INTERNATIONAL ROAD DYNAMICS INC.

Accelerating our Future

2015 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 over 35 years IRD has diversified from both a markets and a 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 (CVO)
- 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 Wednesday, May 11, 2016 at 3:30 PM (CST).

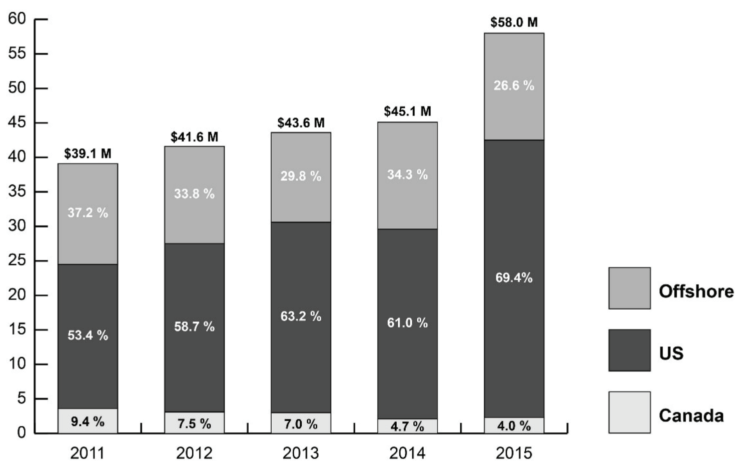
FINANCIAL HIGHLIGHTS

Period Ended November 30 (in $000's except per share amounts)	**2015**	2014
Revenue	**57,990**	45,102
Gross margin	**17,617**	14,003
EBITDA	**4,400**	2,763
Net earnings	**2,532**	1,372
Earnings per share - basic	**0.18**	0.10
Earnings per share - diluted	**0.17**	0.09
Working capital	**11,301**	9,547
Shareholders' equity per share	**1.58**	1.36

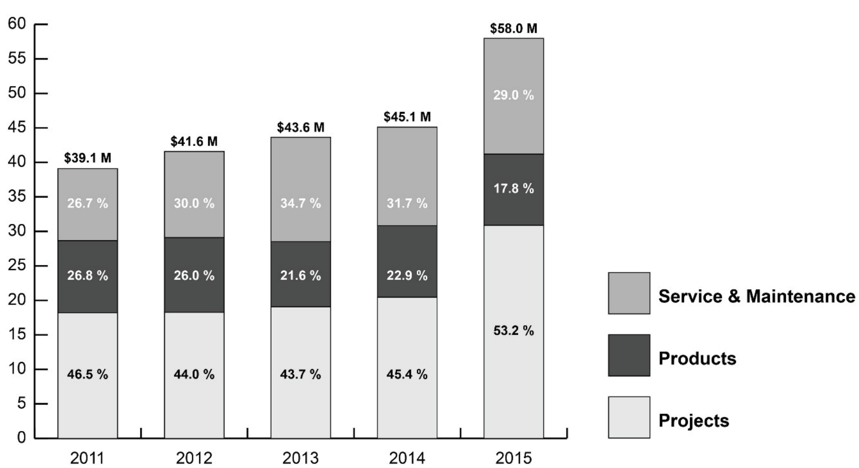
Operating Highlights

- Net earnings increased 85% to $2.5 million or $0.18 per common share
- Revenue up 29% to $58.0 million on growth in key geographic markets and product segments
- EBITDA rises 59% to $4.4 million on revenue growth and strong gross margin
- Solid financial position with working capital increasing to $11.3 million
- Outlook for continued growth with strong confirmed order backlog and near-term business opportunities

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



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



REPORT TO SHAREHOLDERS

We generated record growth and operating performance in fiscal 2015 as we increased our presence in all our key target geographic markets and entrenched our reputation as a high quality and reliable supplier of sophisticated systems and solutions for the global Intelligent Transportation Systems business. Most importantly, our strong market presence, and our ongoing R&D and product development programs, position us to capitalize on the increased global emphasis on transportation infrastructure efficiency, safety, and environmental performance. We are very excited about our future, and look for our growth and record performance to continue going forward.

