INTERNATIONAL ROAD DYNAMICS INC.

2011 ANNUAL REPORT

About IRD

IRD is an Intelligent Transportation Systems (ITS) company and a world leader in the highway traffic management and in-vehicle systems solutions industry. IRD's technology base evolved from Weigh-In-Motion (WIM), vehicle detection and vehicle measuring systems.

For more than 30 years, IRD has diversified both from a markets and geographical perspective. IRD Systems are designed and built by a multi-disciplinary, customer-focused team which fuses core IRD technology with integrated computing and communications technologies. IRD operates in the following markets:

- Commercial Vehicle Operations (C VO)
- Traffic Data Collection and Reporting
- Telematics
- Toll Systems
- Traffic Safety and Security Systems
- Service and Maintenance Programs

ANNUAL MEETING

The Annual Shareholders' Meeting will be held at IRD Corporate Office, 702 43rd Street East, Saskatoon, SK Tuesday, May 8, 2012 at 1:30 PM. (Saskatoon time).

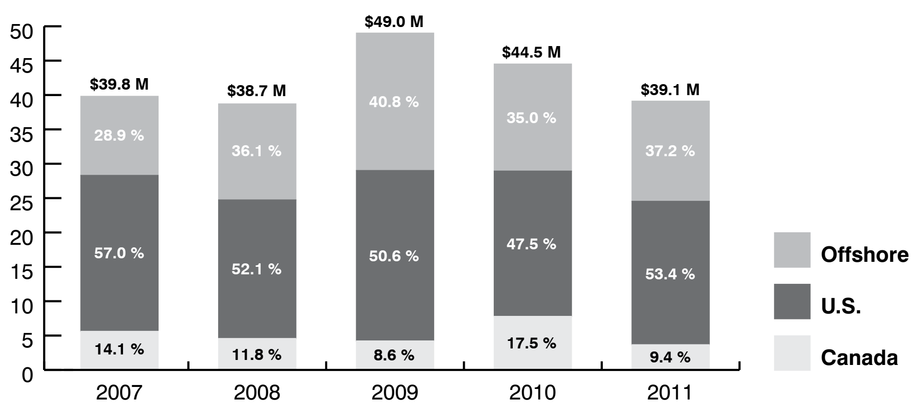
Financial Highlights

Period Ended November 30 (in $000's except per share amounts)	2011	2010
Sales		
Canada	3,663	7,781
United States	20,866	21,135
Offshore	14,570	15,559
	39,099	44,475
Net Earnings	(3,268)	450
Earnings per Share - Basic	(0.23)	$0.03
Working Capital	7,177	3,988
Shareholders' Equity per Share	$1.08	$1.34

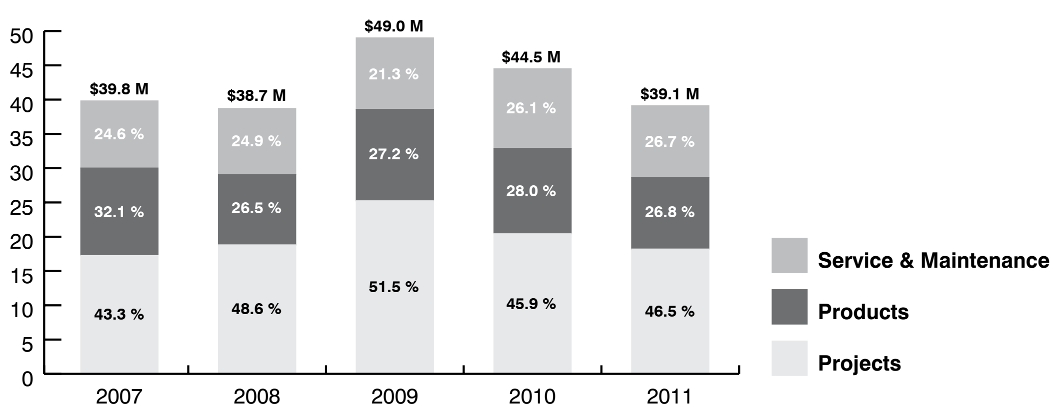
Operating Highlights

- Maintained strong position in U.S. and Canadian Markets
- Solid balance sheet and financial position
- Strong presence in growing Latin America market
- Growth and stability of long-term recurring revenue projects

Revenues by Geographic Market for last five years ($ millions)



Revenues by Market for last five years ($ millions)



Report to Shareholders

Our operating and financial performance in fiscal 2011 was negatively impacted by the slowdown in the global economy experienced over the last two years. Governments and private enterprise reduced their investment in large highway and roadway infrastructure and systems projects, resulting in reduced demand for our Intelligent Transportation Systems (ITS) products and solutions. Revenues in our overseas markets and in the United States were down marginally during the year as compared to fiscal 2010 primarily due to this reduced spending by our customers. IRD experienced a good year in Canada, however, revenues were significantly less than in 2010.

Our results were significantly impacted by problems experienced in our Southeast Asian (IRDSA) subsidiary in India. These issues related to late project deliveries and completion caused by delays in site readiness, and receipt of customer acceptance of work completed. In addition, we encountered management and operational challenges at the subsidiary which we are confident were corrected during the year. As a result, the Company reported a loss of $3.6 million with respect to the operations of its subsidiary in India. Excluding IRDSA, the remainder of the Company's operations were marginally profitable for fiscal 2011.

Despite the reduced sales volume and net loss generated in fiscal 2011, we ended the year with a solid balance sheet and financial position. Working capital stood at $7.2 million with a current ratio of 1.5 times and a conservative debt to equity ratio of 51%. During the year we enhanced our liquidity with the sale of our head office and manufacturing facility in Saskatoon, Saskatchewan for net proceeds of approximately $6.5 million. In a related move we also entered into a twelve-year net lease agreement with the purchaser of the property with two options to renew the lease for additional five-year terms. We recorded a gain of approximately $3.0 million on the transaction which is being amortized over the term of the lease. Net cash proceeds from the sale, after the retirement of the $2.6 million mortgage on the property and other costs related to the transaction, were used to reduce our operating line of credit.

Looking ahead, we continue to believe that, over the long-term, our markets and our financial results will improve. Based on the volume of opportunities we believe are currently available in our markets, and the orders received during and subsequent to the end of the fourth quarter of fiscal 2011, we expect to see improved results over the near term.

We are seeing demand in our domestic Canadian markets, and during 2011 we received new orders for projects in a number of regions, including Weigh-in-Motion (WIM) systems in Prince Edward Island and Ontario and WIM for tolling systems in North West Territories. With additional deployments expected over the next few years in the Maritimes, Ontario, Quebec and British Columbia, we expect increasing deployment of our systems across the country.

With the continued extensions to the Transportation Funding Bill in the U.S., we believe our sales will remain strong in the near term and provide for solid growth over the long term with increasing delivery of Virtual Weigh Station and Smart Roadside systems as supported by federal funding programs. In fiscal 2011 we announced new awards for products and projects in the States of New York, Indiana, Illinois, New Jersey, Oklahoma, Idaho and Arizona valued at approximately U.S. $19.5 million. In addition, we were awarded a prestigious U.S. $4.7 million contract with the U.S. Department of Transportation Federal Highways Administration to provide maintenance, download data, and perform verification checks at existing Long-Term Pavement Performance (LTPP) Specific Pavement Study (SPS) WIM sites located across the U.S.

Internationally, our operations in Chile continue to maintain a very strong presence in the growing Latin American market, and we are confident that the operational and management changes implemented at IRDSA during the year will result in improved profitability. There are significant opportunities afforded by the expansion in highway and toll systems in the Southeast Asia region, and we are well positioned to deliver profitable growth in the future.

As an example, during 2011 we were awarded two major toll systems contracts and a highway operations and maintenance contract in India for a total award of approximately $1.5 million.

To capitalize on the returning health of our markets, we will continue to execute our strategic programs to strengthen our presence in international markets and further establish our leadership position in North America. Our global footprint, including sales, service, support and manufacturing operations in Canada, the U.S., Chile, Brazil, India and China, enables us to act quickly and effectively on opportunities around the world. As both developed and developing countries continue to recognize the importance of transportation infrastructure to their economies, our competitive strengths and international presence, combined with our reputation for quality, value and on-time delivery, bode well for progress in the years ahead.

We are also very encouraged by the stability and long-term prospects for our recurring maintenance business. We are making solid progress with our initiatives to expand our offerings as an Application Service Provider (ASP) for data collection, in-vehicle and maintenance contracts, strategies that will significantly enhance the quality of our revenues, generate consistent and predictable cash flows, and deepen the long-term relationships we have established with our customers around the world. Although in the near term we have seen some delays in the award of these programs, we continue to see increased interest by a number of States in the U.S. to pursue this new approach.

During the year we continued to invest in research, development and initiatives aimed at enhancing the functionality and value of our products and solutions. For example, we added important new functionality to our TRS line of traffic classifiers, provided expanded capabilities for our automated weigh station system offerings with increased automation and improved vehicle operations throughput and continued with the development of improved vehicle measurement systems and technologies.

Looking ahead, we expect to see a return to profitable growth as market demand strengthens and we benefit from the success we have demonstrated in expanding our business both geographically, and through the introduction of new products and services. Highway and roadway infrastructure remains the backbone of economic growth, and our presence as a global leader in the provision of leading-edge Intelligent Transportation Systems (ITS) positions us strongly to capitalize on this growing market. In addition, our expansion into private sector markets such as commercial vehicle and in-vehicle systems positions us for further incremental revenue growth as global economies continue to recover.

In closing, on behalf of the Board of Directors, we thank everyone on the IRD team for their hard work and dedication over the last year. We also thank our customers for their business, our suppliers and partners for their contributions, and our shareholders for their support. We are confident 2012 will be a much better year for IRD, and we look forward to keeping you informed of our progress.

Terry Bergan
President and CEO

Management's Discussion & Analysis of Operating Results
For the Three and Twelve Months ended November 30, 2011

The following discussion and analysis of International Road Dynamics Inc. ("IRD" or the "Company") operating results, financial position and cash flows has been prepared by management as of February 24, 2012. The discussion and analysis is based on the Company's audited consolidated financial statements for the years ended November 30, 2011 and 2010 and should be read with reference to those financial statements and the accompanying notes available on SEDAR at www.sedar.com.

Certain statements contained in this report constitute forward-looking information within the meaning of securities laws. Implicit in this information, particularly in respect of the Company's future operating results and economic performance, are assumptions regarding projected revenues and expenses. These assumptions, although considered reasonable by the Company at the time of preparation, may prove to be incorrect. Readers are cautioned that the Company's actual future operating results and economic performance are subject to a number of risks and uncertainties, including general economic, market and business conditions, and could differ materially from what is currently expected. For more extensive information on these risks and uncertainties, please refer to the most recently filed Annual Information Form, which is available at www.sedar.com.

Forward-looking information contained in this report is based on management's current estimates, expectations and projections, which management believes are reasonable as of the current date. The reader should not place undue reliance on forward-looking statements and should not rely upon this information as of any other date. While the Company may elect to, it is under no obligation and does not undertake to update this information at any particular time, unless required by applicable securities law.

Overview

International Road Dynamics Inc. is a supplier of integrated systems, products and services to the worldwide Intelligent Transportation Systems (ITS) Industry. The core strengths of the Company are its international sales network, intellectual property (trade names, patents and trademarks) and its ability to utilize a variety of technologies, including the Company's patented Weigh-In-Motion technology, to detect, classify and weigh vehicles at highway speeds. This allows the Company to deliver automated systems for commercial vehicle operations, management and safety at truck weigh stations, border crossings, bus depots and elsewhere, highway traffic data collection, traffic safety, open and closed highway toll collection, driver and vehicle management systems.

