOK

Softening in several market segments has increased the competitive pressure for equipment sales in the Equipment Group's markets. Overall construction spending levels have eased somewhat, leading to a decline in total industry unit sales in 2013, although investment in large infrastructure projects continue to provide opportunity. Toromont has been successful in increasing its market share, however backlogs and RPO (rent with purchase option) inventories have declined versus a year ago, reducing near-term opportunities.

The mining segment has seen good activity over the last two years with significant deliveries to Detour Gold and Baffinland. Market conditions have tightened, however opportunities for new mine development, mine expansion and equipment replacement continue to exist. We remain engaged on a variety of mining projects at various stages of development within our territory; however, we do not anticipate that 2014 will see a replication of the equipment deliveries reported in 2013. With the substantially increased base of installed equipment, product support activity should continue to grow so long as mines remain active.

The parts and service business has experienced significant growth and provides a measure of stability, driven by the larger installed base of equipment in the field. While the sale of parts decreased year-over-year due to significant sales to remote mine sites in the fourth quarter of 2012, the growth trend for parts sales is intact and service activity continued to grow. Work-in-process levels remain healthy. We also expect that our increased investment in the rental business, construction and power system segments and broader product lines will continue to contribute to growth.

At CIMCO, Canadian recreational bookings have returned to the more historical levels seen prior to the federal stimulus program. Canadian industrial bookings are at healthy levels, and quoting activity continued to be strong. US bookings were strong in 2013 reflecting improving market conditions. Backlogs are good for this time of the year. The product support business remains a focus for growth and we are encouraged by results so far in the United States. CIMCO has also expanded its product offering to include CO_2–based solutions, which are expected to contribute to its growth. Additionally, a provincial program in Quebec to replace CFC and HFC refrigerants bodes well for recreational activities.

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

CONTRACTUAL OBLIGATIONS

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

Payments due by period	**2014**	**2015**	**2016**	**2017**	**2018**	**Thereafter**	**Total**
Long-term debt							
- principal	$ 1,470	$ 126,577	$ 1,690	$ 1,811	$ 1,941	$ 1,022	$ 134,511
- interest	$ 6,796	$ 5,342	$ 427	$ 306	$ 176	$ 36	$ 13,083
Accounts payable	$ 248,461	$ -	$ -	$ -	$ -	$ -	$ 248,461
Operating leases	$ 2,473	$ 1,942	$ 1,702	$ 1,174	$ 647	$ 1,064	$ 9,002
	$ 259,200	$ 133,861	$ 3,819	$ 3,291	$ 2,764	$ 2,122	$ 405,057

KEY PERFORMANCE MEASURES

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

Years ended December 31,	2013	2012	2011	2010	2009 (3)
EXPANDING MARKETS AND BROADENING PRODUCT OFFERINGS					
Revenue growth *(1)*	**5.7%**	9.1%	14.5%	14.8%	(18.7%)
Revenue per employee (thousands) *(1)*	**$ 491**	$ 481	$ 465	$ 423	$ 364
STRENGTHENING PRODUCT SUPPORT					
Product support revenue growth *(1)*	**2.5%**	13.2%	12.6%	7.4%	(3.0%)
INVESTING IN OUR RESOURCES					
Investment in information technology (millions) *(1)*	**$ 10.7**	$ 10.8	$ 12.1	$ 10.1	$ 10.6
Return on capital employed *(2)*	**26.5%**	28.5%	32.4%	10.8%	21.1%
STRONG FINANCIAL POSITION					
Non-cash working capital (millions) *(1)*	**$ 281**	$ 301	$ 176	$ 136	$ 172
Total debt, net of cash to total capitalization	**10%**	25%	13%	17%	(6%)
Book value (shareholders' equity) per share	**$ 7.50**	$ 6.24	$ 5.27	$ 15.50	$ 13.17
BUILD SHAREHOLDER VALUE					
Basic earnings per share growth *(1)*	**2.9%**	17.1%	32.5%	9.6%	(18.3%)
Dividends per share growth *(4)*	**8.3%**	17.0%	16.1%	3.3%	7.1%
Return on equity *(5)*	**25.7%**	29.9%	28.9%	9.1%	15.5%

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

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

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

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

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

While the global recession in 2008-2009 interrupted the steady string of growth across key performance measures, profitability endured and the balance sheet continued to strengthen.

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

Since 2009, revenues increased at an average annual rate of 5.1%. Product support revenue growth has averaged 6.5% annually. Revenue growth in continuing operations has been a result of:

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

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

- General economic weakness, which has negatively impacted revenues from the latter

part of 2008 through to early 2010;
- Inability to source equipment from suppliers to meet customer demand or delivery schedules; and
- Declines in underlying market conditions such as depressed US industrial markets.

Changes in the Canadian/U.S. exchange rate also impacts reported revenues as the exchange rate impacts on the purchase price of equipment that in turn is reflected in selling prices. Since 2009 there has been significant fluctuations in the average yearly exchange rate of Canadian dollar against the US dollar – 2009 $0.88, 2010 - $0.97, 2011 - $1.01, 2012 – on par and 2013 - $0.97.

Toromont has generated significant competitive advantage over the past years by investing in its resources, in part to increase productivity levels, and we will continue this into the future as it is a crucial element to our continued success in the marketplace.

Toromont continues to maintain a strong balance sheet. Leverage, as represented by the ratio of total debt, net of cash, to total capitalization (net debt plus shareholders' equity), was 10%, well within targeted levels.

Toromont has a history of progressive earnings per share growth as evidenced by the results of the past four years, including 2013. This trend was not continued in 2009 due to the weak economic environment, which reduced revenues. In 2010, earnings per share growth were dampened by the issuance of shares in the year for the acquisition of Enerflex Systems Income Fund ("ESIF"). In 2011, on a continuing operations basis, earnings per share increased 32.5%, in line with earnings growth and a further 17.1% increase on a continuing operations basis in 2012. In 2013, despite a challenged economy, EPS increased 2.9%.

Toromont has paid dividends consistently since 1968, and has increased the dividend in each of the last 25 years. In 2013, the regular quarterly dividend rate was increased 8% from $0.12 to $0.13 per share, evidencing our commitment to building exceptional shareholder value.

CONSOLIDATED RESULTS OF OPERATIONS FOR THE FOURTH QUARTER 2013

Three months ended December 31 ($ thousands, except per share amounts)	2013	2012	$ change	% change
REVENUES	**$ 407,264**	$ 431,068	$ (23,804)	(6%)
Cost of goods sold	**303,410**	312,109	(8,699)	(3%)
Gross profit	**103,854**	118,959	(15,105)	(13%)
Selling and administrative expenses	**56,043**	57,517	(1,474)	(3%)
OPERATING INCOME	**47,811**	61,442	(13,631)	(22%)
Interest expense	**2,174**	2,747	(573)	(21%)
Interest and investment income	**(934)**	(1,887)	953	(51%)
Income before income taxes	**46,571**	60,582	(14,011)	(23%)
Income taxes	**12,157**	15,925	(3,768)	(24%)
NET EARNINGS	**$ 34,414**	$ 44,657	$ (10,243)	(23%)
EARNINGS PER SHARE (BASIC)	**$ 0.45**	$ 0.58	$ (0.13)	(22%)
KEY RATIOS:				
Gross profit as a % of revenues	**25.5%**	27.6%		
Selling and administrative expenses as a % of revenues	**13.8%**	13.3%		
Operating income as a % of revenues	**11.7%**	14.3%		
Income taxes as a % of income before income taxes	**26.1%**	26.3%		

Revenues were 6% lower in the fourth quarter of 2013 compared to the same period last year on a 4% decrease in the Equipment Group and a 13% decrease in CIMCO.

Gross profit decreased 13% in the fourth quarter over last year on the lower sales volumes. Gross profit margin was 25.5% in 2013 compared to 27.6% in 2012. Equipment Group margins decreased mainly due to the competitive pricing environment, lower utilization and higher repair costs on rentals, lower RPO conversions and a slightly unfavorable sales mix from product support. Higher margins were reported at CIMCO due to a favorable sales mix as well as increases in package and product support margins.

Selling and administrative expenses decreased 3% compared to the prior year principally due to reduced personnel costs, tracking revenues and earnings (commissions and profit-sharing). Due to the significant increase in share price experienced in the fourth quarter, mark-to-market of DSUs increased expenses by $1.1 million. Selling and administrative expenses as a percentage of revenues were 13.8% versus 13.3% in the comparable period last year.

Interest expense was $2.2 million in the fourth quarter of 2013, down $0.6 million from the similar period last year on lower debt balances resulting from good cash flows.

Interest income was $0.9 million in the fourth quarter of 2013, down $1.0 million from last year on lower interest on conversions of rental equipment with purchase options.

The effective income tax rate in the quarter was 26.1% compared to 26.3% in the same period last year.

Net earnings in the quarter were $34.4 million, down 23% from 2012. Basic earnings per share were $0.45, down 22% from 2012. Excluding the effect of the significant mining deliveries and large industrial refrigeration billings in the fourth quarter of 2012, net earnings and basic earnings per share were comparable period-over-period and in line with our expectations.