Record Results

Consolidated revenue for fiscal 2015 rose 28.6% to a record $58.0 million, driven by solid gains in our Canada, United States and Latin America markets. Looking ahead, we expect revenue growth will continue in fiscal 2016 based on our strong levels of in-house orders and identified near-term business opportunities. We were also pleased to see our recurring service and maintenance revenue increase 17.6% to $16.8 million in fiscal 2015, and expect this aspect of our business to continue growing in the future as our installed base of products and solutions builds in our markets around the world.

With this record growth in revenue, combined with our ongoing emphasis on production efficiencies and cost controls, gross margins increased 25.8% to $17.6 million for the year ended November 30, 2015 with solid and stable gross profit margins. With this improved profitability, net earnings rose significantly to $2.5 million or $0.18 per common share, an all-time high for the Company. We are very proud to be delivering this record performance to our shareholders and look for this growth to continue in the years ahead.

Along with these strong operating results, the Company's financial position remained solid at year end with a healthy balance sheet and working capital of $11.3 million, up from $9.5 million at the end of fiscal 2014.

New Products and Solutions

One of IRD's most important competitive strengths is our ongoing research and development initiatives that continue to provide us with market-leading and innovative ITS solutions for our customers around the world.

Central to these R&D programs are the value added solutions and options built around iSINC®, our core low-power industrial electronics and computing platform. iSINC is our proprietary standardized "out-of-the-box" data acquisition and control system used in a broad range of our applications, including our weigh station automation, highway traffic management, traffic data collection and tolling solutions. This core platform interfaces to a number of IRD developed sensors including our world class weigh-in-motion and vehicle axle detection products as well as a wide variety of original equipment manufacturer (OEM) products including optical and infrared cameras and illuminators, automated number recognition systems for identifying licence plates and vehicle identification information, vehicle dimension and tracking systems, as well as highway message signs and traffic signals.

Another innovative backbone to our ITS solutions is our VectorSense™ sensor suite which consists of easily installed roadway sensors that provide vehicle tire footprint, tire pressure, and vehicle and lane position information used in many of our core system applications. With these sensors, our customers are able to measure vehicle configurations, including those that use single, dual or super single tires with a high degree of accuracy. In addition, they can identify at highway speed those vehicles which are unsafe because they have missing or under-inflated tires. When combined with weigh-in-motion data, the information collected by VectorSense can be used to predict roadway maintenance requirements, help with road design, and support freight source and destination analysis. VectorSense is currently being integrated with our core iSINC platform and connected to a cloud-based system which provides sophisticated data analytical tools for identifying current transportation needs and traffic trends.

The VectorSense sensor suite information is also a key component of our Vehicle Information in Motion (VI2M™) solution which fully integrates and combines data from our in-road and roadside sensing technologies to provide a comprehensive traffic data and management solution for our customers. This system incorporates data tools to allow operators to be more proactive in managing their highway and roadway infrastructure. As part of these systems, IRD also provides enterprise level reporting and analysis to assist agencies with their infrastructure management responsibilities.

Accelerating Our Future

With the comprehensive and innovative product and solutions offering based on our iSINC, VectorSense and VI2M technologies, IRD is well positioned to participate in these key areas in the future of Intelligent Transportation Systems: the Automated Highway System, autonomous vehicles, and the collecting, assessing and delivering of important data about what is happening on today's highways.

In both developed and developing countries around the world, issues around traffic congestion and driving safety, the cost of maintaining roads and highways, as well as pollution and environmental performance, are driving the need for a comprehensive solution. Estimates indicate that drivers in the United States lose over $100 billion annually in wasted time and fuel while sitting in traffic. In addition, studies have shown that human error accounts for 90% of traffic accidents. These issues are only getting worse as cities continue to grow and the lack of space and cost for new highways remains prohibitive.