The Company's revenues are derived from selling integrated systems, products, and maintenance services. Integrated systems are made up of a combination of the Company's proprietary hardware and software technology, custom engineering, installation and setup services, OEM equipment such as variable message signs, machine vision for vehicle identification, cameras and illuminators, automatic vehicle identification readers and transponders. Construction and electrical services related to integrated system sales are subcontracted.

The majority of the Company's revenues are generated as a result of the desire of transportation agencies around the world to monitor traffic volumes and trends, manage traffic, enforce weight regulations and charge vehicle operators for the use of their roads. During the fourth quarter of fiscal 2011 the Company experienced a reduction in revenues compared to the fourth quarter of the previous year. This reduction in revenues is primarily due to the slowing global economy and the resulting delayed investment by governments in highway and roadway infrastructure. However, based on the volume of opportunities currently available in the ITS market and the orders received in and subsequent to the fourth quarter, the Company expects that these delays are of a temporary nature.

The following is a breakdown of the Company's revenue for the fourth quarter and year ended November 30:

	Three Months Ended November 30		Twelve Months Ended November 30	
	2011	**2010**	**2011**	**2010**
Commercial vehicle systems	$ 3,023,143	$ 2,538,931	$ 10,052,351	$ 10,541,569
Data collection systems	534,604	698,848	3,101,626	4,099,221
Toll systems	1,058,643	886,867	3,731,970	4,298,704
Maintenance contracts	2,881,326	3,493,052	10,433,152	11,618,665
Product sales	1,469,068	2,495,877	10,465,384	12,461,774
In-vehicle systems	378,969	621,711	1,314,020	1,455,416
Total	$ 9,345,753	$ 10,735,286	$ 39,098,503	$ 44,475,349

Revenue from commercial vehicle systems, which includes transponder administration programs, increased in the fourth quarter of 2011 compared to the fourth quarter of 2010 due to significant deliveries in Chile. Revenues for the year ended November 30, 2011 were slightly lower than the previous year when significant installations in Canada and Chile were delivered. The Company expects that commercial vehicle systems revenues in fiscal year 2012 will be consistent with those achieved during fiscal 2011.

Data collection systems revenues in the fourth quarter and for the year ended November 30, 2011 are lower than those in the same periods last year primarily as a result of decreased project deliveries in the U.S. The Company expects that revenues from data collection for fiscal 2012 will remain lower than those achieved during fiscal 2010.

Revenue from toll systems has increased slightly in the fourth quarter of 2011 compared to the same period of the previous year. Revenue is lower for the year ended November 30, 2011 compared to the same period of the previous year primarily due to reduced revenues from the Company's subsidiary in India (see subsequent discussion of revenue under Operating Results). The Company expects that revenues from toll systems in fiscal 2012 will be higher than those achieved in fiscal 2011.

Maintenance contract revenues in the fourth quarter and for the year ended November 30, 2011 were lower than in the same periods of the previous year primarily due to delays in contract renewals in the U.S. The Company expects maintenance contract revenues in fiscal 2012 to remain consistent with those achieved in fiscal 2011 and to increase over the long term. These contracts include an increasing portion of additional value added data services which is consistent with the Company's strategy to be an Application Services Provider (ASP) for data collection, in-vehicle and maintenance contracts.

Revenue from product sales in the fourth quarter of 2011 is significantly lower than in the fourth quarter of the previous year primarily due to lower product sales by the Company's subsidiary in India. For the year ended November 30, 2011 product revenues were lower compared to the previous year due to decreased deliveries to XPCT, the Company's partner in China, lower product sales in India and reduced deliveries to the U.S. The Company expects that revenues for fiscal 2012 will be higher than those achieved in fiscal 2011.

Revenues in the fourth quarter and for the year ended November 30, 2011 from in-vehicle systems, which utilize GPS systems and hardware from various OEM suppliers, were slightly lower than revenues in the comparable periods of 2010. The Company expects that in-vehicle systems revenues in fiscal 2012 will remain consistent with those achieved in fiscal 2011.

Sales by Geographic Area

Following is a breakdown of the Company's sales for the fourth quarter and fiscal year by geographic area:

	Three Months Ended November 30		Twelve Months Ended November 30	
	2011	**2010**	**2011**	**2010**
Canada	$ 987,245	$ 1,931,507	$ 3,662,323	$ 7,781,464
United States	4,983,585	4,816,693	20,866,215	21,135,100
Offshore	3,374,923	3,987,086	14,569,965	15,558,785
Total	**$ 9,345,753**	$ 10,735,286	**$ 39,098,503**	$ 44,475,349

Revenues in Canada during the fourth quarter and the year ended November 30, 2011 are substantially lower than in the comparable periods of the previous year when significant commercial vehicle system deliveries were made. The Company expects revenues in Canada in fiscal 2012 to be higher than in 2011.

Revenues in the United States for the fourth quarter and for the year ended November 30, 2011 are generally consistent with revenues in the comparable periods of 2010. Given the recent extension to the existing U.S. Transportation Funding Bill management expects revenues in 2012 to be consistent with those achieved in 2011.

Offshore sales revenues during the fourth quarter and the year ended November 30, 2011 were lower than those achieved in the comparable periods of the previous year due to reduced revenues experienced by the Company's subsidiary in India as well as lower product deliveries to XPCT in China. Management expects that offshore revenues in 2012 will be higher than those achieved in 2011.

The Company's subsidiary in Chile continues to maintain its strong position in the Latin American market. Over the long term, the Company's subsidiary in India remains well positioned to take advantage of the opportunities afforded by the significant expansion in highway and toll systems in the Southeast Asia region despite the operational challenges it has experienced during the 2011 fiscal year.

Operating Results

The following selected financial information (in $000's except earnings (loss) per share) is derived from the Company's annual consolidated financial statements:

	2011	2010	2009	2008	2007
Sales	$ 39,099	$ 44,475	$ 49,018	$ 38,675	$ 39,762
EBITDA*	(2,021)	2,300	3,378	1,220	3,753
Net earnings (loss)	(3,268)	450	1,265	(541)	1,365
Earnings (loss) per share - basic & diluted	(0.23)	0.03	0.09	(0.04)	0.10
Total assets	33,460	39,185	41,171	43,007	33,297
Total long-term financial liabilities	1,082	6,328	7,671	8,686	4,709

*See Non-GAAP Measure

The following selected financial information (in $000's except earnings (loss) per share) is derived from the Company's financial statements for the fourth quarter and year to date:

	Three Months Ended November 30		Twelve Months Ended November 30	
	2011	2010	2011	2010
Sales	$ 9,346	$ 10,735	$ 39,099	$ 44,475
EBITDA*	(1,246)	(30)	(2,021)	2,300
Net earnings (loss)	(2,032)	(335)	(3,268)	450
Earnings (loss) per share - basic & diluted	(0.14)	(0.03)	(0.23)	0.03
Total assets	33,460	39,185	33,460	39,185
Total long-term financial liabilities	1,082	6,328	1,082	6,328

*See Non-GAAP Measure

Following is a table of operating results (in $000's except for earnings (loss) per share) for the eight most recently completed quarters. Quarterly operating results may fluctuate throughout any fiscal year and not be comparable sequentially, or to same quarter prior year results, due to a number of factors including the timing of significant product deliveries, the impact of seasonal weather conditions on project installation schedules, and the fact that the timing and completion of projects is often at the discretion of construction contractors and customers.

	2011				2010			
	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr	4th Qtr	3rd Qtr	2nd Qtr	1st Qtr
Sales	$9,346	$10,119	$10,718	$8,916	$10,735	$13,294	$11,912	$8,534
EBITDA*	(1,246)	511	(913)	(373)	(30)	1,491	703	136
Net earnings (loss)	(2,032)	220	(790)	(666)	(335)	708	258	(181)
Earnings (loss) per share - basic & diluted	(0.14)	0.01	(0.05)	(0.05)	(0.03)	0.05	0.02	(0.01)

*See Non-GAAP Measure

The Company recorded revenues of $9,345,753 in the fourth quarter of 2011, compared to $10,735,286 in the fourth quarter of 2010 as discussed above. Revenues for the year ended November 30, 2011 were $39,098,503 compared to $44,475,349 for the year ended November 30, 2010. The lower revenues for the fourth quarter and year ended November 30, 2011 were due to the factors discussed above as well as the reduction in revenue experienced by the Company's subsidiary in India.

Approximately 74% of the Company's sales in the year ended November 30, 2011 are denominated in U.S. dollars. During the year ended November 30, 2011 the average exchange rate of the U.S. dollar to the Canadian dollar was 4.5% lower than in the year ended November 30, 2010. This resulted in a decrease in the Canadian dollar value of the Company's U.S. dollar denominated sales of approximately $1.4 million during the year ended November 30, 2011. This impact is partially offset by the corresponding lower value of U.S. dollar denominated expenses.

Gross margin for the fourth quarter of 2011 was 25.9% of sales compared to 24.5% in the fourth quarter of 2010 and was 24.4% for the year ended 2011 compared to 28.8% for the year ended 2010. Gross margin in the fourth quarter of 2011 was negatively impacted by a provision for obsolete inventory and a sales mix which includes a lower proportion of higher margin proprietary systems and products. The lower gross margin in the year ended November 30, 2011 compared with the year ended November 30, 2010 is also the result of the lower revenues and the accrued losses on projects recorded by the Company's subsidiary in India to the end of 2011. Lower than normal gross margins will continue to be realized by the Indian subsidiary until mid-year 2012 when many of the current projects will be completed. The Company expects that the management and organizational changes in India undertaken during the 2011 fiscal year will result in improved efficiency and profitability going forward.

EBITDA was $(1,245,969) in the fourth quarter of 2011 compared with $(29,708) in the fourth quarter of 2010. For the year ended November 30, 2011 EBITDA was $(2,021,177) compared to $2,300,215 for the previous year. The decline in EBITDA in the fourth quarter and the year ended November 30, 2011 was primarily the result of a significant provision for uncollectible accounts receivable recorded by the Company's subsidiary in India, a provision for obsolete inventory, increased research and development expenses and the lower revenue and gross margin as compared to the same periods of the previous year.

During the fourth quarter of 2011 the Company incurred a net loss of $(2,032,240) or $(0.14) per share, basic and diluted, compared to a net loss of $(335,114) or $(0.03) per share, basic and diluted, for the fourth quarter of 2010. Net loss was $(3,268,334) or $(0.23) per share, basic and diluted, for the year ended November 30, 2011 compared to net earnings of $449,902 or $0.03 per share, basic and diluted, for the same period in 2010.

Administrative, Marketing and Research and Development Expenses

Administrative and marketing expenses increased by 29.0% to $3,344,510 in the fourth quarter of 2011 compared to $2,592,529 in the fourth quarter of 2010. For the year ended November 30, 2011 administrative and marketing expenses increased by 7.1% to $10,730,805 compared to $10,015,251 for the year ended November 30, 2010. The increase in administrative and marketing expenses is primarily due to the provision for uncollectible accounts receivable at the Company's subsidiary in India as disclosed in note 13 to its annual audited consolidated financial statements, as well as increased lease expense as a result of the property sale and leaseback in April 2011 (see discussion under Financing below). Lower sales revenue in the fourth quarter and year ended November 30, 2011 compared to the same periods of the prior year resulted in administrative and marketing expenses of 35.8% of sales in the fourth quarter of 2011 compared to 24.1% in the fourth quarter of 2010 and 27.4% of sales in the 2011 fiscal year compared to 22.5% for the 2010 fiscal year.

Net expenditures on research and development were $264,355 or 2.8% of sales in the fourth quarter of 2011 compared to $309,151 or 2.9% of sales in the fourth quarter of 2010. Net expenditures on research and development were $1,005,553 or 2.6% of sales in the year ended November 30, 2011 compared to $755,905 or 1.7% of sales in the year ended November 30, 2010. The Company is continuing an active program of technology development aimed primarily at adding to the functionality of its products and expects research and development expenditures to continue at the current year level during fiscal 2012.