Fourth Quarter Results of Operations in the Equipment Group

Three months ended December 31 *($ thousands)*	**2013**	2012	$ change	% change
Equipment sales and rentals				
New	**$ 153,719**	$ 151,436	$ 2,283	2%
Used	**38,357**	41,539	(3,182)	(8%)
Rental	**54,200**	57,234	(3,034)	(5%)
Total equipment sales and rentals	**246,276**	250,209	(3,933)	(2%)
Power generation	**2,842**	2,816	26	1%
Product support	**102,595**	114,377	(11,782)	(10%)
Total revenues	**$ 351,713**	$ 367,402	$ (15,689)	(4%)
Operating income	**$ 44,646**	$ 57,093	$ (12,447)	(22%)
Bookings ($ millions)	**$ 173**	$ 156	$ 17	11%
KEY RATIOS:				
Product support revenues as a % of total revenues	**29.2%**	31.1%		
Group total revenues as a % of consolidated revenues	**86.4%**	85.2%		
Operating income as a % of revenues	**12.7%**	15.5%		

New equipment sales increased in the quarter, as compared to 2012, mainly on increases in the construction market (up $5.0 million), agriculture (up $1.8 million) and forestry (up $2.7 million), offset by decreases in mining (down $7.4 million). Excluding mining, new equipment sales increased 10% quarter-over-quarter.

Used equipment sales decreased mainly on lower mining equipment sales of $3.4 million in this quarter as compared to 2012. Excluding mining, sales decreased 2% with nominal decreases across all segments.

Rental revenues decreased on lower rental fleet utilization. Light equipment rental revenues increased 3% on higher utilization, while the other rental categories (equipment on rent with purchase options on a reduced fleet, heavy equipment on reduced utilization and power systems due to fleet rebalancing) were lower. Rental rates have been largely consistent with the prior year, with continuing competitive market conditions.

Product support revenues were reduced from the record levels achieved in 2012, due to significant parts deliveries to remote mine sites in Q4 of 2012 not repeated in Q4 of 2013. Parts revenues were down 14%. Excluding mining, parts increased 7% on strong construction activity. Service revenues were relatively even with a year ago across all industries.

Operating income decreased mainly as a result of reduced gross margins. Selling and administrative expenses were 6% lower than the comparable quarter last year, on lower compensation and profit sharing while other expenses remained constant. Operating income as a percentage of revenues was 12.7% compared to 15.5% in the fourth quarter of 2012.

Bookings in the fourth quarter of 2013 were $173 million, up 11% from the similar period last year. This represents a good level for this time of year.

Fourth Quarter Results of Operations in CIMCO

Three months ended December 31 *($ thousands)*	**2013**	2012	$ change	% change
Package sales	**$ 31,428**	$ 41,786	$ (10,358)	(25%)
Product support	**24,123**	21,880	2,243	10%
Total revenues	**$ 55,551**	$ 63,666	$ (8,115)	(13%)
Operating income	**$ 3,165**	$ 4,349	$ (1,184)	(27%)
Bookings ($ millions)	**$ 21**	$ 23	$ (2)	(9%)
KEY RATIOS:				
Product support revenues as a % of total revenues	**43.4%**	34.4%		
Group total revenues as a % of consolidated revenues	**13.6%**	14.8%		
Operating income as a % of revenues	**5.7%**	6.8%		

Canadian package revenues in 2012 were buoyed by the MLF project, which is now winding down. Excluding this order in both years, Canadian revenues were up 6.9% with strong increases in recreational, offset by a minor decline in industrial. US package activity more than doubled the levels generated in 2012, with increases in both recreational and industrial.

Product support revenues set a new record for the fourth quarter and continued to rise steadily on increased activity in both Canada and the US.

Lower operating income reflects lower revenues and an increase in selling and administrative expenses, offset by an increase in gross margins on sales mix. In 2012, a gain of $0.3 million was recorded for the fire at the Mobile facility. Excluding the effect of this gain, selling and administrative expenses increased $1.0 million or 12% as a result of higher compensation $0.5 million, higher legal fees to defend patents $0.4 million and higher insurance $0.2 million, offset by lower bad debt expense of $0.4 million.

Bookings in the quarter totalled $21 million, down 9% from the similar quarter last year with decreases in both Canada and the US.

QUARTERLY RESULTS

The following table summarizes unaudited quarterly consolidated financial data for the eight most recently completed quarters. This quarterly information is unaudited but has been prepared on the same basis as the 2013 annual unaudited consolidated financial statements.

($ thousands, except per share amounts)	**Q1 2013**	**Q2 2013**	**Q3 2013**	**Q4 2013**
REVENUES				
Equipment Group	**$ 266,816**	**$ 317,052**	**$ 427,111**	**$ 351,713**
CIMCO	**46,316**	**57,686**	**71,186**	**55,551**
Total revenues	**$ 313,132**	**$ 374,738**	**$ 498,297**	**$ 407,264**
NET EARNINGS	**$ 17,848**	**$ 27,284**	**$ 43,485**	**$ 34,414**
PER SHARE INFORMATION:				
Earnings per share - basic	**$ 0.23**	**$ 0.36**	**$ 0.57**	**$ 0.45**
Earnings per share - diluted	**$ 0.23**	**$ 0.35**	**$ 0.56**	**$ 0.44**
Dividends paid per share	**$ 0.12**	**$ 0.13**	**$ 0.13**	**$ 0.13**
Weighted average common shares outstanding - Basic (in thousands)	**76,495**	**76,589**	**76,625**	**76,737**

($ thousands, except per share amounts)	Q1 2012	Q2 2012	Q3 2012	Q4 2012
REVENUES				
Equipment Group	$ 245,799	$ 334,300	$ 362,393	$ 367,402
CIMCO	35,660	45,307	52,646	63,666
Total revenues	$ 281,459	$ 379,607	$ 415,039	$ 431,068
NET EARNINGS	$ 16,970	$ 25,383	$ 32,463	$ 44,657
PER SHARE INFORMATION:				
Earnings per share - basic	$ 0.22	$ 0.33	$ 0.43	$ 0.58
Earnings per share - diluted	0.22	0.33	0.42	0.58
Dividends paid per share	$ 0.11	$ 0.12	$ 0.12	$ 0.12
Weighted average common shares outstanding - Basic (in thousands)	76,786	76,761	76,289	76,352

Interim period revenues and earnings historically reflect significant variability from quarter to quarter.
The Equipment Group has historically had a distinct seasonal trend in activity levels. Lower revenues are recorded during the first quarter due to winter shutdowns in the construction industry. The fourth quarter had typically been the strongest due in part to the timing of customers' capital investment decisions, delivery of equipment from suppliers for customer-specific orders and conversions of equipment on rent with a purchase option. This pattern has been interrupted by the timing of significant sales to mining customers, which can be variable due to the timing of mine site development and access. We expect this historical seasonal trend to continue for non-mining related business given the nature of the mining industry and the timing of significant deliveries in any given quarter.

CIMCO has also had a distinct seasonal trend in results historically, due to timing of construction activity. CIMCO had traditionally posted a loss in the first quarter on slower construction activity. Profitability increased in subsequent quarters as activity levels and resultant revenues increased. This trend can and has been interrupted somewhat by significant governmental funding initiatives and significant industrial projects.

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

SELECTED ANNUAL INFORMATION

(in thousands, except per share amounts)		**2013**		2012		2011
Revenues	**$**	**1,593,431**	$	1,507,173	$	1,381,974
Net earnings - continuing operations	**$**	**123,031**	$	119,473	$	102,678
Net earnings	**$**	**123,031**	$	119,473	$	246,459
Earnings per share - continuing operations						
- Basic	**$**	**1.61**	$	1.56	$	1.33
- Diluted	**$**	**1.59**	$	1.55	$	1.32
Earnings per share						
- Basic	**$**	**1.61**	$	1.56	$	3.20
- Diluted	**$**	**1.59**	$	1.55	$	3.18
Dividends declared per share	**$**	**0.52**	$	0.48	$	0.48
Total assets	**$**	**1,030,555**	$	936,170	$	913,331
Total long-term debt	**$**	**132,418**	$	159,767	$	134,095
Weighted average common shares outstanding, basic (millions)		**76.6**		76.5		77.0

Revenues grew 6% in 2013, despite competitive market conditions and an uncertain economic environment, through excellent delivery and execution across all lines of business. In 2012, revenues grew 9% on improved market conditions and significant mining activity within the Equipment Group.

Net earnings from continuing operations improved 3% in 2013 and 16% in 2012 on the higher revenues, generally improving margins and relatively slower growth in selling and administrative expenses.

Net earnings in 2011 include results from discontinued operations. Net earnings from discontinued operations in 2011 represent five months of results to May 31, 2011. Additionally, a net gain of $133.2 million was recognized on spinoff.
Earnings per share have generally followed earnings.