The solution to these traffic problems is the development of the Automated Highway System (AHS), which combines various ITS technologies including sensors, communications, cameras and displays to create a set of roadway lanes where autonomous vehicles can travel under computer control. Over the long term, and once developed and installed, AHS and the autonomous vehicles that travel on this system, will reduce traffic congestion, enhance safety and make travel predictable and reliable. More vehicles will be accommodated on our highways, fuel consumption and emissions will be reduced, and more efficient commercial and transit vehicle traffic will be realized.

IRD is well positioned as a key supplier to the future world of AHS. We have decades of experience embedding our sensors in highways, our ability to communicate with vehicles and highway control systems is well developed, and we have built enduring relationships with both private and public highway management agencies around the world. The data delivered by such IRD technologies as VectorSense and VI2M will provide some of the necessary information for autonomous vehicles to safely and efficiently travel without driver intervention along the future Automated Highway System.

Since the Company's founding more than thirty-five years ago, we have installed tens of thousands of our Weigh-in-Motion systems, toll systems and other solutions in highways and roadways around the world. These solutions have provided our customers with enhanced efficiency in moving traffic and gathering revenues for reinvestment in the infrastructure necessary to maintain and grow economic well-being. However, our installed base of ITS solutions also provides us, and our customers, with much more.

With the cost of maintaining highways and roadways continuing to climb, and public dollars for investment in infrastructure increasingly difficult to obtain, governments and transportation agencies are finding that useful data about how highways are used has become critical in helping decide where and when infrastructure spending should be made. Gathering, tracking and assessing information about traffic flows, vehicle weights, bottlenecks and other factors is key to determining how to improve driving efficiency and safety.

Over the last few years our R&D dollars have been spent in developing systems and solutions to collect and control more and more information about what is happening on today's highways. Increasingly our customers are asking us to provide this data to them in specific formats that can help them assess and make decisions. Acting as an Application Service Provider not only helps our customers invest in infrastructure more effectively and efficiently, the regular provision of this large and increasing amount of data generates a strong and growing stream of recurring revenue for our shareholders. We look to increase this stable source of cash flow in the years ahead.

In conclusion, we are very proud of our record growth and performance in fiscal 2015, and we are very excited about our future potential. The global ITS business presents a compelling opportunity to build shareholder value over the long term, and we look forward to keeping you apprised of our progress in the years to come.


MAN
TRUCK
TO WEIGH

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Three and Twelve Months ended November 30, 2015

INTRODUCTION

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 19, 2016 and is based on the Company's audited consolidated financial statements for the twelve months ended November 30, 2015 and 2014 available on SEDAR at www.sedar.com. Accordingly, this discussion and analysis should be read with reference to those financial statements and the accompanying notes.

BASIS OF PRESENTATION

Financial information in this MD&A is prepared in accordance with International Financial Reporting Standards ("IFRS") and all amounts are in Canadian dollars unless otherwise indicated. The consolidated financial statements comprise International Road Dynamics Inc. and each of its wholly owned subsidiaries. Each entity in the Company is measured using the currency of the primary economic environments in which the entity operates ("functional currency"). The consolidated financial statements are presented in Canadian dollars, which is IRD's functional currency.

COMPANY OVERVIEW

International Road Dynamics Inc. is one of the world's leading providers of integrated systems and solutions for the global Intelligent Transportation Systems (ITS) Industry. The ITS Industry is a worldwide market focused on improving the mobility, enhancing the safety, increasing the efficiency and reducing the environmental impact of highway and roadway transportation systems. The Company has established a network of direct and independent operations and relationships in strategic geographic regions to identify and pursue ITS opportunities wherever they may arise.

The core strengths of the Company are its national and international sales network and installed base of systems, its intellectual property (trade names, patents, trademarks and other proprietary knowledge), and its ability to utilize a variety of patented and proprietary and OEM technologies, including the Company's Weigh-In-Motion (WIM) and vehicle measurement technologies, to detect, classify and weigh vehicles at highway speeds. With these core competencies, the Company is able to deliver automated systems for commercial vehicle operations at truck weigh stations, border crossings, highway traffic data collection, highway toll collection systems, as well as vehicle fleet management systems. IRD is the world's largest provider of WIM systems.