Foreign Exchange

Many of the Company's assets, liabilities, revenues and expenses are denominated in foreign currencies, including U.S. Dollars, Euros, Chilean Pesos, Chinese Yuan and Indian Rupees. Gains and losses on foreign exchange transactions are immediately recognized in net earnings.

The Company reported a foreign exchange gain of $74,595 in the fourth quarter of 2011 compared to a loss of $125,881 in the fourth quarter of 2010. The Company reported a foreign exchange gain of $14,130 for the year ended November 30, 2011 compared to a loss of $93,235 for the same period in 2010. The foreign exchange gains and losses result primarily from the fluctuation in value of the U.S. dollar and the impact of this fluctuation on the revaluation of accounts receivable, accounts payable and cash balances denominated in U.S. dollars. A portion of the foreign exchange gains and losses relate to unhedged foreign currency transactions reported by the Company's subsidiaries; management continues to assess options to mitigate this risk. The Company's sensitivity to foreign currency fluctuations is disclosed in note 13 to the audited annual consolidated financial statements for the year ended November 30, 2011.

Foreign exchange gains or losses arising on consolidation of the Company's self sustaining subsidiaries in Chile and India and its equity investment in XPCT in China are recorded as accumulated other comprehensive income, which is a component of shareholders' equity, rather than earnings. At November 30, 2011 unrealized foreign currency translation losses on the consolidation of these investments totaled $85,767 compared with unrealized gains of $311,260 at November 30, 2010 (see Consolidated Statements of Shareholders' Equity).

Amortization

Amortization expense in the fourth quarter of 2011 was $193,819 compared to $286,627 in the fourth quarter of 2010. Amortization expense was $776,132 for the year ended November 30, 2011 compared to $964,029 for the year ended November 30, 2010. The decreased amortization expense arises as a result of the sale of the Company's head office and manufacturing facility in Saskatoon in the second quarter of 2011 (see discussion under Financing below) and certain assets being fully amortized.

Interest Expense

Interest expense for the fourth quarter of 2011 was $111,006 compared to $184,788 in the fourth quarter of 2010. Interest expense for the year ended November 30, 2011 was $542,134 compared to $685,305 in the same period in 2010. The reduction in interest expense results primarily from the reduced level of debt with this interest reduction being partially offset by the higher rate of interest on the short term credit facility in the year ended November 30, 2011 compared to the previous year. As at November 30, 2011, interest expense on approximately 74% of the Company's debt is based on Royal Bank of Canada prime rate.

XPCT

The Company owns a 50% equity interest in Xuzhou-PAT Control Technologies Limited (XPCT). In the fourth quarter of 2011 the Company reported a loss of $161,103 from its investment in XPCT compared to income of $356,077 in the fourth quarter of 2010. Of this loss of $161,103, approximately $87,000 results from the application of a tax rate reduction to the future income tax assets of XPCT at November 30, 2011.

For the year ended November 30, 2011 the Company reported income of $37,688 from its investment in XPCT compared to income of $328,636 for the year ended November 30, 2010. In the first quarter of 2011 the Company recorded a writedown of $507,650 pertaining to values assigned to receivables and inventory on the acquisition of XPCT. In conjunction with the settlement of claims against the vendor, the Company recorded a gain on settlement of the vendor loan in the amount of $520,000.

Management is actively engaged in building XPCT's business through focused sales and marketing initiatives that will expand and diversify XPCT's revenue base as well as through the introduction of new IRD products and services targeting new market segments. During 2011 XPCT expanded its operations to include the assembly of wiring harnesses for construction equipment being manufactured in China. After the initial start-up period covering several months, the wiring harness business became profitable in November 2011. Management expects the wiring harness business to continue to grow in profitability and become a more significant portion of XPCT's revenue base.

Income Taxes

In the fourth quarter of 2011 the Company recorded a provision for income taxes of $544,680 on loss before income taxes of $(1,487,560) resulting in an effective tax rate of (36.6)% compared to an income tax recovery of $(166,009) on loss before income taxes of $(501,123) in the fourth quarter of 2010, resulting in an effective tax rate of 33.1%. For the year ended November 30, 2011 the Company recorded a provision for income taxes of $86,976 on loss before income taxes of $(3,181,358) resulting in an effective tax rate of (2.7)% compared with a provision of income taxes of $200,979 on earnings before income taxes of $650,881 resulting in an effective tax rate of 30.9% for the year ended November 30, 2010.

Prior to the fourth quarter of 2011, the Company recorded a future tax asset with respect to the losses incurred by its subsidiary in India that were available to be carried forward and offset against earnings of future years. In the fourth quarter of 2011 a valuation allowance was recorded as a result of continuing losses in the Indian subsidiary and the uncertainty that sufficient future earnings would be generated to offset these tax losses prior to their expiry. This results in a provision for income taxes in the fourth quarter of 2011 and for the 2011 fiscal year on losses before income taxes for those periods.

The provision for income taxes can also vary from the expected tax rate applied to earnings before income taxes as a result of different rates of tax on foreign income and the inclusion in earnings before income taxes of equity earnings or losses and foreign currency translation gains or losses on consolidation of foreign subsidiaries.

At November 30, 2011 the Company has $2,856,573 of investment tax credits available to reduce Canadian income taxes in future years compared to $3,267,486 of investment tax credits available at the end of November 2010.

Liquidity and Capital Resources

Cash Flow and Capital Expenditures

The Company's net cash position was $917,161 at November 30, 2011 compared to $667,724 at November 30, 2010. The Company's principal sources of capital are cash flows from operations and borrowings under its bank credit facilities. The Company's principal uses of cash are for financing of working capital, capital expenditures and debt repayments.

Cash Flow and Capital Expenditures

	Three Months Ended November 30		Twelve Months Ended November 30	
	2011	**2010**	**2011**	**2010**
Cash flows from operating activities before changes in other operating items*	$ (266,050)	$ (20,180)	$ (2,353,476)	$ 1,174,140
Changes in non cash working capital	1,516,230	504,918	265,917	(288,528)
Cash flows from operating activities	1,250,180	484,738	(2,087,559)	885,612
Cash flows from financing activities	(1,014,394)	(818,804)	(4,120,437)	(952,183)
Cash flows from investing activities	(108,371)	189,093	6,457,433	(425,832)
Increase (decrease) in cash	$ 127,415	$ (144,973)	$ 249,437	$ (492,403)

* See Non-GAAP Measure

The operations of the Company generated cash in the amount of $1,250,180 during the fourth quarter of 2011 compared to $484,738 during the fourth quarter of 2010. During the year ended November 30, 2011 the operations of the Company used cash of $2,087,559 compared to generating cash of $885,612 during the year ended November 30, 2010. The significant fluctuations in cash flows from operating activities were primarily the result of the reduction in earnings from operations in the fourth quarter and twelve month periods and the result of normal business fluctuations in non cash working capital.

Cash flows used in financing activities were $1,014,394 for the fourth quarter of 2011 while cash flows used in financing activities for the year ended November 30, 2011 were $4,120,437. During the fourth quarter of 2010 cash flows used in financing activities were $818,804 and $952,183 for the year ended November 30, 2010. The Company made repayments of long-term debt of $217,801 in the fourth quarter of 2011, compared to long-term debt repayments of $217,549 in the fourth quarter of 2010. For the year ended November 30, 2011 the Company made long-term debt repayments of $4,946,367 compared to $1,342,845 in the previous year. Short-term loans or repayments thereof make up the remainder of the financing activities cash flows. The increased repayments of long-term debt in 2011 were the result of the settlement of the vendor loan in the amount of $700,000, the repayment of $750,000 of the RBC term loan as discussed under Financing below and the retirement of the mortgage of $2.6 million from proceeds of the sale of property as discussed under Financing below.

Cash flows used in investing activities were $108,371 for the fourth quarter of 2011 while cash flows of $189,093 were generated from investing activities in the fourth quarter of 2010 as a result of a dividend of $227,222 received from XPCT. Cash flows of $6,457,433 were generated from investing activities for the year ended November 30, 2011 compared with cash flows used in investing activities of $425,832 for the year ended November 30, 2010. The Company received net proceeds of $6,516,625 from the sale of property in the second quarter of 2011 and a dividend of $149,985 from XPCT in the third quarter of 2011.

The Company made net capital expenditures of $108,371 in the fourth quarter of 2011 compared to net capital expenditures of $38,129 during the fourth quarter of 2010. For the year ended November 30, 2011 the Company made net capital expenditures of $209,177 compared to net capital expenditures of $653,054 in fiscal 2010.

As a result of cash provided by or used in operating, financing and investing activities, net cash increased by $127,415 in the fourth quarter of 2011 and $249,437 for the year ended November 30, 2011 compared to net cash decreases of $144,973 and $492,403 for the same periods of 2010.

Working Capital

The working capital of the Company at November 30, 2011 was $7,177,340 compared to $3,988,143 at the end of November 2010. The increase in working capital from the end of the previous fiscal year is a result of the receipt of net proceeds from the sale of property and the repayment of long-term debt which had been classified as a current liability due to the Company being in default of one of its bank covenants at November 30, 2010 (see discussion under Financing below).

Financing

The Company's credit facilities include a term loan and an $8.5 million line of credit with Royal Bank of Canada. In addition, the Company maintains a line of credit in the amount of 50 million Indian Rupees (approximately $990,000 Canadian) with HDFC Bank Limited. At November 30, 2011 the remaining amounts available under these credit facilities are approximately $1.5 million and CDN $0.1 million, respectively.

Under the terms and conditions of its credit facilities with Royal Bank of Canada the Company is subject to certain covenants. These covenants require that the Company maintain a certain minimum level of fixed charge coverage as measured on an annual basis, and that it does not exceed a certain maximum ratio of total liabilities to tangible net worth on a quarterly basis. At November 30, 2010 the Company was not in compliance with the annual fixed charge coverage covenant. This constituted an event of default under the terms of the credit facilities and therefore amounts owing under the credit facilities with the Royal Bank of Canada were included in the current portion of long-term debt at November 30, 2010.

In July 2011 the Company's credit facilities agreement with Royal Bank of Canada was amended. The amended agreement provides that the annual fixed charge coverage covenant will be effective commencing with the fiscal year ending November 30, 2012. The Company is in compliance with the liabilities to tangible net worth quarterly covenant at November 30, 2011 and expects to be in compliance with the fixed charge coverage covenant at November 30, 2012. As a result, the amount of $178,867 being the portion of long-term debt that is repayable beyond 12 months is classified as long-term debt at November 30, 2011.

The July 2011 amended credit facilities agreement also provided that the Company repay $750,000 of the term loan with Royal Bank of Canada in August 2011. The balance of the term loan outstanding at November 30, 2011 is $1,081,867.

In April 2011 the Company entered into an agreement to sell its head office and manufacturing facility located in Saskatoon, Saskatchewan for net proceeds of approximately $6.5 million. The Company also entered into a twelve-year lease agreement with the purchaser of the property. The Company has recorded a gain of approximately $3.0 million which is being amortized over the term of the lease. Net cash proceeds from the sale, after the retirement of the $2.6 million mortgage on the property and other costs related to the transaction, were used to reduce the Company's operating line of credit.

Financial Obligations

The following table illustrates the Company's contractual obligations at November 30, 2011.

	Total	Less than 1 year	1 - 3 years	4 - 5 years	Thereafter
Long-term debt	$ 1,081,867	$ 903,000	$ 178,867	$ -	$ -
Leases	6,583,232	579,000	1,158,000	1,158,000	3,688,232
	$ 7,665,099	$ 1,482,000	$ 1,336,867	$ 1,158,000	$ 3,688,232

Management believes that the Company has adequate liquidity to meet its contractual obligations.

