

# INTERNATIONAL ROAD DYNAMICS INC.

## Interim and Annual Consolidated Balance Sheets

February 28, 2007 with comparative figures for November 30, 2006

	2007	2006
	"Unaudited"	Audited
<b>Assets</b>		
Current assets:		
Cash	\$ 611,614	\$ 500,118
Accounts receivable	12,749,749	15,841,680
Inventory	6,118,757	5,305,854
Future income taxes	453,000	453,000
Prepaid expenses and deposits	243,693	248,906
	20,176,813	22,349,558
Investment tax credits recoverable	4,364,200	4,253,000
Property, plant and equipment	4,702,032	4,692,123
Intangible assets	284,418	58,621
Equity investment	550,688	405,688
	\$ 30,078,151	\$ 31,758,990
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Short-term loans	\$ 4,888,790	\$ 6,197,429
Accounts payable and accrued liabilities	3,254,146	3,876,891
Current income taxes payable	266,913	309,155
Deferred revenue	400,600	267,830
Current portion of long-term debt	1,741,948	1,747,022
	10,552,397	12,398,327
Long-term debt	1,844,266	2,025,723
Deferred revenue	169,335	182,081
Future income taxes	1,766,400	1,827,000
	14,332,398	16,433,131
Shareholders' equity:		
Share capital (note 2)	11,929,200	11,916,682
Contributed surplus (note 3)	144,668	140,843
Foreign currency translation adjustment	(56,335)	(72,425)
Retained earnings	3,728,220	3,340,759
	15,745,753	15,325,859
	\$ 30,078,151	\$ 31,758,990

**INTERNATIONAL ROAD DYNAMICS INC.**

## Interim Consolidated Statement of Earnings and Retained Earnings

"Unaudited"

	Three months ended February 28	
	2007	2006
Sales	\$ 8,296,050	\$ 6,324,436
Cost of sales	5,505,565	4,669,201
	2,790,485	1,655,235
Administrative and marketing expenses	1,927,659	1,736,938
	862,826	(81,703)
Research and development (net)	138,223	119,616
Earnings before undernoted items	724,603	(201,319)
Other expenses (income)		
Foreign exchange loss (gain)	4,425	(66,205)
Amortization	221,655	167,334
Interest on short-term debt	97,613	84,605
Interest on long-term debt	62,422	28,892
Interest and other income	(13,427)	(15,461)
Income from equity investment	(145,000)	(118,500)
	227,688	80,665
Earnings before income taxes	496,915	(281,984)
Provision for (recovery of) income taxes		
Current	170,054	89,792
Future (recovery)	(60,600)	(262,000)
	109,454	(172,208)
Net earnings for the period	387,461	(109,776)
Retained earnings, beginning of period	3,340,759	1,884,423
Retained earnings, end of period	\$ 3,728,220	\$ 1,774,647
Earnings per share - basic	\$ 0.03	\$ (0.01)
- diluted	\$ 0.03	\$ (0.01)

**INTERNATIONAL ROAD DYNAMICS INC.**

## Interim Consolidated Statement of Cash Flows

"Unaudited"

	Three months ended February 28	
	2007	2006
Cash provided by (used in):		
Operations:		
Net earnings	\$ 387,461	\$ (109,776)
Items not involving cash:		
Amortization	221,655	167,334
Issue of common shares for expenses	12,518	14,753
Stock-based compensation	3,825	5,000
Income from equity investment	(145,000)	(118,500)
Recovery of future income taxes	(60,600)	(262,000)
Investment tax credits recoverable	(111,200)	(100,000)
Deferred revenue	120,024	(53,229)
	428,683	(456,418)
Change in non-cash working capital:		
Accounts receivable	3,108,021	1,086,167
Inventory	(812,903)	197,744
Prepaid expenses and deposits	5,213	69,538
Accounts payable and accrued liabilities	(622,745)	(619,803)
Current income taxes payable	(42,242)	935
	2,064,027	278,163
Financing:		
Net short-term loans	(1,308,639)	(335,548)
Common shares issued for cash	-	-
Repayment of long-term debt	(186,531)	(142,875)
	(1,495,170)	(478,423)
Investing:		
Additions to property, plant and equipment	(213,440)	(144,188)
Intangible assets	(243,921)	-
	(457,361)	(144,188)
Increase (decrease) in cash	111,496	(344,448)
Cash, beginning of period	500,118	873,827
Cash, end of period	\$ 611,614	\$ 529,379
Supplemental cash flow disclosure:		
Income taxes paid	\$ 212,296	\$ 88,857
Interest paid	\$ 160,035	\$ 112,526

# INTERNATIONAL ROAD DYNAMICS INC.

Notes to Interim Consolidated Financial Statements

Period ended February 28, 2007

"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, 2006.

The consolidated balance sheet as at February 28, 2007, and the consolidated statements of earnings 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.

## 2. Share capital:

	Number of shares	\$ amount
Balance, November 30, 2006	13,876,385	11,916,682
Shares issued in exchange for expenses	9,935	12,518
Balance, February 28, 2007	<u>13,886,320</u>	<u>11,929,200</u>

There are currently 1,385,000 stock options outstanding; each of which may be exercised to purchase one common share of the Company at prices ranging from \$1.20 to \$1.32 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, 2007, 768,165 (2006 – 1,113,165) options remain available to be granted. Stock options become exercisable at dates determined by the Compensation Committee of the Board of Directors.

## INTERNATIONAL ROAD DYNAMICS INC.

Notes to Interim Consolidated Financial Statements

Period ended February 28, 2007

"Unaudited"

### 2. Share capital - continued

At February 28, 2007, the following stock options to officers, employees and others were outstanding:

Exercise Price	Number Outstanding at February 28, 2007	Weighted-average Remaining Contractual Life (years)	Number Exercisable at February 28, 2007
\$1.20	75,000	3.76	50,000
\$1.23	100,000	3.76	66,667
\$1.26	115,000	4.76	0
\$1.28	802,500	2.00	576,250
\$1.32	292,500	4.93	0
	1,385,000		692,917

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, 2006	1,092,500	\$1.27
Options granted during the period	292,500	\$1.32
Outstanding, February 28, 2007	1,385,000	\$1.28

### 3. Contributed Surplus

Compensation costs arising from the issue of stock options are 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, 2006	\$ 140,843
Stock-based compensation expense for the period	3,825
Balance, February 28, 2007	\$ 144,668

# INTERNATIONAL ROAD DYNAMICS INC.

Notes to Interim Consolidated Financial Statements

Period ended February 28, 2007

"Unaudited"

## 4. Segmented Information

The Company operates in one industry segment, the Intelligent Transportation Systems industry, which involves the engineering, software development, manufacturing and integration of products and systems to highway departments and industry to improve the efficiency of traffic flows.

The Company had sales in the following geographic areas:

	Three months ended February 28	
	2007	2006
Canada	\$ 1,427,613	\$ 437,887
United States	3,484,258	2,658,138
Offshore	3,384,178	3,228,411
	<u>\$ 8,296,050</u>	<u>\$ 6,324,436</u>