The Company's customers include government transportation agencies, traffic engineering consultants and operators, city and municipal agencies, concessionaires, industrial, mining, and service companies worldwide.

The Company's revenue is derived from selling integrated transportation systems, services and products. Integrated systems are made up of a combination of the Company's proprietary electronics, software technology, WIM and vehicle measurement products, installation and commissioning services. Service contracts are typically multi-year, renewable arrangements whereby the Company maintains and services its installed systems and products for its customers. In addition, the Company enters into recurring revenue service contracts where the Company owns the equipment providing customer services such as delivery of real time and statistical traffic information and truck weigh station bypass services. The Company also sells, integrates, and maintains "off-the-shelf" products, typically original equipment manufacturer (OEM) equipment such as machine vision for vehicle identification, automatic vehicle identification readers and transponders and others.

OUTLOOK

For fiscal 2016, the Company expects to sustain its revenue growth on the strength of current in-house orders and identified near term project opportunities, particularly in the Canada and United States, Mexico and Latin America business segments. Revenue from the India segment activities are expected to continue at minimal levels reflecting the reduced business activity in this market. The reduced value of the Canadian dollar and Chilean peso relative to the U.S. dollar is also expected to provide an economic benefit to the Company's export revenues and profitability since the majority of the Company's North and South America revenues are denominated in U.S. dollars. Net earnings may vary significantly due to uncertainty in the timing of project awards and activities which are often at the discretion of government agencies. In addition, changes in the U.S. dollar relative to the Canadian dollar and Chilean peso have the potential to increase or decrease the Company's revenue and profit performance.

Over the medium and longer term, the Company believes that governments and private sector interests around the world will continue to invest in highway and roadway infrastructure as a means to improve transportation systems efficiency, reduce emissions, increase safety and productivity while supporting economic growth. As such, the Company expects worldwide demand for ITS products to continue to grow. Further, with a growing global installed base of ITS systems and technologies, the Company also anticipates its maintenance and service business to expand, providing recurring and sustainable revenue over the long term.

Over the long term, the Company's expertise, technologies, products and services will provide systems, data and solutions for the future evolution of the Automated Highway System (AHS). The speed of the deployment of AHS technologies is dependent on a number of factors, including the development and acceptance of driver assisted and autonomous vehicles, and the deployment of the infrastructure such as the communications and other services needed to support the AHS. IRD believes that most infrastructure investment challenges will be addressed within new government budgets and increased involvement by the private sector through Private-Public-Partnership (PPP) business models. In the PPP model, infrastructure financing is provided outside of traditional government sources. In support of this long term vision, the Company is committed to an active program of research and development to advance the functionality of existing products and systems in the near term while preparing for the AHS in the longer term.

RESULTS OF OPERATIONS

The results of operations on a consolidated basis for the three and twelve months ended November 30, 2015 and 2014 are summarized as follows:

Comparative Statements of Earnings

	Three Months Ended November 30		**Twelve Months Ended November 30**	
	2015	2014	**2015**	2014
	$	$	**$**	$
Revenue	**16,243,849**	11,319,129	**57,990,057**	45,101,507
Cost of goods sold	**11,254,330**	7,715,259	**40,372,784**	31,098,994
Gross margin	**4,989,519**	3,603,870	**17,617,273**	14,002,513
Gross margin %	***30.7%***	*31.8%*	***30.4%***	*31.0%*
Administrative and marketing expenses	**3,807,364**	3,224,266	**13,618,796**	11,927,105
Research and development, net	**60,874**	395,536	**1,246,583**	1,243,922
Financing costs (income), net	**202,718**	(123,590)	**(82,518)**	(527,762)
Other costs (income)	**(74,240)**	49,051	**(134,735)**	(33,457)
XPCT loss (earnings)	**28,493**	(161,126)	**(444,705)**	(326,050)
Earnings before taxes	**964,310**	219,733	**3,413,852**	1,718,755
Income tax expense (recovery)	**185,167**	(245,513)	**882,267**	346,652
Net earnings	**779,143**	465,246	**2,531,585**	1,372,103
Earnings per share basic	**0.05**	0.03	**0.18**	0.10
Earnings per share diluted	**0.05**	0.03	**0.17**	0.09
EBITDA[1]	**1,194,193**	551,853	**4,399,866**	2,762,989