Outstanding Share and Option Data

At November 30, 2011 and 2010 the Company had 13,998,337 common shares outstanding. During the year ended November 30, 2011 no shares were issued by the Company.

At November 30, 2011 the Company had 1,892,500 share purchase options outstanding entitling the holders to purchase one common share for each option held at a weighted average exercise price of $0.74 per share expiring on various dates up to February 28, 2019.

Significant Accounting Policies

The Company prepares its financial statements in Canadian dollars in accordance with Canadian Generally Accepted Accounting Principles. The Company's significant accounting policies are detailed in note 1 to its annual audited consolidated financial statements.

Critical Accounting Estimates

By its nature, accounting for contract-based projects requires the use of estimates. Project revenue is recorded on the percentage of completion basis. The Company makes estimates of the percentage of completion of each project by comparing the actual costs incurred to the total estimated costs for the project. These estimates of total cost are subject to change, which would have an impact on the timing of revenue recognized.

The Company has a process whereby progress on jobs is reviewed by management on a regular basis and estimated costs to complete are updated. However, due to unforeseen changes in the nature or cost of the work to be completed or performance issues, contract profit can differ significantly from earlier estimates.

The Company's operations are conducted in a number of countries with complex tax legislation. Also, the Company is engaged in scientific research giving rise to investment tax credits that can be used to reduce taxes in certain jurisdictions. The Company records tax liabilities and investment tax credits recoverable based on estimates and interpretations of regulations. However, these estimates are subject to review and assessment of taxation authorities and may ultimately impact the amount of taxes paid or investment tax credits recovered. In addition, the Company must assess the ability of the Company to fully utilize tax related assets such as loss carryforward amounts and investment tax credits against taxable income in the related tax jurisdiction. In the future, the need for a valuation allowance against these tax related assets may result in a charge to net earnings.

In the preparation of the consolidated financial statements, various other estimates are required, which are either subjective, could be materially different under different conditions or using different assumptions, or which require complex judgments. In addition to revenue recognition and accounting for income taxes and investment tax credits, the most significant estimates are related to the estimated useful lives of plant and equipment, the net realizable value of assets including receivables and inventory and the recoverability of plant and equipment and investments as described in note 1 to the annual audited consolidated financial statements.

International Financial Reporting Standards (IFRS)

The Canadian Accounting Standards Board has announced that Canadian publicly accountable enterprises will be required to report under IFRS as a replacement guidance for Canadian generally accepted accounting principles (GAAP). Therefore, the Company will adopt IFRS as the basis of preparation for its interim and annual financial statements for periods beginning on December 1, 2011 with a transition date of December 1, 2010 to allow for comparative financial information.

IFRS uses a conceptual framework similar to current Canadian GAAP, but there are significant differences in recognition, measurement and disclosures. In addition, it is expected that IFRS in effect at the time of reporting the Company's first IFRS financial statements will evolve from current IFRS and may result in additional differences.

In order to prepare for the conversion to IFRS, the Company has developed an IFRS changeover plan. This plan addresses key elements of the Company's conversion to IFRS including:

- Accounting policy changes and financial reporting requirements;
- Education and training requirements;
- Impacts on business activities and on Information Technology and data systems;
- Internal control over financial reporting; and
- Disclosure controls and procedures.

The Company has assigned a project manager to lead its transition to IFRS with responsibility for quarterly updates to the audit committee on the progress, cost and major milestones of the project. The Company continues to work with its external advisors in undertaking technical analysis and recommending IFRS accounting policies to the Audit Committee. The Company's conversion plan ensures that the Audit Committee and key stakeholders are adequately informed about the anticipated effects of the IFRS transition.

The conversion plan consists of three phases, which sometimes occur concurrently, as analysis in certain areas is further advanced than others. The three phase plan consists of: assessment, design and implementation.

During 2010, a high-level diagnostic gap and impact analysis between Canadian GAAP and IFRS applicable to the Company was completed and the following IFRS standards were determined to have the highest potential implementation impact on the Company:

- First-time Adoption
- The Effects of Changes in Foreign Exchange Rates
- Impairment of Assets
- Income Taxes
- Financial Statement Presentation

Recently proposed changes to IFRS standards related to revenue and leases are also being assessed as part of the conversion plan.

2011 activities:

- The Company has engaged its external advisors to assist the Company in performing a detailed assessment for all key standards and significant accounting policy choices including IFRS 1 elective exemption choices. Position papers have been reviewed and elective exemptions selected;
- An assessment of typical sales contracts has also been performed to determine how revenue should be recognized for different types of contracts;
- A draft of the Company's financial statements under IFRS has been created for presentation and disclosure purposes; and
- The Company has monitored standards issued by the International Accounting Standards Board (IASB) and evaluated the required training on such.

During the first quarter of fiscal 2012 the following activities will take place:

- Perform a detailed assessment of the required changes to internal controls including disclosure and process controls;
- Perform a detailed assessment for all key standards and significant accounting policy choices;
- Present policy selections and IFRS financial statement model to the Audit Committee for approval;
- Create a process for capturing IFRS adjustments for the Company's opening balance sheet and throughout the Company's dual reporting period of December 1, 2010 to November 30, 2011;
- Complete a detailed assessment of the impact of IFRS on key performance indicators and business activities such as foreign currency, debt covenants, capital requirements and compensation arrangements;
- Perform a detailed assessment of the required changes to information technology systems, processes and documentation;
- Complete the data collection and finalize the assessment of the impact of adopting IFRS for each quarter in fiscal 2011;
- Complete the necessary work required to quantify the impact of the changeover to IFRS on the Company's financial position and results of operations at the date of transition and affecting the comparative year 2011 and the first reporting year 2012;
- Prepare fiscal 2011 quarterly financial statements under IFRS standards, in preparation for reporting comparative information in 2012; and
- Monitor standards to be issued by the International Accounting Standards Board (IASB) and provide related training on such.

Summary of expected changes

The IASB has a number of ongoing projects on its agenda. Management continues to monitor standards to be issued by the IASB, but do not expect these standards to be mandatory for the Company's fiscal 2012 financial statements. The summary of key expected changes set out in the tables below was completed with the expectation that the Company will apply IFRS standards as currently written at our transition date. However, management will only make final decisions regarding early adoption of any new standards as they are issued by the IASB.

IFRS 1 – First-Time Adoption of IFRS generally requires that a first-time adopter apply IFRS accounting policies retrospectively to all periods presented in its first IFRS compliant financial statements. IFRS 1 also provides certain mandatory and optional exemptions to the full retrospective application. The significant optional exemptions currently identified by management as applicable to the Company are listed below.

- Share-based payment transactions;
- Fair value or revaluation as deemed cost of property, plant and equipment;
- Business combinations;
- Cumulative translation differences;
- Investments in subsidiaries, jointly controlled entities and associates; and
- Borrowing costs.

The following are some of the Company's key changes in accounting policies required under IFRS standards (that have been identified to date) which could have a significant impact with respect to the recognition and measurement of certain balance sheet and income statement items. Unless indicated, all changes in accounting policy will be applied retrospectively.

Changes in Accounting Policies

Accounting policy	Key differences in accounting treatment	Potential key impacts
Impairment of long-lived assets	IFRS requires a one-step impairment test for identifying and measuring impairment, comparing an asset's carrying value to the higher of its value in use and fair value less cost to sell. Under Canadian GAAP, impairment is based on discounted cash flows only if the asset's undiscounted cash flows are below its carrying value.	No impact is expected on conversion. Subsequent to transition the one-step impairment test under IFRS may result in more frequent write-downs of assets.
Leases	IFRS does not have specific threshold criteria in evaluating whether to account for the lease as operating or finance. The IFRS criteria includes a series of indicators both quantitative and qualitative that individually or in combination lead to classification of a lease.	No impact is expected on conversion.
Gain on sale leaseback of property	Under IFRS when a sales leaseback transaction occurs at fair market value and is assessed as an operating lease, the gain on the sale must be recognized immediately into income.	Upon transition to IFRS, the full gain on the sale leaseback of the property may be recognized in earnings.
Presentation and disclosure	IFRS minimum classification and presentation is different than Canadian GAAP.	The format of the balance sheet, statement of operations and statement of cash flows will change to reflect the required classification and presentation.

Other areas are currently being analyzed and the expected impact will be reported in future periods. The differences identified in this document should not be regarded as an exhaustive list and other changes may result from the Company's conversion to IFRS. Furthermore, the disclosed impacts reflect the Company's most recent assumptions, estimates and expectations. As a result of changes in circumstances, such as economic conditions or operations and the inherent uncertainty from the use of assumptions, the actual impacts may be different from those presented above.

Future Changes

Revenue

The IASB has released its revenue recognition exposure draft, which proposes a single revenue recognition model and changes the way many entities will account for revenue. The proposals include the withdrawal of the percentage of completion method of revenue recognition. However, a similar accounting treatment is proposed for situations where the transfer of goods or services to the customer is continuous.

Leases

The IASB has released an exposure draft on leases based on the premise that lease contracts create assets and liabilities that should be recognized in the financial statements regardless of whether they are operating or finance leases.

Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, unbilled revenue, short-term loans, accounts payable and accrued liabilities, long-term debt and foreign exchange hedging contracts. The financial instruments are exposed primarily to three types of risk: credit risk; fair value risk; and interest rate risk. The Company's financial assets that are exposed to credit risk consist primarily of unbilled revenue, accounts receivable and forward currency exchange contracts. Government accounts are considered secure and normally not subjected to extensive credit reviews. Industry accounts are subjected to internal credit reviews to minimize risk of non-payment. Canadian export sales to non-government customers are generally insured to the extent of 90 per cent of the invoiced amount. The Company manages the credit risk relating to forward currency exchange contracts by dealing with Royal Bank of Canada. The carrying value of cash, accounts receivable, unbilled revenue, short term loans, accounts payable and accrued liabilities, approximates fair value due to their short-term maturities. The fair value of long-term debt approximates its carrying value as at November 30, 2011. The Company is exposed to interest rate cash flow risk on its credit facilities. At November 30, 2011 approximately 14% of borrowings are on a fixed rate basis.

The Company hedges a portion of its future U.S. dollar cash flow. At November 30, 2011 the Company had in place $2.5 million USD in forward currency contracts at an average exchange rate of $1.0058 Canadian per U.S. dollar with a $66,000 loss on these contracts based on the actual exchange rate at November 30, 2011. In addition, the Company had in place $400 thousand USD in forward currency contracts at an exchange rate of 491.82 CLP (Chilean pesos) per U.S. dollar with a $28,000 loss on these contracts based on the actual exchange rate at November 30, 2011.

Realized and unrealized gains and losses on all foreign exchange contracts are recognized in earnings at the end of each reporting period.

Business Risks

In addition to the risks relating to financial instruments identified in note 13 of the annual audited consolidated financial statements as of November 30, 2011, the Company is subject to the following primary business risks.

The Company operates in the rapidly changing environment of high technology. It faces competition from some companies with greater financial resources and larger marketing organizations. All companies in this industry are subject to competition and technological advances which can render existing products obsolete or unmarketable.

IRD mitigates this risk through an active program of research and development that helps to ensure that its products and systems are technologically current and continue to meet our customers' evolving requirements. Future operating results will depend upon IRD's ability to research, develop and market its current products and those under development.

The majority of IRD's revenues are generated as a result of the desire of transportation agencies around the world to monitor traffic volumes and trends, manage traffic, enforce weight regulations and to appropriately charge vehicle operators for the use of their roads. While the relative importance of this need makes IRD's market secure in the long run, periodic softness in this market occurs during economic recessions or as governments adjust their spending priorities for political reasons. In the current economic climate the impact of U.S. Government programs on the Company's business is not determinable. The U.S. Transportation Funding Bill operates on a six year authorization cycle and the renewal that was due in September 2009 has been delayed although the existing Bill has been extended on an interim basis until March 31, 2012. Additional extensions are expected although the renewal of this Bill is not expected before the end of 2012. Delays in reauthorization have had and are expected to continue to have some impact on the Company's business in this market as a result of uncertainty in the availability of funds for transportation projects. IRD continues to address this risk by diversifying its customer base thereby becoming less dependent on any single government or region and by continuing to diversify its markets and products so that it relies less on government funded projects.

