

# INTERNATIONAL ROAD DYNAMICS INC.

## Consolidated Balance Sheets

February 28, 2006, with comparative figures for November 30, 2005

	2006	2005
<b>Assets</b>		
Current assets:		
Cash	\$ 529,379	\$ 873,827
Accounts receivable	9,278,122	10,398,038
Inventory	4,986,703	5,184,447
Investment tax credits recoverable	230,000	230,000
Prepaid expenses and deposits	370,283	439,821
	15,394,487	17,126,133
Investment tax credit recoverable	3,654,000	3,554,000
Property, plant and equipment	4,387,318	4,408,078
Intangible assets	64,822	67,208
Equity investments	315,988	197,488
	\$ 23,816,615	\$ 25,352,907
<b>Liabilities and Shareholders' Equity</b>		
Current Liabilities:		
Short-term loans	\$ 4,605,527	\$ 4,941,075
Accounts payable and accrued liabilities	2,371,332	2,991,135
Income taxes payable	179,015	178,080
Deferred revenue	206,574	223,825
Future income taxes	477,000	477,000
Current portion of long-term debt	484,000	484,000
	8,323,448	9,295,115
Long-term debt - net	906,657	1,049,532
Deferred revenue	393,096	429,074
Future income taxes	452,000	714,000
	10,075,201	11,487,721
Shareholders' Equity:		
Share capital	11,875,673	11,860,920
Contributed surplus	124,843	119,843
Foreign currency translation adjustment	-33,749	-
Retained earnings	1,774,647	1,884,423
	13,741,414	13,865,186
	\$ 23,816,615	\$ 25,352,907

**INTERNATIONAL ROAD DYNAMICS INC.**

## Interim Consolidated Statement of Operations and Retained Earnings

	Three months ended February 28	
	2006	2005
Sales	\$ 6,324,436	\$ 7,166,957
Cost of sales	4,669,201	4,999,851
	1,655,235	2,167,106
Administrative and marketing expenses	1,736,938	1,774,050
Operating earnings (loss)	-81,703	393,056
Research and development	119,616	137,510
Earnings (loss) before undernoted items	-201,319	255,546
Other expenses (income)		
Foreign exchange gain	-66,205	-77,178
Amortization	167,334	191,895
Interest on short-term debt	84,605	93,970
Interest on long-term debt	28,892	33,742
Other	-15,461	-26,625
Income from equity investment	-118,500	-
	80,665	215,804
Earnings (loss) before income taxes	-281,984	39,742
Provision for income taxes		
Current	89,792	20,268
Future recovery	-262,000	-69,000
	-172,208	-48,732
Net earnings (loss) for the period	-109,776	88,474
Retained earnings, beginning of period		
As previously reported	1,884,423	1,042,154
Less stock based compensation of prior periods	-	-119,843
As restated	1,884,423	922,311
Retained earnings, end of period	\$ 1,774,647	\$ 1,010,785
Earnings per share - basic	\$ -0.01	\$ 0.01
- diluted	\$ -0.01	\$ 0.01