[1] See Non-IFRS Measures

Revenue increased by 43.5% in the fourth quarter of fiscal 2015 and 28.6% year to date compared to the respective prior-year periods. The significant growth in the quarter reflects the Company's continued success in execution of an increased number of contracted projects, improved service revenues and growth in product sales into other international markets. Gross margin as a percentage of revenue in the fourth quarter and for the year was comparable to the respective prior-year periods. Gross margins can vary due to the changes in product mix and specific project activities from period to period.

Administrative and marketing expenses increased in fiscal 2015 compared to the prior year primarily due to higher performance-based compensation costs, higher bad debt provisions, and increased sales costs related to the higher levels of business activity during the year. The Company also invested additional resources in the pursuit of near term business opportunities and increased its investment in research and development to advance the availability of new products, some of which will be introduced over the next year.

Financing costs (income) comprises short and long term interest costs and net foreign exchanges losses (gains). Financing costs for the fourth quarter of fiscal 2015 were $202,718 (2014 - income $123,590) and year to date income was $82,518 (2014 - income $527,762).

Changes in the quarter were primarily attributable to reductions in the value of the embedded derivative portions of unearned revenue relating to U.S. dollar denominated sales contracts in its Latin America and Mexico segment offset by foreign exchange gains as the U.S. dollar increased in value over the Canadian and Chilean currencies.

The Company reported net earnings of $779,143 or $0.05 per share in the fourth quarter (2014 - earnings of $465,246 or $0.03 per share) and $2,531,585 or $0.18 per share for the year to date (2014 - earnings of $1,372,103 or $0.10 per share).

Further comments on revenue and gross margins by segment are discussed below.

Review of Operations by Segment

The Company operates in one industry segment, the ITS industry, which involves systems design, hardware and software development, manufacturing and integration of products and systems to improve the efficiency of traffic flows.

Reportable segments represent the Company's geographic business units and reflect management's current focus on allocating resources and measuring performance. Reportable segments offer similar products and services, have separate management structures, and sales forces.

Segment revenue is from internal and external customers. Intersegment revenue and expenditures are eliminated on consolidation as illustrated in the tables below.

Revenue and Gross Margin by Segment

The following is a breakdown of the Company's revenue and gross margin for the three and twelve months ended November 30, 2015 and 2014 by segment:

	For the Three Months Ended November 30, 2015				
	Canada and United States	**Latin America and Mexico**	**India**	**Intersegment Adjustments**	**2015**
	$	**$**	**$**	**$**	**$**
Contracted Projects	7,479,851	1,535,218	71,695	—	9,086,764
Service	4,059,333	485,135	63,256	—	4,607,724
Products	2,584,978	289,217	25,015	(349,849)	2,549,361
Total Revenue	**14,124,162**	**2,309,570**	**159,966**	**(349,849)**	**16,243,849**
Gross Margin	**4,159,813**	**808,875**	**64,759**	**(43,928)**	**4,989,519**
Gross Margin %	***29.5%***	***35.0%***	***40.5%***		***30.7%***

	For the Three Months Ended November 30, 2014				
	Canada and United States	**Latin America and Mexico**	**India**	**Intersegment Adjustments**	**2014**
	$	**$**	**$**	**$**	**$**
Contracted Projects	4,392,799	1,824,459	204,067	—	6,421,325
Service	2,618,196	411,410	176,558	—	3,206,164
Products	1,840,902	22,250	2,912	(174,424)	1,691,640
Total Revenue	**8,851,897**	**2,258,119**	**383,537**	**(174,424)**	**11,319,129**
Gross Margin	**2,218,015**	**973,688**	**256,228**	**155,939**	**3,603,870**
Gross Margin %	***25.1%***	***43.1%***	***66.8%***		***31.8%***