IRD has taken steps to increase this diversification with the acquisition of PAT Traffic Ltda. in 2003 which increased its presence in Eurasia and Latin America, and the establishment of International Road Dynamics South Asia Pvt. Ltd. in India in 2005 which expanded its markets in South Asia. In December 2007 the Company acquired a 50% interest in Xuzhou-PAT Control Technologies Limited in order to expand its presence in the growing Chinese market. IRD has also diversified its product offering to include more technologies, such as in-vehicle management – GPS systems for use in commercial, municipal and city markets.

Global Market Conditions and Outlook

The global Intelligent Transportation Systems (ITS) business continues to present significant opportunity over the long-term as governments around the world invest in their highway and roadway infrastructure to enhance transportation efficiency and safety. As the world's leading provider of weigh-in-motion technologies and related products and systems including custom developed electronics and software, IRD is strongly positioned to take advantage of these opportunities. Over the past four years the Company has achieved gains in revenues from offshore markets, including Asia and Latin America. Part of these gains are from sales of products acquired with the purchase of the business of PAT Traffic in 2003, and part is from the development of new markets for IRD's systems and products, particularly for toll road and weigh station systems in offshore markets. However, the implementation and installation of ITS technologies is largely dependent on government funding and highway programs as well as regional economic factors. With the current economic conditions in the U.S. and continued delays in reauthorization of the six year U.S. Transportation Funding Bill, the Company expects that revenues from the U.S. market will continue at current levels for the next year. In addition, the Company expects increasing profitability as a result of its diversification into the offshore market.

Controls and Procedures

Disclosure Controls and Procedures

Management has designed disclosure controls and procedures, or has caused them to be designed under its supervision, to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to management by others within those entities, particularly during the period in which the interim filings are being prepared. Management has evaluated the effectiveness of the disclosure controls and procedures as of November 30, 2011.

Internal Control Over Financial Reporting

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles. Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company.

At November 30, 2011, an evaluation was carried out of the effectiveness of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and financial statement compliance with Canadian generally accepted accounting principles.

Based on the evaluation, the Chief Executive Officer and Chief Financial Officer have concluded they are able to certify that the design and operating effectiveness of internal control over financial reporting were effective. However, management considers it appropriate to provide additional disclosure regarding the operation of the Company's internal control over financial reporting.

During the design and operating effectiveness assessment carried out at November 30, 2010, certain potentially material weaknesses in internal control were identified within the Company's subsidiaries in India and Chile. These subsidiaries lack personnel with sufficient expertise to complete appropriate account reconciliations and reviews, particularly in the area of project accounting.

During 2011 management initiated a plan to enhance the training and level of resources in its subsidiaries in response to the potentially material weaknesses in internal control identified above. As of November 30, 2011 progress has been made on the remediation plan but the identified weaknesses have not yet been fully remediated. Implementation of the remediation plan will continue throughout the 2012 fiscal year. Management is of the opinion that none of these control deficiencies resulted in a material misstatement of the financial statements as at November 30, 2011.

Management's evaluations were conducted in accordance with the standards of COSO (Committee of Sponsoring Organizations of the Treadway Commission) for Smaller Public Companies, a recognized control model, and the requirements of National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings of the Canadian Securities Administrators. Management's evaluation of controls can only provide reasonable, not absolute assurance, that all internal control issues that may result in material misstatement, if any, have been detected.

Other than the changes noted above relating to subsidiary reviews there were no changes in the Company's internal control over financial reporting during the fourth quarter ended November 30, 2011 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

Non-GAAP Measures

Throughout this Management Discussion and Analysis the Company uses terms not found in the Handbook of the Canadian Institute of Chartered Accountants and which do not have a standardized meaning under Canadian Generally Accepted Accounting Principles (GAAP), therefore the following definitions are provided:

"EBITDA" means earnings before interest, income taxes, depreciation and amortization, and gain on sale of property and includes gains or losses from foreign exchange and earnings or losses from the Company's equity investments. Management believes that EBITDA is a useful supplemental measure to net earnings, as it provides investors with an indication of operating performance prior to debt service, capital expenditures and income taxes. Investors should be cautioned, however, that EBITDA should not be construed as an alternative to net earnings (loss) determined in accordance with GAAP, as an indicator of the Company's performance or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. The Company's method of calculating EBITDA may differ from the methods by which other companies calculate EBITDA and, accordingly, EBITDA may not be comparable to measures used by other companies.

The following is a reconciliation of EBITDA to net earnings (loss):

	Three Months Ended November 30		Twelve Months Ended November 30	
	2011	**2010**	**2011**	**2010**
EBITDA	$ (1,245,969)	$ (29,708)	$ (2,021,177)	$ 2,300,215
Gain on sale of property	63,234	-	158,085	-
Amortization expense	(193,819)	(286,627)	(776,132)	(964,029)
Interest expense	(111,006)	(184,788)	(542,134)	(685,305)
Income tax recovery (expense)	(544,680)	166,009	(86,976)	(200,979)
Net earnings (loss)	$ (2,032,240)	$ (335,114)	$ (3,268,334)	$ 449,902

"Cash flows from operating activities before changes in other operating items" means net earnings (loss) adjusted for items not affecting cash. Management believes that "cash flows from operating activities before changes in other operating items" is a useful measure of cash flows from operations excluding the normal business fluctuations in the levels of other operating items.

Additional Information

SEDAR

Additional information relating to International Road Dynamics Inc., including its Annual Information Form ("AIF"), is available on SEDAR at www.sedar.com.

MANAGEMENT'S REPORT

To the Shareholders of International Road Dynamics Inc.

The accompanying consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Management is responsible for ensuring that these consolidated financial statements, which include amounts based on estimates and judgment, are consistent with information disclosed elsewhere in the annual report and reflect the company's business transactions and financial position.

Management is also responsible for the information disclosed in the management's discussion and analysis, including responsibility for the existence of an appropriate information system, procedures and controls to ensure that the information used by management internally and disclosed externally is complete and reliable. In addition, Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting to provide reasonable assurance that the financial records provide relevant, reliable and accurate information.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for internal control and financial reporting. The Directors exercise this responsibility through the Audit Committee. This committee, which is comprised of non-employee Directors, meets with management and the external auditor to satisfy itself that management has properly performed its financial reporting responsibilities and to review the financial statements before they are presented to the Directors for approval. These financial statements have been approved by the Board of Directors as recommended by the Audit Committee.

KPMG LLP, an independent firm of Chartered Accountants, has been engaged to examine the consolidated financial statements and provide their independent auditors' report thereon. Their report is presented below.

Terry Bergan
President and
Chief Executive Officer

Mel Karakochuk
Vice President Finance and
Chief Financial Officer

Saskatoon, Canada
February 24, 2012

INDEPENDENT AUDITORS' REPORT

To the Shareholders of International Road Dynamics Inc.

We have audited the accompanying consolidated financial statements of International Road Dynamics Inc., which comprise the consolidated balance sheets as at November 30, 2011 and November 30, 2010, the consolidated statements of earnings (loss), comprehensive income (loss), shareholders' equity, and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of International Road Dynamics Inc. as at November 30, 2011 and November 30, 2010 and its consolidated results of operations and its consolidated cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
February 24, 2012
Saskatoon, Canada

INTERNATIONAL ROAD DYNAMICS INC.
Consolidated Balance Sheets

November 30, 2011 and 2010

	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	$ 917,161	$ 667,724
Accounts receivable	9,672,204	11,079,295
Unbilled revenue	3,868,862	4,025,218
Income taxes receivable	312,727	347,442
Inventory (note 3)	6,873,808	7,187,770
Prepaid expenses and deposits	784,963	601,811
	22,429,725	23,909,260
Investment tax credits recoverable (note 9)	2,856,573	3,267,486
Future income taxes (note 9)	1,358,000	738,000
Property, plant and equipment (note 4)	2,033,583	6,151,430
Equity investment (note 5)	4,781,709	5,118,780
	$ 33,459,590	$ 39,184,956
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term loans (note 6)	$ 6,558,389	$ 5,732,459
Accounts payable and accrued liabilities	5,205,917	5,360,417
Current portion of long-term debt (note 7)	903,000	6,328,234
Current portion of deferred income (note 8)	2,585,079	2,500,007
	15,252,385	19,921,117
Long-term debt (note 7)	178,867	-
Deferred income (note 8)	2,948,951	535,404
Shareholders' equity:		
Share capital (note 10)	12,071,009	12,071,009
Contributed surplus	262,900	246,587
Retained earnings	2,831,245	6,099,579
Accumulated other comprehensive income (loss)	(85,767)	311,260
	15,079,387	18,728,435
	$ 33,459,590	$ 39,184,956

Commitments (note 8)
See accompanying notes to consolidated financial statements.

On behalf of the Board:

T Bergan

Terry Bergan, Director

R. A. Harris

Ray Harris, Director

INTERNATIONAL ROAD DYNAMICS INC.
Consolidated Statements of Earnings (Loss)

Years ended November 30, 2011 and 2010

	2011	2010
Sales	$ 39,098,503	$ 44,475,349
Cost of sales	29,555,078	31,657,105
	9,543,425	12,818,244
Administrative and marketing expenses	10,730,805	10,015,251
Research and development (note 11)	1,005,553	755,905
Foreign exchange loss (gain)	(14,130)	93,235
Amortization	776,132	964,029
Interest on short-term debt	324,655	262,084
Interest on long-term debt	217,479	423,221
Interest and other income	(278,023)	(17,726)
XPCT (note 5)	(37,688)	(328,636)
Earnings (loss) before income taxes	(3,181,358)	650,881
Provision for income taxes (note 9)	86,976	200,979
Net earnings (loss)	$ (3,268,334)	$ 449,902
Earnings (loss) per share (note 12)		
Basic	$ (0.23)	$ 0.03
Diluted	$ (0.23)	$ 0.03

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss)

Years ended November 30, 2011 and 2010

	2011	2010
Net earnings (loss)	$ (3,268,334)	$ 449,902
Other comprehensive loss		
Unrealized foreign currency translation losses	(397,027)	(193,463)
Total comprehensive income (loss)	$ (3,665,361)	$ 256,439

See accompanying notes to consolidated financial statements.

INTERNATIONAL ROAD DYNAMICS INC.
Consolidated Statements of Shareholders' Equity

Years ended November 30, 2011 and 2010

	2011	2010
Share capital (note 10):		
Balance, beginning and end of year	$ 12,071,009	$ 12,071,009
Contributed surplus:		
Balance, beginning of year	$ 246,587	$ 222,795
Fair value of stock options vested (note 10)	16,313	23,792
Balance, end of year	$ 262,900	$ 246,587
Retained earnings:		
Balance, beginning of year	$ 6,099,579	$ 5,649,677
Net earnings (loss)	(3,268,334)	449,902
Balance, end of year	$ 2,831,245	$ 6,099,579
Accumulated other comprehensive income (loss):		
Balance, beginning of year	$ 311,260	$ 504,723
Other comprehensive loss	(397,027)	(193,463)
Balance, end of year	$ (85,767)	$ 311,260
Total retained earnings and accumulated other comprehensive income (loss)	$ 2,745,478	$ 6,410,839
Total shareholders' equity	$ 15,079,387	$ 18,728,435

Accumulated other comprehensive income (loss) is comprised solely of unrealized foreign currency translation gains and losses.

See accompanying notes to consolidated financial statements.