Dividends have generally increased in proportion to trailing earnings growth. In 2011, in conjunction with the spinoff, the regular quarterly dividend was apportioned between Toromont and Enerflex. The previous dividend rate of $0.16 per share was allocated $0.10 to Toromont and $0.06 to Enerflex, thereby keeping shareholders whole. Subsequent to the spinoff, Toromont announced a 10% increase in its dividend rate to $0.11 per share. The dividend rate was increased again in 2012 by 9% to $0.12 per share and in 2013 by 8% to $0.13 per share. The Company has announced dividend increases in each of the past 24 years.

Total assets increased in 2013 by 10% mainly due to the increase in cash generated from operations.

Long-term debt decreased in 2013 mainly due to the repayment of the term credit facility. Total debt net of cash to total capitalization was 10% at December 31, 2013, well within target levels.

RISKS AND RISK MANAGEMENT

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

Business Cycle

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

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

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

Product and Supply

The Equipment Group purchases most of its equipment inventories and parts from Caterpillar under a dealership agreement that dates back to 1993. As is customary in distribution arrangements of this type, the agreement with Caterpillar can be terminated by either party upon 90 days' notice. In the event Caterpillar terminates, it must repurchase substantially all inventories of new equipment and parts at cost. Toromont has maintained an excellent relationship with Caterpillar for 21 years and management expects this will continue going forward.

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

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

Competition

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

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

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

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash equivalents, accounts receivable and derivative financial instruments. The carrying amount of assets included on the balance sheet represents the maximum credit exposure.
When the Company has cash on hand it may be invested in short-term instruments, such as money market deposits. The Company manages its credit exposure associated with cash equivalents by ensuring there is no significant concentration of credit risk with a single counterparty, and by dealing only with highly rated financial institutions as counterparties.

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

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

Warranties and Maintenance Contracts

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

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

Foreign Exchange

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

The rate of exchange between the Canadian and U.S. dollar has an impact on revenue trends. The Canadian dollar averaged US$0.97 in 2013 compared to being on par in 2012, a 3% decrease. As substantially all of the equipment and parts sold in the Equipment Group are sourced in U.S. dollars, and Canadian dollar sales prices generally reflect changes in the rate of exchange, a stronger Canadian dollar can adversely affect revenues. The impact is not readily estimable as it is largely dependent on when customers order the equipment versus when it was sold. Bookings in a given period would more closely follow period-over-period changes in exchange rates. Sales of parts come from inventories maintained to service customer requirements. As a result, constant parts replenishment means that there is a lagging impact of changes in exchange rates. In CIMCO, sales are largely affected by the same factors. In addition, revenues from CIMCO's US subsidiary reflect changes in exchange rates on the translation of results, although this is not significant.

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

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

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

Interest Rate

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

At December 31, 2013, 100% of the Company's debt portfolio was comprised of fixed rate debt (2012 – 84%). Fixed rate debt exposes the Company to future interest rate movements upon refinancing the debt at maturity.

Floating rate debt exposes the Company to fluctuations in short-term interest rates by causing related interest payments and finance expense to vary.

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

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

Financing Arrangements

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

Environmental Regulation

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

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

Spinoff Transaction Risk

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

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

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

Property, Plant and Equipment

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

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

Income Taxes

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

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

Impairment of Non-financial Assets

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

Revenue Recognition

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

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

Inventories

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

Employee Future Benefits Expense

The net obligations associated with the defined benefit pension plans are actuarially valued using: the projected unit credit method; the current market discount rate, salary escalation, life expectancy and future pension increases. All assumptions are reviewed at each reporting date.

Share-based Compensation

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

FUTURE ACCOUNTING STANDARDS

A number of amendments to standards and a new interpretation have been issued but are not yet effective for the financial year ending December 31, 2013, and accordingly, have not been applied in preparing these consolidated financial statements.

Levies - In May 2013, the IFRS Interpretations Committee ("IFRIC"), with the approval by the IASB, issued IFRIC 21 - *Levies*. IFRIC 21 provides guidance on when to recognize a liability to pay a levy imposed by government that is accounted for in accordance with IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets*. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014, and is to be applied retrospectively.

Impairment of Assets - In May 2013, the IASB issued amendments to IAS 36 – *Impairment of Assets,* to reverse the unintended requirement in IFRS 13 - *Fair Value Measurement*, to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. These amendments, which would only impact certain disclosure requirements, are effective for annual periods beginning on or after January 1, 2014.

The Company is currently assessing the impact of these amendments and interpretation on its financial statements and does not expect any significant impact.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer and the Chief Financial Officer, together with other members of management, have evaluated the effectiveness of the Company's disclosure controls and procedures and internal controls over financial reporting as at December 31, 2013, using the internal control integrated framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COS)") in 1992. Based on that evaluation, they have concluded that the design and operation of the Company's disclosure controls and procedures were adequate and effective as at December 31, 2013, to provide reasonable assurance that a) material information relating to the Company and its consolidated subsidiaries would have been known to them and by others within those entities, and b) information required to be disclosed is recorded, processed, summarized and reported within required time periods. They have also concluded that the design and operation of internal controls over financial reporting were adequate and effective as at December 31, 2013, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reporting in accordance with IFRS.

There have been no changes in the design of the Company's internal controls over financial reporting during 2013 that would materially affect, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.
While the Officers of the Company have evaluated the effectiveness of disclosure controls and procedures and internal control over financial reporting as at December 31, 2013 and have concluded that these controls and procedures are being maintained as designed, they expect that the disclosure controls and procedures and internal controls over financial reporting may not prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

In May 2013, COSO released an updated version of the 1992 internal control integrated framework. The original framework will be available through December 15, 2014, at which time the 1992 framework will be superseded. The Company is in the process of reviewing the changes to the framework and developing a transition plan to adopt the new framework for the fiscal year ending December 31, 2014.

NON-IFRS FINANCIAL MEASURES

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

Operating Income and Operating Margin

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

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

Return on Equity and Return on Capital Employed

Return on equity ("ROE") is monitored to assess the profitability of the consolidated Company. ROE is calculated by dividing net earnings by opening shareholders' equity (adjusted for shares issued and redeemed during the year).

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

Working Capital and Non-Cash Working Capital

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

Net Debt to Total Capitalization

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

Free Cash Flow

Free cash flow is defined as cash provided by operating activities (as per the Consolidated Statement of Cash Flows), less cash used in investing activities, other than business acquisitions.

TOROMONT INDUSTRIES LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)

($ thousands)	Note	**December 31 2013**	December 31 2012
			Restated See Note 1
Assets			
Current assets			
Cash		**$ 70,769**	$ 2,383
Accounts receivable	3	**240,259**	231,518
Inventories	4	**327,439**	327,785
Income taxes receivable		**6,135**	-
Derivative financial instruments		**1,331**	43
Other current assets		**4,585**	4,086
Total current assets		**650,518**	565,815
Property, plant and equipment	5	**166,440**	157,993
Rental equipment	5	**174,712**	158,932
Other assets	6	**8,861**	12,614
Deferred tax assets	15	**2,435**	13,697
Goodwill and intangible assets	7	**27,589**	27,119
Total assets		**$ 1,030,555**	$ 936,170
Liabilities			
Current liabilities			
Accounts payable, accrued liabilities and provisions	8	**$ 248,461**	$ 203,468
Deferred revenues		**48,924**	54,664
Current portion of long-term debt	9	**1,470**	1,372
Derivative financial instruments		**-**	262
Income taxes payable		**-**	3,130
Total current liabilities		**298,855**	262,896
Deferred revenues		**11,060**	11,337
Long-term debt	9	**130,948**	158,395
Accrued pension liability	19	**13,135**	26,840
Derivative financial instruments		**-**	127
Shareholders' equity			
Share capital	10	**279,149**	270,900
Contributed surplus	11	**6,329**	5,957
Retained earnings		**289,979**	199,486
Accumulated other comprehensive income		**1,100**	232
Shareholders' equity		**576,557**	476,575
Total liabilities and shareholders' equity		**$ 1,030,555**	$ 936,170

See accompanying notes

TOROMONT INDUSTRIES LTD.
CONSOLIDATED INCOME STATEMENTS
(Unaudited)

Years ended December 31 ($ thousands, except share amounts)	**Note**		**2013**		2012
					Restated
					See Note 1
Revenues	23	**$**	**1,593,431**	$	1,507,173
Cost of goods sold	17		**1,201,913**		1,122,765
Gross profit			**391,518**		384,408
Selling and administrative expenses	17		**217,556**		215,600
Operating income			**173,962**		168,808
Interest expense	14		**8,693**		9,714
Interest and investment income	14		**(3,793)**		(3,974)
Income before income taxes			**169,062**		163,068
Income taxes	15		**46,031**		43,595
Net earnings		**$**	**123,031**	$	119,473
Earnings per share					
Basic	16	**$**	**1.61**	$	1.56
Diluted	16	**$**	**1.59**	$	1.55
Weighted average number of shares outstanding					
Basic			**76,612,204**		76,549,792
Diluted			**77,155,151**		77,086,929