	For the Twelve Months Ended November 30, 2015				
	Canada and United States	**Latin America and Mexico**	**India**	**Intersegment Adjustments**	**2015**
	$	**$**	**$**	**$**	**$**
Contracted Projects	23,979,232	6,543,074	354,210	—	30,876,516
Service	14,456,078	1,835,148	501,598	—	16,792,824
Products	10,275,669	1,083,170	50,164	(1,088,286)	10,320,717
Total Revenue	**48,710,979**	**9,461,392**	**905,972**	**(1,088,286)**	**57,990,057**
Gross Margin	**14,817,710**	**2,438,506**	**413,569**	**(52,512)**	**17,617,273**
Gross Margin %	***30.4%***	***25.8%***	***45.6%***		***30.4%***

	For the Twelve Months Ended November 30, 2014				
	Canada and United States	**Latin America and Mexico**	**India**	**Intersegment Adjustments**	**2014**
	$	**$**	**$**	**$**	**$**
Contracted Projects	14,797,586	4,944,277	717,936	—	20,459,799
Service	12,048,283	1,657,154	569,877	—	14,275,314
Products	9,413,415	1,523,007	78,506	(648,534)	10,366,394
Total Revenue	**36,259,284**	**8,124,438**	**1,366,319**	**(648,534)**	**45,101,507**
Gross Margin	**10,267,984**	**3,097,851**	**480,663**	**156,015**	**14,002,513**
Gross Margin %	***28.3%***	***38.1%***	***35.2%***		***31.0%***

Canada and United States

The Company's success in the Canada and United States segment, which includes international sales not served by the Company's Latin America or India segments, is largely driven by the Company's strong reputation, quality of work, and an ability to execute projects in a timely manner.

Total segment revenue for the fourth quarter of fiscal 2015 and year to date increased 59.6% and 34.3%, respectively, over the comparable prior-year periods. This increase is primarily due to the Company's successful execution of an increased number of contracted projects particularly over the last six months of the fiscal year demonstrating the Company's capacity to support its business growth in this segment. In addition, the Company reported improved service revenues and increased product sales into other international markets. Revenue growth for fiscal 2015 also reflects changes in the value of the U.S. dollar which increased revenues by approximately $6.2 million in this business segment as compared to the prior year.

Gross margin is subject to variance due to factors such as changes in product mix, currency volatility and competitive factors. Gross margin as a percentage of revenue improved in the fourth quarter of 2015 and for the year compared to the comparable prior-year period due primarily to more profitable projects currently underway.

For fiscal 2016, the Company expects to sustain current revenues in the Canada and U.S. market based on the current value of in-house orders and identifiable near term project and product sales opportunities in domestic and international markets. However, the timing of orders may vary widely on a quarter to quarter basis, depending on customer requirements.

Latin America and Mexico

Segment revenue increased by 2.3% for the fourth quarter of 2015 and 16.5% for the year to date compared to the respective prior-year periods due primarily to significant advancement on current projects, increased product sales growth and changes in the value of the U.S. dollar which increased revenues by approximately $0.8 million. Growth in fourth quarter service and product revenue in this market was offset by a small decline in project revenues primarily due to changes in delivery schedule requirements.

Gross margin as a percentage of revenue in the fourth quarter and for fiscal 2015 declined as compared to the prior year as profitability has been affected by strategic pricing decisions and product mix variability.

For fiscal 2016, the Company expects further revenue growth arising from the completion and delivery of existing projects and products and the realization of expected contract opportunities in this region. In addition, the Company expects to sustain its service revenue levels due to contract renewals completed over the past fiscal year.

India

Year to date revenue decreased by 33.7% for fiscal 2015 as compared to the prior year reflecting management's decision to reduce the level of business activity in this market.

Although revenues have declined, segment gross margins continued to improve in fiscal 2015 as margins as a percentage of revenue increased to 45.6% for the year ended November 30, 2015 compared to 35.2% in the prior year reflecting the improved profitability of current project and service contracts.

For fiscal 2016, the Company expects modest levels of revenue in this business segment as it remains committed to accepting only business opportunities in this market with acceptable gross margins and payment terms.