INTERNATIONAL ROAD DYNAMICS INC.
Consolidated Statements of Cash Flows

Years ended November 30, 2011 and 2010

	2011	2010
Cash flows from (used in):		
Operations:		
Net earnings (loss)	$ (3,268,334)	$ 449,902
Items not involving cash:		
Amortization	776,132	964,029
Bad debt expense	905,867	61,202
XPCT (note 5)	(37,688)	(328,636)
Recovery of future income taxes (note 9)	(620,000)	(385,000)
Deferred revenue (note 8)	(378,594)	47,590
Other income (note 8)	(158,085)	-
Investment tax credits recoverable	410,913	341,261
Stock based compensation (note 10)	16,313	23,792
Non cash working capital (note 15)	265,917	(288,528)
	(2,087,559)	885,612
Financing:		
Short-term loans	825,930	390,662
Repayment of long-term debt	(4,946,367)	(1,342,845)
	(4,120,437)	(952,183)
Investing:		
Dividend received from XPCT (note 5)	149,985	227,222
Proceeds on disposal of land and building	6,516,625	-
Additions to property, plant and equipment	(209,177)	(653,054)
	6,457,433	(425,832)
Increase (decrease) in cash	249,437	(492,403)
Cash and cash equivalents, beginning of year	667,724	1,160,127
Cash and cash equivalents, end of year	$ 917,161	$ 667,724
Supplemental cash flow disclosure:		
Interest paid	$ 542,134	$ 615,305
Income taxes paid	$ 14,182	$ 358,631

See accompanying notes to consolidated financial statements.

Nature of business:

International Road Dynamics Inc. is a highway traffic management technology company specializing in supplying products and integrated systems to the global Intelligent Transportation Systems (ITS) industry.

1. Significant accounting policies:

The consolidated financial statements are prepared by management in accordance with Canadian generally accepted accounting principles. Management makes various estimates and assumptions in determining the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and revenues and expenses for each year presented. The most significant estimates are related to the percentage completion of contract projects, the estimated lives of plant and equipment, determination of future income taxes and utilization of investment tax credits, the net realizable value of assets including receivables and inventory and the recoverability of plant and equipment and investments. Changes in estimates and assumptions will occur based on the passage of time and the occurrence of certain future events.

(a) Principles of consolidation:

The consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries, PAT Traffic Limitada, International Road Dynamics Corporation and International Road Dynamics South Asia Pvt. Ltd. All significant inter-company accounts and transactions have been eliminated.

(b) Cash and cash equivalents:

Cash and cash equivalents consists of balances with financial institutions which have an original term to maturity of three months or less.

(c) Revenue recognition:

Revenue from contract projects is recorded on the percentage of completion basis.

The Company periodically revises estimates of the percentage of completion of each project by comparing the actual costs incurred to the total estimated costs for the project. These estimates of total cost are subject to change, which would have an impact on the timing of revenue recognized.

Revenue which relates to service obligations originally extending beyond one year is recognized in the period in which the service is provided.

Revenue from product sales is recognized when products are shipped and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

Unbilled revenue represents the excess of contract costs incurred and estimated gross profits recognized over billings to date.

Deferred revenue represents payments received in advance from customers.

(d) Inventory:

Inventories are stated at the lower of average cost and net realizable value. Cost is determined on a weighted average basis and includes the costs of materials plus direct labour applied to the product and the applicable share of manufacturing overhead, including amortization.

(e) Equity investments:

Equity investments over which the Company is able to exercise significant influence are accounted for using the equity method whereby the investments are initially recorded at cost and the investments are increased or decreased to reflect the Company's proportionate share of the earnings or losses of the investees. Investments are reduced by dividends received from the investees.

The Company regularly reviews the carrying value of its investments. Should there be a decline in value that is other than a temporary decline, the Company measures the amount of a write-down to the estimated fair value determined based on discounted future cash flows from the investment. The loss is recognized as an expense.

Estimates of future cash flows and appropriate risk adjusted discount rates used in the determination of fair values are subject to significant judgment. If estimates of future cash flows and discount rates changed, it could result in an assessment that an investment is impaired which may in turn result in an adjustment of the future carrying values by a material amount.

(f) Property, plant and equipment:

Additions to property, plant and equipment are recorded at cost.

Amortization is computed over the expected useful lives of the assets at 5% on buildings, 20% and 25% on office equipment and manufacturing equipment respectively, 30% on automotive and computer equipment and 100% on computer software based on the declining balance method.

(g) Impairment of long-lived assets:

Long-lived assets, including property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

1. **Significant accounting policies - continued:**

(h) Translation of foreign currencies:

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the balance sheet date. Revenue and expenses are translated into Canadian dollars using the approximate rate of exchange on the date of the transactions. The resulting gains or losses are included in the statement of earnings.

The Canadian dollar is considered the functional currency of the Company's U.S. subsidiary International Road Dynamics Corp. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the balance sheet date and non-monetary items are translated at rates of exchange in effect when assets were acquired or obligations incurred. Revenue and expenses are translated into Canadian dollars using the approximate rate of exchange on the date of the transactions. The resulting gains or losses are included in the statement of earnings.

The functional currency of the Company's subsidiary in Chile - PAT Traffic Limitada is the Chilean Peso and the functional currency of its subsidiary in India - International Road Dynamics South Asia Pvt. Ltd. is the Indian Rupee. The financial statements of these entities are translated into Canadian dollars using the current rate method. Under this method, all assets and liabilities are translated to Canadian dollars at exchange rates in effect at the balance sheet date and all revenue and expenses are translated into Canadian dollars using the approximate rate of exchange on the date of the transactions. Exchange gains and losses arising from this translation, representing the net unrealized foreign currency translation gain (loss) on the Company's investment, are recorded in accumulated other comprehensive income (loss). These adjustments are not recorded in earnings until realized through a reduction in the Company's investment in this operation.

The functional currency of the Company's equity investment in Xuzhou-PAT Control Technologies Limited (XPCT) is the Chinese Yuan. Goodwill and purchase adjustments to reflect the fair values of assets acquired and liabilities assumed at date of acquisition are treated as though they were included in the XPCT financial statements. The financial statements of XPCT, including the adjustments to reflect the fair values of assets acquired and liabilities assumed, are translated to Canadian dollars at exchange rates in effect at the balance sheet date and all revenue and expenses are translated into Canadian dollars using the approximate rate of exchange on the date of the transactions. Exchange gains and losses arising from this translation, representing the net unrealized foreign currency translation gain (loss) on the Company's investment, are recorded in accumulated other comprehensive income. These adjustments are not recorded in earnings until realized through a reduction in the Company's investment in this operation.

(i) Financial instruments:

All financial assets are classified as one of the following: held-to-maturity, loans and receivables, held for trading or available-for-sale. All financial liabilities are classified as held for trading or other liabilities. Financial assets and liabilities held for trading are measured at fair value with gains and losses recognized in net income. Financial assets held-to maturity, loans and receivables and financial liabilities other than those held-for trading, are measured at amortized cost based on the effective interest method. Available-for-sale instruments are measured at fair value with gains and losses, net of tax, recognized in other comprehensive income.

Financial assets of the Company consist of cash, accounts receivable and unbilled revenue. Cash is classified as "held for trading" and measured at fair value and accounts receivable and unbilled revenue are classified as "loans and receivables" and measured at amortized cost. Financial liabilities of the Company consist of accounts payable and accrued liabilities, short-term loans, current portion of long-term debt and long-term debt; these are classified as "other liabilities" and are measured at amortized cost.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability. Transaction costs on financial assets and liabilities held for trading are expensed as incurred. Transaction costs related to available-for-sale, held to maturity securities and loans are capitalized and amortized over the expected life of the instrument using the effective interest method.

Derivative financial instruments are utilized by the Company to reduce exposure to fluctuations in foreign currency exchange rates. The Company may enter into foreign exchange contracts to hedge anticipated cash flows denominated in a foreign currency.

The Company has elected not to follow hedge accounting and all derivative contracts are marked to market with resulting net gains or losses recognized in net earnings.

Derivatives are carried at fair value and are reported as other receivables when they have a positive fair value and as accrued liabilities when they have a negative fair value. Derivatives may also be embedded in other financial instruments. Derivatives embedded in other financial instruments are valued as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host contract; the terms of the embedded derivative would meet the definition of a derivative if it was a free standing instrument; and the combined contract is not held for trading or designated at fair value.

(j) Research and development costs:

The Company expenses research and development costs during the year in which they are incurred. Research and development tax credits are recognized in earnings when the Company has reasonable assurance that they will be utilized.

(k) Future income taxes:

Future income taxes are recognized for the future income tax consequences attributable to losses available for carryforward and differences between the carrying values of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in the years in which temporary differences and losses available for carryforward are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in rates is included in operations in the period which includes the enactment date. Future income tax assets are recorded in the financial statements if realization is considered more likely than not.

1. **Significant accounting policies - continued:**

(l) Stock based compensation:

The Company accounts for stock based compensation using the fair value based method of accounting for awards of stock options. Under this method, the cost of options granted is measured at the estimated fair value using the Black-Scholes option pricing model with an estimate of forfeitures based on historic results. Compensation expense is recognized over the shorter of the vesting period of the options or the period to eligible retirement with a corresponding increase to contributed surplus. Consideration paid on the exercise of stock options is credited to share capital with a corresponding transfer from contributed surplus to share capital for amounts previously credited to contributed surplus on the initial expensing of the related stock option.

(m) Earnings (loss) per share:

Basic earnings (loss) per share are computed by dividing net earnings by the weighted average shares outstanding during the reporting period. Diluted earnings per share are computed using the treasury stock method, which is similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of stock options, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options were exercised at the beginning of the year and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the reporting period.

2. **International Financial Reporting Standards (IFRS):**

The Canadian Accounting Standards Board has announced that Canadian publicly accountable enterprises will be required to report under IFRS as a replacement guidance for Canadian generally accepted accounting principles (GAAP) effective for fiscal years beginning on or after January 1, 2010. Therefore, the Company will adopt IFRS as the basis of preparation for its interim and annual financial statements for periods beginning on December 1, 2011 with a transition date of December 1, 2010 to allow for comparative financial information. The Company is currently in the process of analyzing the implications of adopting IFRS and the impact of any differences in accounting policies is not yet known.

3. **Inventory:**

	2011	2010
Raw materials	$ 802,122	$ 673,285
Original equipment manufacturer materials	3,506,499	4,146,991
Work in process	1,713,575	1,651,166
Finished goods	1,897,837	1,312,493
Provision for excess and obsolete inventory	(1,046,225)	(596,165)
	$ 6,873,808	$ 7,187,770

During the year, inventory expensed within cost of sales was $20,254,245 (2010 - $18,866,239). The Company also recorded inventory write downs within cost of sales of $551,134 (2010 - $355,237).

4. **Property, plant and equipment:**

	2011			**2010**
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Land	$ -	$ -	$ -	$ 275,000
Buildings	155,008	19,750	135,258	3,416,498
Office equipment	987,680	815,747	171,933	302,128
Automotive	1,354,051	795,783	558,268	609,607
Computer equipment	2,118,942	1,799,357	319,585	409,200
Computer software	1,245,292	1,227,544	17,748	37,038
Manufacturing equipment	2,761,031	1,930,240	830,791	1,101,959
	$ 8,622,004	**$ 6,588,421**	**$ 2,033,583**	$ 6,151,430

Amortization of property, plant and equipment was $845,697 for 2011 (2010 - $1,085,421) of which $69,565 (2010 - $121,392) was included in the cost of inventory.