See accompanying notes

TOROMONT INDUSTRIES LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

Years ended December 31 ($ thousands)	**2013**	2012 *Restated* *See Note 1*
Net earnings	**$ 123,031**	$ 119,473
Other comprehensive income (loss):		
Items that may be reclassified subsequently to net earnings:		
Unrealized gain (loss) on translation of financial statements of foreign operations	**407**	(121)
Change in fair value of derivatives designated as cash flow hedges, net of income tax expense (recovery) (2013 - $1,084; 2012 - ($650))	**3,089**	(1,619)
(Gain) loss on derivatives designated as cash flow hedges transferred to net earnings, net of income tax expense (recovery) (2013 - $925; 2012 - ($435))	**(2,628)**	1,080
Items that will not be reclassified subsequently to net earnings:		
Actuarial gains (losses) on pension plans, net of income tax expense (recovery) (2013 - $2,637; 2012 - ($1,115))	**7,316**	(3,096)
Other comprehensive income (loss)	**8,184**	(3,756)
Comprehensive income	**$ 131,215**	$ 115,717

See accompanying notes

TOROMONT INDUSTRIES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

Years ended December 31 ($ thousands)	**Note**	**2013**	2012
			Restated
			See Note 1
Operating activities			
Net earnings		**$ 123,031**	$ 119,473
Items not requiring cash:			
Depreciation and amortization		**59,246**	52,818
Stock-based compensation	11	**1,957**	1,659
Accrued pension liability		**(3,752)**	(3,532)
Deferred income taxes		**8,462**	379
Gain on sale of rental equipment and property, plant and equipment		**(10,071)**	(8,967)
		178,873	161,830
Net change in non-cash working capital and other	21	**21,665**	(124,475)
Cash provided by operating activities		**200,538**	37,355
Investing activities			
Additions to:			
Rental equipment		**(69,123)**	(77,611)
Property, plant and equipment		**(25,680)**	(23,700)
Proceeds on disposal of:			
Rental equipment		**22,143**	22,562
Property, plant and equipment		**1,393**	1,504
Increase in other assets		**(265)**	(291)
Increase in intangible assets		**(500)**	(13,669)
Cash used in investing activities		**(72,032)**	(91,205)
Financing activities			
(Decrease) increase in term credit facility debt		**(26,547)**	26,547
Repayment of long-term debt		**(1,372)**	(1,280)
Financing costs		**-**	(369)
Dividends	10	**(39,026)**	(35,996)
Shares purchased for cancellation		**-**	(14,137)
Cash received on exercise of stock options		**6,660**	6,202
Cash used in financing activities		**(60,285)**	(19,033)
Effect of exchange rate changes on cash denominated in foreign currency		**165**	(53)
Increase (decrease) in cash		**68,386**	(72,936)
Cash at beginning of year		**2,383**	75,319
Cash at end of year		**$ 70,769**	$ 2,383

Supplemental cash flow information (note 21)

See accompanying notes

TOROMONT INDUSTRIES LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

($ thousands)	Notes	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income: Foreign currency translation adjustments	Accumulated other comprehensive income: Cash flow hedges	Accumulated other comprehensive income: Total	Total
At January 1, 2013		**$ 270,900**	**$ 5,957**	**$ 199,486**	**$ 424**	**$ (192)**	**$ 232**	**$ 476,575**
Net earnings		-	-	123,031	-	-	-	123,031
Other comprehensive income		-	-	7,316	407	461	**868**	8,184
Effect of stock compensation plans	10,11	8,271	372	-	-	-	-	8,643
Other adjustments		(22)	-		-	-	-	(22)
Dividends		-	-	(39,854)	-	-	-	(39,854)
At December 31, 2013		**$ 279,149**	**$ 6,329**	**$ 289,979**	**$ 831**	**$ 269**	**$ 1,100**	**$ 576,557**

($ thousands) - *Restated - See Note 1*	Notes	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income: Foreign currency translation adjustments	Accumulated other comprehensive income: Cash flow hedges	Accumulated other comprehensive income: Total	Total
At January 1, 2012		**$ 265,436**	**$ 5,890**	**$ 131,643**	**$ 545**	**$ 347**	**$ 892**	**$ 403,861**
Net earnings		-	-	119,473	-	-	-	119,473
Other comprehensive loss		-	-	(3,096)	(121)	(539)	**(660)**	(3,756)
Shares purchased for cancellation	10	(2,330)	-	(11,806)	-	-	-	(14,136)
Effect of stock compensation plans	10,11	7,794	67	-	-	-	-	7,861
Dividends		-	-	(36,728)	-	-	-	(36,728)
At December 31, 2012		**$ 270,900**	**$ 5,957**	**$ 199,486**	**$ 424**	**$ (192)**	**$ 232**	**$ 476,575**

See accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
December 31, 2013
($ thousands except where otherwise indicated)

1. DESCRIPTION OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Corporate Information

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

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

Statement of Compliance

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

These consolidated unaudited financial statements were authorized for issue by the Audit Committee of the Board of the Directors on February 10, 2014.

Basis of Preparation

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

Basis of Consolidation

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

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

Business Combinations and Goodwill

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

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

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

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

Cash and Cash Equivalents

Cash consists of petty cash and demand deposits. Cash equivalents, when applicable, consists of short-term deposits with an original maturity of three months or less.

Accounts Receivable

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

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

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

Inventories

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

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

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

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

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

Property, Plant and Equipment

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

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

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

Rental Equipment

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

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairments losses. The useful lives of intangible assets are assessed as either finite or indefinite. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually. Intangible assets with a definite useful life are amortized over a period of 17 years on a straight line basis.

Provisions

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

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

Financial Instruments

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

Financial Assets

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

- Cash and cash equivalents are classified as held for trading and as such are measured at fair value, with changes in fair value being included in profit or loss.
- Accounts receivable are classified as loans and receivables and are recorded at amortized cost using the effective interest rate method, less provisions for doubtful accounts.
- Derivatives are classified as held for trading and are measured at fair value with changes in fair value being included in profit or loss, unless they are designated as hedging instruments, in which case changes in fair value are included in other comprehensive income.

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

Financial Liabilities

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

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

Fair Value of Financial Instruments

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

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.

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

Derivative Financial Instruments and Hedge Accounting

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

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

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

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

- If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset, the associated gains or losses that were recognized in other comprehensive income are included in the initial cost or other carrying amount of the asset;
- For cash flow hedges other than those identified above, amounts accumulated in other comprehensive income are recycled to the income statement in the period when the hedged item will affect earnings (for instance, when the forecast sale that is hedged takes place);
- When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in other comprehensive income remains in other comprehensive income and is recognized when the forecast transaction is ultimately recognized in the income statement; and
- When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately recognized in the income statement.

Impairment of Non-financial Assets

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

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

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

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

Revenue Recognition

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

- Revenues from the sale of equipment are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on shipment of the goods and/or invoicing.
- Revenues from the sale of equipment for which the Company has provided a guarantee to repurchase the equipment at predetermined residual values and dates are accounted for as operating leases. Revenues are recognized over the period extending to the date of the residual value guarantee.
- Revenues from the sale of equipment systems involving design, manufacture, installation and start-up are recorded using the percentage-of-completion method. Percentage-of-completion is normally measured by reference to costs incurred to date as a percentage of total estimated cost for each contract. Any foreseeable losses on such projects are recognized immediately in profit or loss as identified.
- Revenues from equipment rentals are recognized in accordance with the terms of the relevant agreement with the customer, generally on a straight-line basis over the term of the agreement.
- Product support services include sales of parts and servicing of equipment. For the sale of parts, revenues are recognized when the part is shipped to the customer. For servicing of equipment, revenues are recognized on completion of the service work.

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

Foreign Currency Translation

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

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

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

Share-based Payment Transactions

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

For equity-settled plans, which are no longer available to non-employee directors, expense is based on the fair value of the awards granted determined using the Black-Scholes option pricing model and the best estimate of the number of equity instruments that will ultimately vest. For awards with graded vesting, each tranche is considered to be a separate grant based on its respective vesting period. The fair value of each tranche is determined separately on the date of grant and is recognized as stock-based compensation expense, net of forfeiture estimate, over the term of its respective vesting period.

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

Employee Future Benefits

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

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

- The cost of pensions earned by employees is actuarially determined using the projected unit credit method pro-rated on length of service and management's best estimate assumptions to value its pensions using a measurement date of December 31;
- Net interest is calculated by applying the discount rate to the net defined benefit liability or asset;
- Past service costs from plan amendments are recognized immediately in net earnings to the extent that the benefits have vested; otherwise, they are amortized on a straight-line basis over the vesting period;
- Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in retained earnings and included in the statement of comprehensive income in the period in which they occur.