Operating Expenses by Segment

	For the Three Months Ended November 30, 2015				
	Canada and United States	**Latin America and Mexico**	**India**	**Intersegment Adjustments**	**2015**
	$	**$**	**$**	**$**	**$**
Operating expenses:					
Administrative and marketing expenses	2,528,400	636,328	736,825	(94,189)	3,807,364
Research and development, net	43,376	17,498	—	—	60,874
	2,571,776	**653,826**	**736,825**	**(94,189)**	**3,868,238**

	For the Three Months Ended November 30, 2014				
	Canada and United States	**Latin America and Mexico**	**India**	**Intersegment Adjustments**	**2014**
	$	**$**	**$**	**$**	**$**
Operating expenses:					
Administrative and marketing expenses	2,439,139	644,230	230,717	(89,820)	3,224,266
Research and development, net	332,932	62,604	—	—	395,536
	2,772,071	**706,834**	**230,717**	**(89,820)**	**3,619,802**

	For the Twelve Months Ended November 30, 2015				
	Canada and United States	**Latin America and Mexico**	**India**	**Intersegment Adjustments**	**2015**
	$	**$**	**$**	**$**	**$**
Operating expenses:					
Administrative and marketing expenses	9,805,821	2,796,722	1,384,398	(368,145)	13,618,796
Research and development, net	1,154,767	91,816	—	—	1,246,583
	10,960,588	**2,888,538**	**1,384,398**	**(368,145)**	**14,865,379**

	For the Twelve Months Ended November 30, 2014				
	Canada and United States	**Latin America and Mexico**	**India**	**Intersegment Adjustments**	**2014**
	$	**$**	**$**	**$**	**$**
Operating expenses:					
Administrative and marketing expenses	8,976,741	2,254,880	1,050,333	(354,849)	11,927,105
Research and development, net	1,059,762	184,160	—	—	1,243,922
	10,036,503	**2,439,040**	**1,050,333**	**(354,849)**	**13,171,027**

Canada and United States

Total administrative and marketing expenses increased by 3.7% for the fourth quarter of 2015 and 9.2% for the year to date compared to the respective prior-year periods largely due to higher performance-based compensation costs arising from growth in year to date earnings. In addition, the Company continues to direct increased resources to the pursuit of future business opportunities.

R&D expense, before government grants and tax credits, increased in the fourth quarter of 2015 and year to date compared to the respective prior-year periods as the Company continues to assign additional resources to development projects to advance the availability of new products. Net R&D spending levels for fiscal 2015 decreased to 2.4% of revenues (2014 - 2.9%) due to a significant increase in revenues and increases in government grants and investment tax credits, which offset gross R&D spending. For fiscal 2015, the Company recorded government grants of $127,580 (2014 - $nil) and accrued investment tax credits on eligible scientific research expenditures in the Canadian operations of $704,276 (2014 - $180,000), which are available to reduce future income taxes otherwise payable on Canadian taxable income. Total investment tax credits recorded in 2015 include recognition of previously unrecorded credits of $437,373 due to the Company's expectation that all current tax credits will be realized prior to expiry deadlines.

Latin America and Mexico

Total administrative and marketing activities increased in fiscal 2015 compared to the prior year primarily due to an increase in sales costs related to higher levels of business activity.

India

Total administrative and marketing expenses increased in fiscal 2015 compared to the prior year primarily due to increased provision for bad debts. The Company successfully reduced other administrative and marketing expenses in this segment to align its operations to current revenue levels. For the fourth quarter of 2015, the Company recorded segment bad debt expense of $518,807 (2014 - $78,151) resulting in bad debt expense in this segment of $658,895 (2014 - $164,127) for the year. The Company is continuing to aggressively pursue all overdue customer accounts.