# INTERNATIONAL ROAD DYNAMICS INC.

## Interim Consolidated Statement of Cash Flows

	Three months ended February 28	
	2006	2005
Cash provided by (used in):		
Operations:		
Net earnings (loss)	\$ -109,776	\$ 88,474
Items not involving cash:		
Amortization	167,334	191,895
Issue of common shares for expenses	14,753	16,504
Stock-based compensation	5,000	-
Income from equity investment	-118,500	-
Provision for future income taxes	-262,000	-69,000
Investment tax credits recoverable	-100,000	-130,000
Deferred revenue	-53,229	-9,597
	<u>-456,418</u>	<u>88,276</u>
Change in non-cash working capital:		
Accounts receivable	1,119,916	4,566,496
Inventory	197,744	-550,791
Prepaid expenses and deposits	69,538	23,331
Accounts payable and accrued liabilities	-619,803	-175,623
Current income taxes payable	935	25,381
	<u>311,912</u>	<u>3,977,070</u>
Financing:		
Net short-term loans	-335,548	-2,351,000
Repayment of long-term debt	-142,875	-144,061
	<u>-478,423</u>	<u>-2,495,061</u>
Investing:		
Additions to property, plant and equipment	-144,188	-156,790
Foreign currency translation adjustment	-33,749	-
	<u>-177,937</u>	<u>-156,790</u>
Increase (decrease) in cash	-344,448	1,325,219
Cash, beginning of period	873,827	632,823
Cash, end of period	<u>\$ 529,379</u>	<u>\$ 1,958,042</u>
Supplemental cash flow disclosure:		
Income taxes paid	\$ 88,857	\$ -
Interest paid	\$ 112,526	\$ 127,712

**INTERNATIONAL ROAD DYNAMICS INC.**

Notes to Consolidated Interim Financial Statements

Period ended February 28, 2006

"Unaudited"

**1. Significant accounting policies**

These interim financial statements are based on the same accounting policies and methods of their application as, and should be read in conjunction with the most recent audited annual financial statements as of November 30, 2005.

The consolidated balance sheet as at February 28, 2006, and the consolidated statements of operations and cash flow for the three months then ended have not been independently audited or reviewed, however management believes that all adjustments necessary to present these interim financial statements fairly have been included.

## Translation of foreign currencies

During the quarter it was determined that the operations of PAT Compania Limitada (PAT Chile) were sufficiently independent and profitable to classify it as a self-sustaining foreign operation. Accordingly the method of translating the currency to Canadian Dollars has been changed from the temporal method to the current rate method and any gains or losses arising on translating the financial statements of PAT Chile to Canadian Dollars is recorded as a component of shareholders' equity.

**2. Share capital:**

	Number of shares	\$ amount
Balance, November 30, 2005	13,831,503	11,860,920
Shares issued in exchange for expenses	11,571	14,753
	<u>13,843,074</u>	<u>11,875,673</u>

There are currently 1,040,000 stock options outstanding; each of which may be exercised to purchase one common share of the Company at prices ranging from \$1.01 to \$1.30 per share.

Under the terms of a stock option plan approved by the shareholders in May, 1997 and amended in 1998, the Company is authorized to grant directors, officers, employees and others options to purchase common shares at prices based on the market price of shares as determined on the date of the grant. At February 28, 2006, 1,113,165 (2005 – 1,198,165) options remain available to be granted. Stock options become exercisable at dates determined by the Compensation Committee of the Board of Directors.

At February 28, 2006, the following stock options to officers, employees and others were outstanding:

Exercise Price	Number Outstanding at February 28, 2005	Weighted-average Remaining Contractual Life (years)	Number Exercisable at February 28, 2006
\$1.01	10,000	0.25	10,000
\$1.20	75,000	4.92	25,000
\$1.23	100,000	4.75	33,333
\$1.28	845,000	3.00	3,750
\$1.30	10,000	0.75	10,000
	<u>1,040,000</u>		<u>82,083</u>

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Notes to Consolidated Interim Financial Statements  
Period ended February 28, 2006  
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The Company has granted stock options to officers, employees and others as follows:

	Number of Common Shares Issuable	Weighted-average Exercise Price
Outstanding November 30, 2005	890,000	\$1.28
Options granted during the period	175,000	\$1.22
Options expired or cancelled during the period	-25,000	\$1.28
Outstanding, February 28, 2006	1,040,000	\$1.27

3. Contributed Surplus

Compensation costs arising from the issue of stock options is recognized as an expense over the vesting period of the options and credited to contributed surplus. When the options are exercised the fair value amount in contributed surplus is credited to share capital

	\$
Balance, November 30, 2005	119,843
Stock-based compensation expense for the period	<u>5,000</u>
Balance, February 28, 2006	<u>124,843</u>