Income Taxes

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

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

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

Leases

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

Toromont as Lessee

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

Toromont as Lessor

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

Borrowing Costs

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

Standards Adopted in 2013

Certain new standards and amendments to standards that were adopted on January 1, 2013 are noted below.

a. IAS 19 - *Employee Benefits*

The Company adopted revisions to IAS 19 - *Employee Benefits* (“IAS 19R”) effective January 1, 2013. As a result, expected returns on plan assets of defined benefit plans are not recognized in net earnings. Instead, interest on net defined benefit obligation is recognized in net earnings, calculated using the discount rate used to measure the net pension obligation or asset.

The change in accounting policy has been applied retrospectively. As all components of other comprehensive income related to employee benefits were previously recognized in retained earnings, there was no impact on the January 1, 2012 statement of financial position for the adoption of IAS 19R.

The following is a summary of the impact of the adjustments related to the adoption of IAS 19R on the respective financial statements:

As at and for the year ended December 31, 2012:
- Increase in pension expense - $1,470
- Decrease in income tax expense - $390
- Decrease in net earnings - $1,080 ($0.01 per share basic)
- Decrease in other comprehensive loss - $1,080
- No change to accrued pension liability or deferred tax assets

b. IFRS 10 - *Consolidated Financial Statements*, IFRS 11 – *Joint Arrangements*, IFRS 12 – *Disclosure of Interests in Other Entities* and amendments to IAS 27 - *Separate Financial Statements* and IAS 28 – *Investments in Associates*

The adoption of these standards and amendments had no impact on the financial statements of the Company.

c. IFRS 13 - Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value. IFRS 13 also requires additional disclosures. Application of IFRS 13 has not materially impacted the fair value measurements of the Company. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 12.

d. IAS 1 - Presentation of Financial Statements

The amendments enhance the presentation of other comprehensive income ("OCI") in the financial statements, primarily by requiring the components of OCI to be presented separately for items that may be reclassified to the statement of earnings from those that remain in equity. The amendment affected presentation only and had no impact on the Company's financial position or performance.

Standards Issued But Not Yet Effective

A number of amendments to standards and a new interpretation have been issued but are not yet effective for the financial year ended December 31, 2013, and accordingly, have not been applied in preparing these consolidated financial statements.

Levies - In May 2013, the IFRS Interpretations Committee ("IFRIC"), with the approval by the IASB, issued IFRIC 21 - *Levies*. IFRIC 21 provides guidance on when to recognize a liability to pay a levy imposed by government that is accounted for in accordance with IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets*. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014, and is to be applied retrospectively. The Company is currently assessing the impact of adopting this interpretation on its consolidated financial statements and does not expect any significant impact.

Impairment of Assets - In May 2013, the IASB issued amendments to IAS 36 – *Impairment of Assets*, to reverse the unintended requirement in IFRS 13 - *Fair Value Measurement*, to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. These amendments are effective for annual periods beginning on or after January 1, 2014. As the amendments impact certain disclosure requirements only, the Company does not expect any significant impact on the financial statements.

2. Significant Accounting Estimates and Assumptions

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

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

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

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

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 of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for 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 ("DCF") model. The cash flows are derived from the budget for the next three 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 CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 7.

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

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

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

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

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

Employee Future Benefits Expense - The net obligations associated with the defined benefit pension plans are actuarially valued using: the projected unit credit method; the current market discount rate, salary escalation, life expectancy and future pension increases. All assumptions are reviewed at each reporting date.

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

3. ACCOUNTS RECEIVABLE

	December 31 2013	December 31 2012
Trade receivables	**$ 223,672**	$ 221,999
Less: allowance for doubtful accounts	**(9,242)**	(5,496)
Trade receivables - net	**214,430**	216,503
Other receivables	**25,829**	15,015
Trade and other receivables	**$ 240,259**	$ 231,518

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

	December 31 2013	December 31 2012
Current to 90 days	**$ 210,055**	$ 211,750
Over 90 days	**13,617**	10,249
	$ 223,672	$ 221,999

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

	December 31 2013	December 31 2012
Balance, beginning of year	**$ 5,496**	$ 5,574
Provisions and revisions, net	**3,746**	(78)
Balance, end of year	**$ 9,242**	$ 5,496

4. INVENTORIES

	December 31 2013	December 31 2012
Equipment	**$ 214,646**	$ 219,549
Repair and distribution parts	**85,002**	76,783
Direct materials	**2,789**	2,598
Work-in-process	**25,002**	28,855
	$ 327,439	$ 327,785

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 2013 was $933 million (2012 - $885 million). The cost of goods sold includes inventory write-downs pertaining to obsolescence and aging together with recoveries of past write-downs upon disposition. The amounts charged to the consolidated income statement and included in cost of goods sold on a net basis for inventory valuation issues during 2013 was $1.0 million. A net reversal of write-downs of $0.2 million was recorded in 2012.

5. PROPERTY, PLANT AND EQUIPMENT AND RENTAL EQUIPMENT

	Land	**Buildings**	**Equipment**	**Power Generation**	**Total**	**Rental Equipment**
Cost						
January 1, 2013	$ 46,017	$ 113,200	$ 118,440	$ 38,291	$ 315,948	$ 299,412
Additions	55	10,835	15,565	348	26,803	69,494
Disposals	(12)	(52)	(4,449)	-	(4,513)	(35,516)
Currency translation effects	9	5	55	-	69	-
December 31, 2013	$ 46,069	$ 123,988	$ 129,611	$ 38,639	$ 338,307	$ 333,390
Accumulated depreciation						
January 1, 2013	$ -	$ 53,835	$ 82,361	$ 21,759	$ 157,955	$ 140,480
Depreciation charge	-	4,836	11,838	1,537	18,211	40,436
Depreciation of disposals	-	(105)	(4,223)	-	(4,328)	(22,238)
Currency translation effects	-	2	27	-	29	-
December 31, 2013	$ -	$ 58,568	$ 90,003	$ 23,296	$ 171,867	$ 158,678
Net book value - December 31, 2013	$ 46,069	$ 65,420	$ 39,608	$ 15,343	$ 166,440	$ 174,712

	Land		Buildings		Equipment		Power Generation		Total		Rental Equipment
Cost											
January 1, 2012	$	45,635	$	110,297	$	107,380	$	37,992	$	301,304	$ 262,468
Additions		385		3,750		18,823		301		23,259	73,531
Disposals		-		(835)		(7,755)		(2)		(8,592)	(36,587)
Currency translation effects		(3)		(12)		(8)		-		(23)	-
December 31, 2012	$	46,017	$	113,200	$	118,440	$	38,291	$	315,948	$ 299,412
Accumulated depreciation											
January 1, 2012	$	-	$	49,576	$	79,554	$	20,246	$	149,376	$ 127,106
Depreciation charge		-		4,715		10,375		1,515		16,605	35,440
Depreciation of disposals		-		(454)		(7,558)		(2)		(8,014)	(22,066)
Currency translation effects		-		(2)		(10)		-		(12)	-
December 31, 2012	$	-	$	53,835	$	82,361	$	21,759	$	157,955	$ 140,480
Net book value - December 31, 2012	$	46,017	$	59,365	$	36,079	$	16,532	$	157,993	$ 158,932

During 2013, depreciation expense of $53,864 was charged in cost of goods sold (2012 - $47,255) and $4,783 was charged to selling and administrative expenses (2012 - $4,790).

Operating income from rental operations for the year ended December 31, 2013 was $29.4 million (2012 - $26.8 million).

6. OTHER ASSETS

	December 31 2013	December 31 2012
Equipment sold with guaranteed residual values	**$ 7,437**	$ 11,456
Other	**1,424**	1,158
	$ 8,861	$ 12,614

7. GOODWILL AND INTANGIBLE ASSETS

		December 31 2013	December 31 2012
Goodwill		**$ 13,450**	$ 13,450
Intangible Assets:			
Distribution Network (indefinite life)		**13,669**	13,669
Patents (definite life):			
Cost	500		-
Accumulated amortization	(30)		-
Net book value		**470**	-
Total Goodwill and Intangible Assets		**$ 27,589**	$ 27,119

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

Impairment testing of Goodwill and Intangible Assets with indefinite lives

Goodwill and intangible assets with indefinite lives have been allocated to two CGUs for impairment testing as follows:

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

The respective carrying amounts have been allocated to the two CGUs below:

	Goodwill		Intangible Assets		Total	
	2013	2012	**2013**	2012	**2013**	2012
Toromont CAT	**$ 13,000**	$ 13,000	**$ 13,669**	$ 13,669	**$ 26,669**	$ 26,669
CIMCO	450	450	-	-	450	450
Total	**$ 13,450**	$ 13,450	**$ 13,669**	$ 13,669	**$ 27,119**	$ 27,119

The Company performed the annual impairment test of goodwill and intangible assets allocated to Toromont CAT as at December 31, 2013. The recoverable amount of Toromont CAT has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a three-year period. Cash flow beyond the three-year period was extrapolated using a 2% growth rate which represents the expected growth in the Canadian economy. The pre-tax discount rate applied to cash flow projects is 10.8%. As a result of the analysis, management did not identify impairment for this CGU.