5. Equity investment:

	2011	2010
Xuzhou-PAT Control Technologies Limited (XPCT)		
Balance – beginning of year	$ 5,118,780	$ 5,093,970
Currency gain (loss) on financial statement translation	295,226	(76,604)
Equity earnings (loss)	(482,312)	328,636
Dividend received	(149,985)	(227,222)
Balance, end of year	$ 4,781,709	$ 5,118,780

The Company had sales to XPCT of $1,453,739 during the year (2010 - $2,136,410). At November 30, 2011 accounts receivable from XPCT was $752,839 (2010 - $431,816).

	2011	2010
Other expenses (income) - XPCT		
Equity loss (earnings)	$ 482,312	$ (328,636)
Gain on settlement of vendor loan (note 7)	(520,000)	-
	$ (37,688)	$ (328,636)

The equity loss for the year ended November 30, 2011 includes charges of $507,650 for values assigned on acquisition related to receivables and inventory subject to the dispute with the vendor. In conjunction with the settlement of claims against the vendor as described in note 7, the Company recorded a gain on settlement of the vendor loan in the amount of $520,000.

There is a difference of approximately $2.0 million between the net book value of the Company's investment and its proportionate share of the assets and liabilities reported by XPCT primarily due to goodwill on acquisition.

6. Short-term loans:

	2011	2010
Royal Bank of Canada credit facility. Authorized to a maximum of $8.5 million with interest at bank prime plus 1.55% and secured by a general security agreement (note 7)	$ 5,624,605	$ 4,784,117
HDFC Bank Limited credit facility. Authorized to a maximum of 50.0 million Indian Rupees (approximately $990,000), of which 47.2 million Indian Rupees was drawn at November 30, 2011, with interest at 12.5% and secured by a standby letter of credit issued by Royal Bank of Canada and guaranteed by Export Development Canada	933,784	948,342
	$ 6,558,389	$ 5,732,459

The Company has issued letters of credit against the Royal Bank of Canada credit facility in the amount of $103,220 as of November 30, 2011 (2010 - $173,316) as bid and performance guarantees on certain contracts.

The Company has an additional credit facility of $1.0 million US with Royal Bank of Canada that is guaranteed by Export Development Canada for the support of performance guarantees provided by the Company's subsidiaries. At November 30, 2011 performance guarantees totaling $663,887 US are outstanding.

7. Long-term debt:

	2011	2010
Royal Bank of Canada term loan, repayable in monthly instalments of $78,430 including interest at a fixed rate of 5.65%. Due February 28, 2013	$ 1,081,867	$ 2,656,302
Royal Bank of Canada mortgage repayable in monthly instalments of $20,906 including interest at a fixed rate of 6.144%.	-	2,671,932
Vendor loan to finance the acquisition of XPCT, with interest payable at 7% per annum.	-	1,000,000
	1,081,867	6,328,234
Less current portion	903,000	6,328,234
	$ 178,867	$ –

The Company's short-term loans and term loan with the Royal Bank of Canada are secured by a general security agreement on the assets of the Company held in Canada and the United States. Under the terms and conditions of its credit facilities with Royal Bank of Canada the Company is subject to certain covenants. These covenants require that the Company maintain a certain minimum level of fixed charge coverage as measured on an annual basis, and that it not exceed a certain maximum ratio of total liabilities to tangible net worth on a quarterly basis.

At November 30, 2010, the Company was not in compliance with the annual fixed charge coverage covenant; this constituted an event of default under the terms of the credit facilities, and therefore, amounts owing under the credit facilities with Royal Bank of Canada were included in the current portion of long-term debt.

In July 2011 the Company's credit facilities agreement with Royal Bank of Canada was amended. The amended agreement provides that the annual fixed charge coverage covenant will be effective commencing with the fiscal year ending November 30, 2012. The Company is in compliance with the liabilities to tangible net worth quarterly covenant at November 30, 2011 and expects to be in compliance with the fixed charge coverage covenant at November 30, 2012. As a result, the amount of $178,867 being the portion of long-term debt repayable beyond 12 months is classified as long-term debt at November 30, 2011. The amended credit facilities agreement also provided that the Company repay $750,000 of the term loan with Royal Bank of Canada in August 2011.

In April 2011, the Company paid down the full value of the mortgage in conjunction with the sale/leaseback transaction described in note 8.

In February 2011, the Company agreed to a settlement of the vendor loan associated with the XPCT acquisition in December, 2007. Under the settlement arrangement, the Company paid $700,000 of the outstanding vendor loan of $1,000,000 and accrued interest of $220,000 as final settlement of the XPCT purchase price. In addition, the Company has agreed to discontinue various claims against the vendor relating to the acquisition of XPCT.

The following represents the aggregate scheduled principal payments over the next two years based on the current debt arrangements:

Fiscal year ended November 30:	
2012	$ 903,000
2013	178,867
	$ 1,081,867

8. Deferred income:

	2011	2010
Deferred gain on sale of property	$ 2,877,213	$ –
Deferred revenue	2,656,817	3,035,411
	5,534,030	3,035,411
Less current portion		
Deferred gain on sale of property	252,936	–
Deferred revenue	2,332,143	2,500,007
	2,585,079	2,500,007
	$ 2,948,951	$ 535,404

In April 2011, the Company sold its head office and manufacturing facility for net proceeds of $6,516,625 and recorded a deferred gain of $3,035,298 on the transaction. The Company also entered into a twelve-year net lease agreement with the purchaser of the property. The deferred gain is being amortized over the term of the lease. During the year the gain on sale recognized in other income was $158,085.

8. Deferred income – continued:

Commitments:

The following represents the aggregate scheduled payments comprised of base rent and operating costs for the term of the lease:

Due within 1 year	$ 579,000
Due between 1 and 2 years	579,000
Due between 2 and 3 years	579,000
Due between 3 and 4 years	579,000
Due between 4 and 5 years	579,000
Thereafter	3,688,232
	$ 6,583,232

The Company has provided a guarantee in the amount of 7.5 million Yuan ($1,215,559) for 50% of a bank loan to XPCT. The guarantee provided by the Company is proportionate to its shareholding in XPCT.

9. Income taxes:

Income tax expense attributable to earnings differs from the amounts computed by applying the combined federal and provincial income tax rate of 28.6% (2010 – 30.1%) to pretax earnings (loss) as a result of the following:

	2011	2010
Earnings (loss) before income taxes (recovery)	$ (3,181,358)	$ 650,881
Computed "expected" tax expense (recovery)	(911,000)	196,000
Adjustments to income taxes resulting from:		
Non-deductible expenses	47,000	56,000
Manufacturing and processing profits deduction	7,000	(18,000)
Equity loss (earnings)	138,000	(99,000)
Non-taxable capital gain	(218,000)	-
Rate difference on foreign income (losses)	(277,000)	25,000
Change in income tax rates	30,976	40,979
Change in valuation allowance	1,270,000	-
	$ 86,976	$ 200,979

	2011	2010
The provision for income taxes is comprised of:		
Provision for current income taxes	$ 706,976	$ 585,979
Recovery of future income taxes	(620,000)	(385,000)
	$ 86,976	$ 200,979
Effective income tax rate	(2.7)%	30.9%

9. Income taxes – continued:

The tax effects of temporary differences and non-capital losses carried forward that give rise to significant portions of the future tax assets and future tax liabilities are presented below.

	2011	2010
Future non-current tax assets (liabilities):		
Capital loss carryforwards	$ -	$ 108,000
Less valuation allowance	-	(108,000)
Investment tax credits	(507,000)	(539,000)
Non-capital losses available for carryforward	1,681,000	700,000
Less valuation allowance	(1,378,000)	-
Property and equipment and intangible assets	300,000	324,000
Unclaimed research and development	355,000	253,000
Deferred income	907,000	-
Net non-current future income tax assets	$ 1,358,000	$ 738,000

At November 30, 2011 the Company has $5,328,681 of non-capital losses of which $790,968 can be carried forward to the end of the 2018 fiscal year and $3,358,731 can be carried forward to the end of the 2019 fiscal year and applied against taxable income in India and $1,178,982 can be carried forward to the end of the 2028 fiscal year and applied against taxable income in Canada. A valuation allowance has been applied to losses in India.

At November 30, 2011, the Company has recognized investment tax credits of $2,856,573 (2010 - $3,267,486) as a result of its research and development activities. Investment tax credits can be carried forward and used to reduce federal and provincial taxes of future years. Federal investment tax credits earned in 1998 and later years may be carried forward for 20 years. Saskatchewan investment tax credits earned prior to March 19, 2009 can be carried forward for 10 years while those investment tax credits earned thereafter are refundable.

Investment tax credits available for carry forward at November 30 expire as follows:

Years	Federal	Saskatchewan	2011 Total	2010 Total
2014 – 2019	$ –	$ 1,251,530	$ 1,251,530	$ 1,505,420
After 2023	1,605,043	–	1,605,043	1,762,066
Total	$ 1,605,043	$ 1,251,530	$ 2,856,573	$ 3,267,486

10. Share capital:

(a) Authorized:

An unlimited number of common voting shares.

(b) Share transactions:

	Number of shares	Amount
Balance, November 30, 2011 and 2010	13,998,337	$ 12,071,009

(c) Options:

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 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 November 30, 2011, 238,165 (2010 – 1,110,665) options remain available to be granted. Stock options become exercisable at dates determined by the Compensation Committee of the Board of Directors.

At November 30, 2011, the following stock options to officers, employees and others were outstanding:

Options Outstanding				Options Exercisable	
Exercise Prices	Number Outstanding at November 30, 2011	Weighted-Average Remaining Contractual Life (years)	Weighted- Average Exercise Prices	Number Exercisable at November 30, 2011	Weighted-Average Exercise Price
$ 0.31	1,010,000	4.91	$ 0.31	-	$ -
1.20	600,000	6.62	1.20	575,000	1.20
1.29	110,000	1.42	1.29	110,000	1.29
1.32	172,500	0.17	1.32	172,500	1.32
	1,892,500	4.82	$ 0.74	857,500	$ 1.24

10. Share capital – continued:

(c) Options - continued:

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, 2009	1,025,000	$ 1.24
Options forfeited	(5,000)	1.29
Outstanding, November 30, 2010	1,020,000	$ 1.24
Options granted	1,010,000	0.31
Options forfeited and expired	(137,500)	1.29
Outstanding, November 30, 2011	1,892,500	$ 0.74

Outstanding options expire between February 1, 2012 and February 28, 2019.

During the year the Company recorded stock based compensation expense of $16,313 (2010 – $23,792) along with a corresponding increase in contributed surplus in shareholders' equity for options vesting during the year.

(d) Shareholders' rights plan:

The Company adopted a Shareholder Rights Plan (the "Plan"), which was approved by the shareholders at its annual meeting held on April 23, 1998. The Plan was established to deter coercive take-over tactics and to prevent an acquirer from gaining control of the Company without offering a fair price to all of the Company's shareholders. The Plan provides the Board of Directors and the shareholders of the Company with more time to fully consider any unsolicited takeover bid for the Company, and more time for the Board of Directors to pursue, if appropriate, other alternatives to maximize shareholder value.

Under the Plan, the Company will distribute one right in respect of each common share. The rights become exercisable eight trading days after the first public announcement of the acquisition of 20% of the common shares of the Company by any person or the announcement of a person's intention to commence a take-over bid, other than a "permitted bid" which would result in such person acquiring 20% of the Company's common shares. Each right may be exercised at a price of $20 to purchase that number of common shares of the Company which have a market value equal to two times the exercise price of the rights.

The requirements of a "permitted bid" include the following:

- the bid must be made by take-over bid circular to all holders of the Company's common shares;
- the bid must be subject to an irrevocable condition that no shares shall be taken up or paid for prior to a date which is not less than 60 days after the date of the bid and only if more than 50% of the outstanding common shares held by shareholders ("independent shareholders") other than the offeror and its related parties have been tendered to the bid;
- the bid must provide that shares may be deposited at any time during the bid period and that any shares so deposited may be withdrawn at any time during such period; and;
- if more than 50% of the common shares held by independent shareholders are tendered to the bid, the offeror must extend the bid for 10 days to allow shareholders who did not tender initially to take advantage of the bid if they so choose.