The Company performed the annual impairment test of goodwill allocated to CIMCO as at December 31, 2013. The recoverable amount of CIMCO has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a three-year period. Cash flow beyond the three-year period was extrapolated using a 2% growth rate which represents the expected growth in the Canadian economy. The pre-tax discount rate applied to cash flow projects is 13.0%. As a result of the analysis, management did not identify impairment for this CGU.

Key Assumption Used in Value in Use Calculations

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

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

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

The cost of debt is based on the interest-bearing borrowings the Company is obliged to service. Segment-specific risk is incorporated by applying different debt to equity ratios.

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

Sensitivity to Changes in Assumptions

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

8. PAYABLES, ACCRUALS AND PROVISIONS

		December 31 2013		December 31 2012
Accounts payable and accrued liabilities	**$**	**224,073**	$	183,361
Dividends payable		**9,987**		9,165
Provisions		**14,401**		10,942
	$	**248,461**	$	203,468

Activities related to provisions were as follows:

		Warranty		**Other**		**Total**
Balance as at December 31, 2012	$	6,577	$	4,365	$	10,942
New provisions		8,279		3,445		11,724
Charges/credits against provisions		(6,502)		(1,763)		(8,265)
Balance as at December 31, 2013	$	8,354	$	6,047	$	14,401

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

Warranty

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

Other

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

9. LONG-TERM DEBT

	December 31 2013	December 31 2012
Bank credit facility	$ -	$ 26,547
Senior debentures	134,511	135,883
Debt issuance costs, net of amortization	(2,093)	(2,663)
Total long-term debt	132,418	159,767
Less current portion	1,470	1,372
	$ 130,948	$ 158,395

All debt is unsecured.

The Company maintains a $200 million committed credit facility. The facility matures in September 2017. Debt incurred under the facility is unsecured and ranks pari passu with debt outstanding under Toromont's existing debentures. Interest is based on a floating rate, primarily bankers' acceptances and prime, plus applicable margins and fees based on the terms of the credit facility.

At December 31, 2013, standby letters of credit issued utilized $26.6 million of the credit lines (December 31, 2012 – $24.1 million).

Terms of the senior debentures are:

- $125,000, 4.92% senior debentures due October 13, 2015, interest payable semi-annually, principal due on maturity; and
- $9,511, 7.06% senior debentures due March 29, 2019, interest payable semi-annually through September 29, 2009; thereafter, blended principal and interest payments through to maturity.

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

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

	Principal	Interest
2014	$ 1,470	$ 6,796
2015	126,577	5,342
2016	1,690	427
2017	1,811	306
2018	1,941	176
2019	1,022	36
	$ 134,511	$ 13,083

Interest expense includes interest on debt initially incurred for a term greater than one year of $7,984 (2012 - $8,425).

10. SHARE CAPITAL

Authorized

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

Issued

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

	2013		2012	
	Number of Common Shares	**Common Share Capital**	Number of Common Shares	Common Share Capital
Balance, beginning of year	**76,407,658**	**$ 270,900**	76,629,777	$ 265,436
Exercise of stock options	**443,371**	**8,271**	443,920	7,794
Purchase of shares for cancellation	**-**	**-**	(666,039)	(2,330)
Other adjustments	**(6,132)**	**(22)**	-	-
Balance, end of year	**76,844,897**	**$ 279,149**	76,407,658	$ 270,900

Shareholder Rights Plan

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

Normal Course Issuer Bid ("NCIB")

Toromont renewed its NCIB program in 2013. The current issuer bid allows the Company to purchase up to approximately 6.5 million of its common shares in the 12-month period ending August 30, 2014, representing 10% of common shares in the public float, as estimated at the time of renewal. The actual number of shares purchased and the timing of any such purchases will be determined by Toromont. All shares purchased under the bid will be cancelled.

The Company did not purchase any shares under the normal course issuer bid during the year ended December 31, 2013. In the year ended December 31, 2012, the Company purchased and cancelled 666,039 common shares for $14,137 (average cost of $21.23 per share) under its NCIB program.

Dividends

The Company paid dividends of $39.0 million ($0.51 per share) for the year ended December 31, 2013 and $36.0 million ($0.47 per share) for the year ended December 31, 2012.

For the year ended December 31, 2013, the Board of Directors of the Company declared dividends of $0.52 per common share or $0.13 per quarter (2012 - $0.48 ($0.12 per quarter). The fourth quarter dividend of $0.13 per share was declared on November 4, 2013, payable on January 2, 2014, to all shareholders on record at December 11, 2013. As such, at December 31, 2013, the Company accrued $10 million in accounts payable and accrued liabilities on the consolidated statement of financial position. Subsequent to the year ended December 31, 2013, this amount was paid.

11. CONTRIBUTED SURPLUS

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

		2013		2012
Contributed surplus, beginning of year	**$**	**5,957**	$	5,890
Stock-based compensation, net of forfeitures		**1,957**		1,659
Value of compensation cost associated with exercised options		**(1,585)**		(1,592)
Contributed surplus, end of year	**$**	**6,329**	$	5,957

12. FINANCIAL INSTRUMENTS

Financial Assets and Liabilities – Classification and Measurement

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

Fair Value of Financial Instruments

As at December 31, 2013		**Derivatives**		**Other financial liabilities**		**Total**
Current portion of long-term debt	**$**	**-**	**$**	**(1,470)**	**$**	**(1,470)**
Derivative financial instruments		**1,331**		**-**		**1,331**
Long term debt		**-**		**(130,948)**		**(130,948)**
Total	**$**	**1,331**	**$**	**(132,418)**	**$**	**(131,087)**

As at December 31, 2012		Derivatives		Other financial liabilities		Total
Current portion of long-term debt	$	-	$	(1,372)	$	(1,372)
Derivative financial instruments		(346)		-		(346)
Long term debt		-		(158,395)		(158,395)
Total	$	(346)	$	(159,767)	$	(160,113)

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

The fair value of senior debentures as at December 31, 2013 was $141,800 (carrying value of $134,511) (2012 – $144,078 (carrying value of $135,883)). The fair value was determined using the discounted cash flow method, a generally accepted valuation technique. The discounted factor is based on market rates for debt with similar terms and remaining maturities and based on Toromont's credit risk. The Company has no plans to prepay these instruments prior to maturity. The valuation is determined using Level 2 inputs which are observable inputs or inputs which can be corroborated by observable market data for substantially the full term of the asset or liability.

During the year ended December 31, 2013, there were no transfers between Level 1 and Level 2 fair value measurements.

Derivative Financial Instruments and Hedge Accounting

Foreign exchange contracts and options are transacted with financial institutions to hedge foreign currency denominated obligations related to purchases of inventory and sales of products. As at December 31, 2013, the Company was committed to USD purchase contracts with a notional amount of $107 million at an average exchange rate of $1.0527, maturing between January 2014 and November 2014.

Management estimates that a gain of $1,331 (2012 – loss of $346) would be realized if the contracts were terminated on December 31, 2013. Certain of these forward contracts are designated as cash flow hedges, and accordingly, an unrealized gain of $360 (2012 – loss of $260) has been included in OCI. These gains are not expected to affect net earnings as the gains will be reclassified to net earnings within the next 12 months and will offset losses recorded on the underlying hedged items, namely foreign denominated accounts payable. Certain of these forward contracts are not designated as cash flow hedges but are entered into for periods consistent with foreign currency exposure of the underlying transactions. A gain of $971 (2012 – loss of $86) on these forward contracts is included in net earnings, which offsets losses recorded on the foreign-denominated items, namely accounts payable.

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

13. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

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

Currency Risk

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

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

Sensitivity Analysis

The following sensitivity analysis is intended to illustrate the sensitivity to changes in foreign exchange rates on the Company's financial instruments and show the impact on net earnings and comprehensive income. It is provided as a reasonably possibly change in currency in a volatile environment. Financial instruments affected by currency risk include cash, accounts receivable, accounts payable and derivative financial instruments.

As at December 31, 2013, a 5% weakening (strengthening) of the Canadian dollar against the US dollar would result in a $235 increase (decrease) in OCI for financial instruments held in foreign operations and a $810 increase (decrease) in net earnings and $1,851 increase (decrease) in OCI for financial instruments held in Canadian operations.

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

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

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

Credit Risk

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

The Company has deposited cash with reputable financial institutions, from which management believes the risk of loss to be remote.

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

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

Interest Rate Risk

The Company minimizes its interest rate risk by managing its portfolio of floating and fixed rate debt, as well as managing the term to maturity. The Company may use derivative instruments such as interest rate swap agreements to manage its current and anticipated exposure to interest rates. There were no interest rate swap agreements outstanding as at December 31, 2013 or December 31, 2012.

The Company did not have any floating rate debt at December 31, 2013 (December 31, 2012 - $26.5 million).

Liquidity Risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting obligations associated with financial liabilities. As at December 31, 2013, the Company had unutilized lines of credit of $173.4 million (December 31, 2012 - $149.4 million).