The Plan had an initial term of three years. The Plan contains a provision that, at or prior to the first annual meeting of shareholders following the third anniversary of the date of the Plan, the Board may submit a resolution to the shareholders approving the extension of the Plan for a further three years. At the Company's annual meeting held on May 13, 2010, the shareholders approved the extension of the Plan for a further three years. The extended Plan contains a provision that, at or prior to the first annual meeting of shareholders following the third anniversary of the date of the extended Plan, the Board may submit a resolution to the shareholders approving the extension of the Plan for a further three years.

11. Research and development:

	2011	2010
Research and development expenditures	$ 1,392,553	$ 1,233,905
Less grants and investment tax credits	(387,000)	(478,000)
	$ 1,005,553	$ 755,905

12. Per share amounts:

The computations for basic and diluted earnings (loss) per share are as follows:

	2011	2010
Net earnings (loss)	$ (3,268,334)	$ 449,902
Weighted average number of common shares outstanding:		
Basic	13,998,337	13,998,337
Effect of stock options	–	–
Diluted	13,998,337	13,998,337
Earnings (loss) per share:		
Basic	$ (0.23)	$ 0.03
Diluted	$ (0.23)	$ 0.03

The Company has stock options outstanding to purchase 1,892,500 common shares at November 30, 2011 (2010 – 1,020,000). At November 30, 2011 and 2010, none of the options available to purchase common shares were included in the computation of diluted earnings per share as amounts were anti-dilutive.

13. Financial assets and liabilities:

The Board of Directors is responsible to ensure that management identifies the principal risks of the Company's business and for the implementation of appropriate measures for dealing with and managing these risks.

The Company is exposed to various financial instrument related risks. The following are the types of risk exposures and methods of managing these risks:

Credit risk:

Credit risk arises from the potential that a customer or counterparty will fail to meet its contractual obligations. The Company is exposed to credit risk from its customers on its trade receivables and unbilled revenue. The Company is also exposed to credit risk relating to forward currency exchange contracts which it manages by dealing with Royal Bank of Canada. The maximum exposure to credit risk is represented by the carrying amount of its receivables and the balance of foreign exchange contracts.

The cash balances and other foreign currency forward contracts are held and transacted with bank and financial counterparties that are credit worthy with high credit ratings.

Accounts receivable is comprised of both trade and non-trade accounts. An allowance for doubtful accounts is established when there is a reasonable expectation that the Company will not be able to collect all amounts due according to the original terms of the receivables. Accounts ultimately determined to be uncollectible are written off against the allowance.

Accounts receivable include amounts due from customers in both the government and private industry sectors which exposes the Company to risk of nonpayment. Government accounts are considered secure and are normally not subjected to extensive credit reviews. Industry accounts are subjected to internal credit review in order to minimize risk of non-payment. Canadian export sales to non-government customers, not otherwise secured by Letter of Credit, are generally insured by Export Development Canada to the extent of 90% of the invoiced amount. The following table provides a breakdown of accounts receivable as described above:

	2011	2010
Government	$ 1,881,263	$ 3,695,784
Non-Government		
Secured		
Letter of credit	4,681	43,946
Export Development Canada insured	6,401,734	4,903,376
Other	2,338,368	2,906,795
Allowance for doubtful accounts	(953,842)	(470,606)
	$ 9,672,204	$ 11,079,295

13. Financial assets and liabilities - continued:

The following summarizes the changes in allowance for doubtful accounts:

	2011	2010
Balance, beginning of year	$ 470,606	$ 607,686
Bad debt expense	905,867	61,202
Write offs	(426,243)	(144,992)
Foreign currency revaluation	3,612	(53,290)
	$ 953,842	$ 470,606

Currency fluctuation risk:

Foreign currency risk arises as a result of fluctuations in exchange rates. The majority of the Company's sales are denominated in U.S. dollars while the majority of its costs are denominated in Canadian dollars. Fluctuations in the value of the U.S. dollar compared to the Canadian dollar can affect earnings and cash flow.

Approximately 74% of the Company's sales are denominated in U.S. dollars. During the fiscal year 2011 the Canadian dollar strengthened against the U.S. dollar by approximately 5% compared to fiscal year 2010. This resulted in a decrease in the Canadian dollar value of the Company's U.S. dollar denominated sales of approximately $1.4 million during the 2011 fiscal year. This impact is partially offset by the corresponding lower value of U.S. dollar denominated expenses.

From time to time the Company enters into forward foreign exchange contracts to sell U.S. dollars to hedge its net accounts receivable denominated in that currency. The term of these forward contracts is of a short term nature with the objective of matching the expected payments from customers.

At November 30, 2011 the Company has foreign currency exchange contracts to sell $2.5 million U.S. dollars at an average exchange rate of 1.0058. These contracts mature within the next 91 days and have a loss of $66,000 based on the actual exchange rate at November 30, 2011. In addition, the Company had in place $400 thousand USD in forward currency contracts at an average exchange rate of 491.82 CLP (Chilean pesos) per U.S. dollar with a loss of approximately $28,000 based on the actual exchange rate at November 30, 2011. Gains and losses on all foreign exchange contracts are recognized in earnings.

The Company also has exposure to other currencies including the Indian Rupee, Chilean Peso and Chinese Yuan primarily as a result of its operations in those countries. The Company's investments in these operations are not hedged as those currency positions are considered to be long-term in nature.

The following table illustrates the Company's exposure to exchange risk and the pre-tax effects on earnings and other comprehensive income (OCI) of a 5% increase in the Canadian dollar in comparison to the relevant foreign currency. This analysis assumes all other variables remain constant.

	Carrying Amount of Asset (Liability) at November 30, 2011	Foreign Exchange Risk 5% increase in Canadian $ Income	OCI
Net U.S. dollar foreign currency exposure	$ 4,846,000	$ (242,300)	$ -
U.S. dollar foreign currency forward contracts	$ (66,000)	$ 125,000	$ -
Net Indian Rupee foreign currency exposure	$ 288,000	$ -	$ (14,400)
Net Chilean Peso foreign currency exposure	$ 629,000	$ -	$ (31,450)
Net Chinese Yuan foreign currency exposure	$ 4,781,709	$ -	$ (239,085)

A 5% decrease in the Canadian dollar would have the opposite impact to those noted above.

Interest rate risk:

Interest rate risk arises because of the fluctuation in interest rates. Fluctuations in interest rates impact the future cash flows and fair values of various financial instruments. The Company is exposed to fluctuations in interest rates. The Company manages this risk by ensuring that a portion of its borrowings are on a fixed rate basis. At November 30, 2011 approximately 14% of borrowings are on a fixed rate basis. The Company's cash flow is exposed to interest fluctuations due to its variable interest rate instruments. As at November 30, 2011, a 1% increase or decrease in interest rates, with all other variables held constant, would have resulted in an increase or decrease of $47,000 to the Company's net earnings for the year. The Company does not use derivative financial instruments to mitigate interest rate risk.

Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as they become due. The Company facilitates this in part by maintaining a line of credit in the amount of $8.5 million with Royal Bank of Canada and a 50.0 million Indian Rupees (approximately $990,000) line of credit with HDFC Bank Limited. The line of credit with HDFC Bank Limited is guaranteed by Export Development Canada. At November 30, 2011 the remaining amount available to be drawn under these credit facilities are approximately $1.5 million and $0.1 million, respectively.

Under the terms of its credit facilities with Royal Bank of Canada, as referred to in Note 7, the Company is required to meet certain covenants. In addition, the terms of the credit facility with Royal Bank of Canada provide that borrowings are repayable on demand and that Royal Bank of Canada may cancel or restrict the availability of any unutilized portion at any time.

The guarantee provided by Export Development Canada is renewable on an annual basis, with the current guarantee expiring on March 15, 2012.

13. Financial assets and liabilities - continued:

The table below presents a maturity analysis of the Company's financial liabilities based on the expected cash flows from the date of the balance sheet to the contractual maturity date. The amounts represent the contractual undiscounted cash flows (thousands of dollars).

	Carrying Amount of Liability at November 30, 2011	Contractual Cash Flows Including Interest	< 1 year	1 to 3 years
Short-term loans*	$ 6,558	$ 6,844	$ 6,844	$ -
Accounts payable and accrued liabilities	$ 5,206	$ 5,206	$ 5,206	$ -
Long-term debt	$ 1,082	$ 1,121	$ 941	$ 180

* Assumes balance is outstanding for 365 days

The sensitivity analyses discussed and illustrated above for currency, interest rate and liquidity risk should be used with caution as the changes are hypothetical and are not predictive of true performance. The above sensitivities are calculated with reference to period-end balances and will change due to fluctuation in the balances throughout the year. In addition, for the purpose of the sensitivity analyses, the effect of a variation in a particular assumption on the fair value of the financial instrument was calculated independently of any change in another assumption. Actual changes in one factor may contribute to changes in another factor, which may magnify or counteract the effect on the fair value of the financial instrument.

Fair value:

The carrying amounts of the Company's financial assets and liabilities including cash, accounts receivable, unbilled revenue and accounts payable and accrued liabilities approximate fair value due to the short-term maturity of these items. The fair value of the short-term loans approximates the carrying amounts since the debt bears interest at current market rates. The fair value of long-term debt approximates its carrying value as at November 30, 2011. The fair value of the Company's long-term debt was estimated based on discounted future cash flows using current rates for similar debt subject to similar rates and maturities.

14. Segmented information:

The Company operates in one operating segment, the ITS 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:

	2011	2010
Canada	$ 3,662,323	$ 7,781,464
United States	20,866,215	21,135,100
Overseas	14,569,965	15,558,785
	$ 39,098,503	$ 44,475,349

15. Statements of cash flows:

Non cash working capital

	2011	2010
Accounts receivable	$ 117,207	$ 2,387,089
Unbilled revenue	(23,049)	(143,445)
Income taxes receivable	34,715	(347,442)
Inventory	254,696	(693,477)
Prepaid expense and deposits	(183,152)	(129,850)
Accounts payable and accrued liabilities	65,500	(1,117,120)
Income taxes payable	-	(244,283)
	$ 265,917	$ (288,528)

16. Management of capital:

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders, and, to provide an adequate return to shareholders.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, purchase and cancel shares previously issued, return capital to shareholders or sell assets to reduce debt. The Company considers interest bearing debt and the items included in the consolidated statement of shareholders' equity as capital.

17. Comparative figures:

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

IRD Board of Directors

Corporate Governance

At International Road Dynamics, we take governance and the interests of our shareholders very seriously. As a result, we are committed to open, timely and transparent shareholder communication. In addition, IRD's Board of Directors has implemented a comprehensive set of governance practices and procedures consistent with the Toronto Stock Exchange (TSX) Corporate Governance Guidelines.

Full details can be found in the Company's Information Circular.

Dr. Arthur Bergan

Chairman of the Board, Professor Emeritus of Civil Engineering at the University of Saskatchewan.

Terry Bergan

Director, President and Chief Executive Officer, President since 1986 and CEO since 1994.

Sharon Parker

Secretary, with the Company since 1980 and currently Vice President, Corporate Resources.

Harvey Alton

Director, former Deputy Minister of Transportation and Utilities for the Province of Alberta and currently a consultant with Alton Management Services Inc.

Ray Harris

Director and consultant, from 1996 to present. Prior thereto, he was an advisor to the Ministry of Finance of the Peoples Republic of China and prior thereto he was chairman of Deloitte and Touche (Canada).

Dr. C. Michael Walton

Director, Professor of Civil Engineering and Ernest H. Cockrell Centennial Chair in Engineering at The University of Texas at Austin.

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Chief Financial Officer
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