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

The Company expects that continued cash flows from operations in 2014, together with currently available credit facilities, will be more than sufficient to fund its requirements for investments in working capital, capital assets and dividend payments through the next 12 months, and that the Company's credit ratings provide reasonable access to capital markets to facilitate future debt issuance.

14. INTEREST INCOME AND EXPENSE

The components of interest expense were as follows:

	2013	2012
Term loan facility	$ 1,894	$ 2,807
Senior debentures	6,799	6,907
	$ 8,693	$ 9,714

The components of interest and investment income were as follows:

	2013	2012
Interest income on rental conversions	$ 3,036	$ 3,529
Other	757	445
	$ 3,793	$ 3,974

15. INCOME TAXES

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

	2013	2012
Current income tax expense	$ 37,565	$ 43,212
Deferred income tax expense	8,466	383
Total income tax expense	$ 46,031	$ 43,595

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

	2013	2012
Statutory Canadian federal and provincial income tax rates	26.50%	26.50%
Expected taxes on income	$ 44,801	$ 43,213
Increase (decrease) in income taxes resulting from:		
Higher effective tax rates in other jurisdictions	291	110
Manufacturing and processing rate reduction	(270)	(218)
Expenses not deductible for tax purposes	993	902
Non-taxable gains	(270)	(83)
Effect of future income tax rate increases (reductions)	283	(320)
Other	203	(9)
Provision for income taxes	$ 46,031	$ 43,595
Effective income tax rate	27.2%	26.7%

The statutory income tax rate represents the combined Canadian federal and Ontario provincial income tax rates which are the relevant tax jurisdictions for the Company.

The source of deferred income taxes was as follows:

	2013	2012
Accrued liabilities	**$ 10,315**	$ 9,681
Deferred revenue	**1,988**	1,193
Accounts receivable	**1,389**	1,273
Inventories	**2,861**	2,866
Capital assets	**(18,000)**	(9,147)
Pension	**3,274**	7,144
Other	**700**	620
Cash flow hedges in other comprehensive income	**(92)**	67
Deferred tax assets	**$ 2,435**	$ 13,697

The movement in net deferred tax assets was as follows:

	2013	2012
Balance, January 1	**$ 13,697**	$ 12,749
Tax expense recognized in income	**(8,466)**	(383)
Tax (expense) recovery recognized in other comprehensive income	**(2,796)**	1,331
Balance, December 31	**$ 2,435**	$ 13,697

The aggregate amount of temporary differences associated with investments in subsidiaries for which deferred tax assets have not been recognized as at December 31, 2013 was $50,097 (December 31, 2012 - $39,512).

16. EARNINGS PER SHARE

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

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

	2013	2012
Net earnings available to common shareholders	**$ 123,031**	$ 119,473
Weighted average common shares outstanding	**76,612,204**	76,549,792
Dilutive effect of stock option conversion	**542,947**	537,137
Diluted weighted average common shares outstanding	**77,155,151**	77,086,929
Earnings per share		
Basic	**$ 1.61**	$ 1.56
Diluted	**$ 1.59**	$ 1.55

For the calculation of diluted earnings per share for the year ended December 31, 2013, 507,200 outstanding stock options with an exercise price of $23.50 were considered anti-dilutive (exercise price in excess of average market price during the year ended December 31, 2013) and as such were excluded from the calculation. There were no anti-dilutive options for the year ended December 31, 2012.

17. EMPLOYEE BENEFITS EXPENSE

		2013		2012
Wages and salaries	**$**	**274,601**	$	264,360
Other employment benefit expenses		**44,218**		43,013
Share options granted to directors and employees		**1,957**		1,659
Pension costs		**11,590**		11,097
	$	**332,366**	$	320,129

18. STOCK-BASED COMPENSATION

The Company maintains a stock option program for certain employees. Under the plan, up to 7,000,000 options may be granted for subsequent exercise in exchange for common shares. It is the Company's policy that no more than 1% of outstanding shares or 764,077 share options may be granted in any one year. Stock options vest 20% per year on each anniversary date of the grant and are exercisable at the designated common share price, which is fixed at prevailing market prices of the common shares at the date the option is granted. Stock options granted prior to 2013 have a seven year term and those granted in 2013 have a ten year term. Toromont accrues compensation cost over the vesting period based on the grant date fair value.

A reconciliation of the outstanding options for the years ended December 31, 2013 and 2012 was as follows:

	Year ended December 31, 2013			Year ended December 31, 2012		
	Number of Options		**Weighted Average Exercise Price**	Number of Options		Weighted Average Exercise Price
Options outstanding, beginning of year	**2,564,355**	**$**	**16.92**	2,419,060	$	15.41
Granted	**516,200**		**23.40**	610,100		20.76
Exercised (1)	**(443,371)**		**15.07**	(443,920)		13.97
Forfeited	**(26,910)**		**19.68**	(20,885)		16.61
Options outstanding, end of year	**2,610,274**	**$**	**18.49**	2,564,355	$	16.92
Options exercisable, end of year	**1,006,224**	**$**	**16.20**	972,990	$	15.24

(1) For the year ended December 31, 2013, the weighted average share price at date of exercise was $23.78 (2012 - $21.95).

The following table summarizes stock options outstanding and exercisable as at December 31, 2013.

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	**Number Outstanding**	**Weighted Average Remaining Life (years)**	**Weighted Average Exercise Price**	**Number Outstanding**	**Weighted Average Exercise Price**
$12.42 - $14.75	344,289	1.7	$ 12.93	271,029	$ 13.07
$14.76 - $17.10	1,165,770	3.5	$ 16.83	618,920	$ 16.71
$17.11 - $23.40	1,100,215	7.4	$ 21.98	116,275	$ 20.76
Total	2,610,274	4.9	$ 18.49	1,006,224	$ 16.20

The fair value of the stock options granted during 2013 and 2012 were determined at the time of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2013	2012
Fair value price per option	**$ 5.49**	$ 3.91
Expected life of options (years)	**8.29**	5.81
Expected stock price volatility	**25.0%**	25.0%
Expected dividend yield	**2.22%**	2.31%
Risk-free interest rate	**2.28%**	1.34%

Deferred Share Unit Plan

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

The following table summarizes information related to DSU activity:

	2013		2012	
	Number of DSUs	**Value**	Number of DSUs	Value
Outstanding, beginning of year	**211,872**	**$ 4,297**	193,728	$ 4,093
Units granted or taken in lieu of performance incentive awards, director fees and dividends	**77,048**	**1,743**	33,671	778
Redemptions	**-**	**-**	(15,527)	(314)
Fair market value adjustment	**-**	**1,656**	-	(260)
Outstanding, end of year	**288,920**	**$ 7,696**	211,872	$ 4,297

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

Employee Share Ownership Plan

The Company offers an Employee Share Ownership Plan (the "Plan") whereby employees who meet the eligibility criteria can purchase shares by way of payroll deductions. There is a Company match of up to $1,000 per employee per annum based on contributions by the Company of $1 for every $3 contributed by the employee. Company contributions vest to the employee immediately. Company contributions amounting to $0.9 million in 2013 (2012 - $0.9 million) were charged to selling and administrative expenses when paid. The Plan is administered by a third party.

19. EMPLOYEE FUTURE BENEFITS

Defined Contribution Plans

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

Included in the net pension expense for the years ended December 31, were the following components of the defined contribution plans:

	2013	2012
Defined contribution plans	**$ 9,075**	$ 8,648
401(k) matched savings plans	**128**	120
Net pension expense	**$ 9,203**	$ 8,768

Defined Benefit Plans

The Company sponsors funded defined benefit plans for approximately 121 qualifying employees. The defined benefit plans are administered by a separate Fund that is legally separated from the Company.

Outlined below is a summary of the plans in effect at December 31, 2013 and 2012:

a) Powell Plan – This is a legacy plan whose members were employees of Powell Equipment when it was acquired by Toromont in 2001. The plan is a contributory plan that provides pension benefits based on length of service and career average earnings. The plan is administered by the Toromont Pension Management Committee with assets held in a pension fund that is legally separate from the Company and cannot be used for any purpose other than payment of pension benefits and related administrative fees. The plan is registered with the province of Manitoba. Manitoba's minimum funding regulations require special payments for Toromont to amortize any shortfalls of plan assets relative to the cost of settling all accrued benefit entitlements through the purchase of annuities or payments of an equivalent lump sum value (solvency funding basis). Security in the form of letters of credit is permitted in lieu of some or all of these solvency special payments. If the fair value of defined benefit assets were to exceed 105% of this solvency funding target, the excess can be applied to the cost of the defined benefits and defined contributions in future periods. The most recent actuarial valuation was completed as at December 31, 2012, with the next valuation scheduled for December 31, 2013.

b) Executive Plan – This is a non-contributory pension arrangement for certain senior executives that provides for a supplementary retirement payout in excess of amounts provided for under the registered plan. The plan is a supplemental pension plan and is solely the obligation of the Company. The Company is not obligated to fund the plan but pay benefits under the terms of the plan as they come due. At December 31, 2013, the Company has posted letters of credit in the amount of $20.2 million to secure the obligations under this plan. The most recent actuarial valuation was completed as at December 31, 2013, with the next valuation scheduled for December 31, 2014.

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

Risks

The plans typically expose the Company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estates. The Toromont Pension Management Committee reviews the asset mix and performance of the plan assets on a quarterly basis with the balanced investment strategy intention.
Interest risk	A decrease in the bond interest rates will increase the plan liability; however, this will be partially offset by an increase in the plan's holdings in debt instruments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	2013	2012
Discount rate(s)	**4.60%**	3.90%
Expected rate(s) of salary increase	**4.00%**	4.00%

Amounts are recognized in comprehensive income in respect to these defined benefit plans as follows:

	2013	2012
Service cost	**$ 1,394**	$ 1,209
Net interest expense (income)	**993**	1,120
Components of defined benefit costs recognized in net earnings	**2,387**	2,329
Remeasurement on the net defined benefit liability		
Actuarial losses arising from experience adjustments	**$ 992**	$ 1,823
Actuarial losses arising from changes in demographic assumptions	**2,589**	961
Actuarial (gains)/losses arising from changes in financial assumptions	**(7,043)**	3,413
Return on plan assets (excluding amounts included in net interest expense)	**(6,491)**	(1,986)
Components of defined benefit costs recognized in other comprehensive income	**$ (9,953)**	$ 4,211

The changes in the fair value of assets and the pension obligations of the defined benefit plans at year end were as follows:

	2013	2012
Accrued defined benefit obligations:		
Balance, beginning of year	**$ 83,733**	$ 79,373
Current service cost	**1,394**	1,209
Interest cost	**3,212**	3,392
Remeasurement (gains)/losses:		
Actuarial losses arising from experience adjustments	**992**	1,935
Actuarial losses arising from changes in demographic assumptions	**2,589**	961
Actuarial (gains)/losses arising from changes in financial assumptions	**(7,043)**	3,413
Benefits paid	**(5,496)**	(6,983)
Voluntary contributions by plan participants	**410**	433
Balance, end of year	**79,791**	83,733
Plan assets:		
Fair value, beginning of year	**56,893**	53,212
Interest income on plan assets	**2,219**	2,272
Remeasurement gain:		
Return on plan assets (excluding amounts included in net interest expense)	**6,491**	1,986
Contributions from the Company	**6,139**	5,961
Contributions from the plan participants	**410**	433
Benefits paid	**(5,496)**	(6,983)
Other adjustments	**-**	12
Fair value, end of year	**66,656**	56,893
Accrued pension liability	**$ 13,135**	$ 26,840

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

	2013			2012		
	Accrued defined benefit obligation	**Plan assets**	**Accrued pension asset (liability)**	Accrued defined benefit obligation	Plan assets	Accrued pension asset (liability)
Powell Plan	**$ 51,431**	**$ 55,408**	**$ 3,977**	$ 53,844	$ 46,634	$ (7,210)
Executive Plan	**20,965**	**1,888**	**(19,077)**	21,843	1,527	(20,316)
Other plan assets and obligations	**7,395**	**9,360**	**1,965**	8,046	8,732	686
Accrued pension asset (liability)	**$ 79,791**	**$ 66,656**	**$ (13,135)**	$ 83,733	$ 56,893	$ (26,840)

The allocation of the fair value of the plan assets at the end of the reporting period for each category, were as follows:

	2013	2012
Equity securities	**49.0%**	44.6%
Debt securities	**33.6%**	37.8%
Real estate	**16.9%**	16.8%
Cash and cash equivalents	**0.5%**	0.8%

The fair values of the above plan assets are determined based on the following methods:

- Equity securities – generally quoted market prices in active markets.

- Debt securities – generally quoted market prices in active markets.
- Real estate – are valued based on appraisals performed by a qualified external real estate appraiser. Real estate assets are located primarily in Canada.
- Cash and cash equivalents – generally recorded at cost which approximately fair value.

The actual return on plan assets was $8.7 million (2012 - $4.3 million).

Sensitivity Analysis

Significant actuarial assumptions for the determination of the defined obligation are the discount rate and the life expectancy. The sensitivity analyses have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

As at December 31, 2013, the following quantitative analysis shows changes to the significant actuarial assumptions and the corresponding impact to the defined benefit obligation:

	Discount Rate		Life expectancy	
	1% Increase	1% Decrease	Increase by 1 year	Decrease by 1 year
Powell Plan	$ (6,625)	$ 7,650	$ 1,383	$ (1,383)
Executive Plan	$ (1,904)	$ 2,225	$ 552	$ (552)
Other Plan	$ (500)	$ 538	$ 357	$ (357)

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

The Company expects to contribute $5.9 million to the defined benefit plans during 2014.

The weighted average duration of the defined benefit plan obligation at December 31, 2013 was 13.8 years (2012 – 13.2 years).

20. CAPITAL MANAGEMENT

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

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

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

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

		December 31 2013		December 31 2012
Shareholders' equity	**$**	**576,557**	$	476,575
Long-term debt		**132,418**		159,767
Less cash		**(70,769)**		(2,383)
Total capitalization	**$**	**638,206**	$	633,959
Net debt as a % of total capitalization		**10%**		25%
Net debt to equity ratio		**0.11:1**		0.33:1

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

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

21. SUPPLEMENTAL CASH FLOW INFORMATION

		2013		2012
Net change in non-cash working capital and other				
Accounts receivable	**$**	**(8,741)**	$	(22,275)
Inventories		**346**		(25,848)
Accounts payable, accrued liabilities and provisions		**42,806**		(73,486)
Deferred revenues		**(6,017)**		6,514
Other		**(6,729)**		(9,380)
	$	**21,665**	$	(124,475)
Cash paid during the year for:				
Interest	**$**	**7,961**	$	9,097
Income taxes	**$**	**47,804**	$	47,578
Cash received during the year for:				
Interest	**$**	**3,309**	$	3,776
Income taxes	**$**	**2,120**	$	308

22. COMMITMENTS

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

Future minimum lease payments under non-cancellable operating leases as at December 31, 2013 were as follows:

2014	$ 2,473
2015	1,942
2016	1,702
2017	1,174
2018	647
2019 and thereafter	1,064
	$ 9,002

23. SEGMENTED INFORMATION

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

	Equipment Group		CIMCO		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012
Equipment/package sales	**$ 746,006**	$ 708,802	**$ 140,747**	$ 113,586	**$ 886,753**	$ 822,388
Rentals	**193,454**	183,777	-	-	**193,454**	183,777
Product support	**411,582**	405,880	**89,992**	83,693	**501,574**	489,573
Power generation	**11,650**	11,435	**-**	-	**11,650**	11,435
Total revenues	**$ 1,362,692**	$ 1,309,894	**$ 230,739**	$ 197,279	**$ 1,593,431**	$ 1,507,173
Operating Income	**$ 157,924**	$ 154,589	**$ 16,038**	$ 14,219	**$ 173,962**	$ 168,808
Interest expense					**8,693**	9,714
Interest and investment income					**(3,793)**	(3,974)
Income taxes					**46,031**	43,595
Net earnings					**$ 123,031**	$ 119,473

Selected balance sheet information:

As at December 31, 2013	**Equipment Group**	**CIMCO**	**Consolidated**
Identifiable assets	$ 868,145	$ 62,725	$ 930,870
Corporate assets			99,685
Total assets			$ 1,030,555
Identifiable liabilities	$ 247,990	$ 39,081	$ 287,071
Corporate liabilities			166,927
Total liabilities			$ 453,998
Capital expenditures	$ 90,784	$ 4,019	$ 94,803
Depreciation	$ 57,489	$ 1,157	$ 58,646

As at December 31, 2012	Equipment Group	CIMCO	Consolidated
Identifiable assets	$ 835,649	$ 65,530	$ 901,179
Corporate assets			34,991
Total assets			$ 936,170
Identifiable liabilities	$ 214,239	$ 38,845	$ 253,084
Corporate liabilities			206,511
Total liabilities			$ 459,595
Capital expenditures	$ 99,871	$ 1,440	$ 101,311
Depreciation	$ 51,247	$ 798	$ 52,045

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

	2013	2012
Revenues		
Canada	$ 1,542,504	$ 1,470,686
United States	43,895	31,375
International	7,032	5,112
	$ 1,593,431	$ 1,507,173

	2013	2012
Capital Assets and Goodwill		
Canada	$ 351,016	$ 329,346
United States	3,586	1,029
	$ 354,602	$ 330,375

24. RELATED PARTY DISCLOSURES

Key management personnel and director compensation comprised:

		2013		2012
Salaries	$	**2,962**	$	3,128
Stock options and DSU awards		**1,847**		1,337
Annual non-equity incentive based plan compensation		**2,785**		3,665
Pension		**494**		451
All other compensation		**174**		195
	$	**8,262**	$	8,776

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

25. ECONOMIC RELATIONSHIP

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