Financing Costs (Income), net by Segment

	For the Three Months Ended November 30, 2015			
	Canada and United States	**Latin America and Mexico**	**India**	**2015**
	$	**$**	**$**	**$**
Interest on bank indebtedness	71,018	12,062	—	83,080
Interest on long-term debt	6,240	—	—	6,240
Foreign exchange losses (gains)	(8,706)	121,306	798	113,398
	68,552	**133,368**	**798**	**202,718**

	For the Three Months Ended November 30, 2014			
	Canada and United States	Latin America and Mexico	India	2014
	$	$	$	$
Interest on bank indebtedness	105,507	607	24,325	130,439
Interest on long-term debt	—	—	—	—
Foreign exchange losses (gains)	(92,223)	(215,250)	53,444	(254,029)
	13,284	**(214,643)**	**77,769**	**(123,590)**

	For the Twelve Months Ended November 30, 2015			
	Canada and United States	Latin America and Mexico	India	2015
	$	$	$	$
Interest on bank indebtedness	308,206	57,434	2,839	368,479
Interest on long-term debt	27,754	—	—	27,754
Foreign exchange losses (gains)	(414,260)	(77,698)	13,207	(478,751)
	(78,300)	**(20,264)**	**16,046**	**(82,518)**

	For the Twelve Months Ended November 30, 2014			
	Canada and United States	Latin America and Mexico	India	2014
	$	$	$	$
Interest on bank indebtedness	286,839	2,021	127,068	415,928
Interest on long-term debt	—	—	—	—
Foreign exchange losses (gains)	(253,301)	(737,112)	46,723	(943,690)
	33,538	**(735,091)**	**173,791**	**(527,762)**

Interest Expense

Interest on bank indebtedness and long-term debt in fiscal 2015 decreased compared to the prior year due to a net decrease in borrowing levels in Canada and Latin America and a reduction in India interest expense due to the payout of the India segment loan (see “Capital Resources” below).

Foreign Exchange

The Company is exposed to foreign exchange risk primarily relating to sales revenue, operating and capital expenditures, net assets held in foreign currencies, and embedded derivative portions of unearned revenue of U.S. dollar denominated sales contracts in its Latin America and Mexico segment. The Company has exposure to the U.S. dollar, Indian rupee, Chilean peso, Mexican peso, and Chinese yuan as more fully described in the Financial Instruments and Other Risks section below.

In the fourth quarter of fiscal 2015 the Company recorded foreign exchange losses of $113,398 (2014 - gains of $254,029) due primarily to a decrease in accrued embedded derivative gains as the related U.S. revenues were realized offset by increases in the carrying value of U.S. dollar net assets due to a rise in the value of the U.S. dollar compared to the Canadian dollar and Chilean peso. As a result, foreign exchange gains for the year ended November 30, 2015 were $478,751 (2014 - $943,690).

Throughout fiscal 2015, the Company partially reduced its exposure to U.S. currency volatility by maintaining a portion of its bank indebtedness in U.S. funds.

As at November 30, 2015, the fair value of the embedded derivative relating to unearned revenue of U.S. $2.6 million (2014 - U.S. $6.4 million) on open contracts within its Chilean and Mexican subsidiaries was $481,689 (2014 - 743,919). As revenues are realized on these contracts, the timing of expected revenue flows changes, or the value of the U.S. dollar changes compared to the Chilean and Mexican pesos, earnings will be affected.

Foreign exchange translation gains or losses arising on consolidation of the Company’s subsidiaries in Chile and India and its joint venture in China are recorded as accumulated other comprehensive income which is a component of shareholders’ equity. As at November 30, 2015 the accumulated unrealized foreign currency translation gains on the consolidation of these investments is $1,078,494 (2014 - $188,690).

XPCT

The Company owns a 50% joint venture interest in Xuzhou-PAT Control Technologies Limited (XPCT), an ITS products and manufacturing service provider in China. XPCT has two business divisions providing products and services to both the ITS industry and construction equipment manufacturers. As a distributor for the Company's ITS manufactured goods, XPCT provides a strategic advantage to the Company to increase sales in the Chinese market.

XPCT reported a loss in the fourth quarter of fiscal 2015 of $28,493 (2014 - income of $161,126) and year to date earnings of $444,705 (2014 - $326,050). The change in fourth quarter earnings reflects reduced business volumes in both business divisions as compared to the prior year's quarter. Year to date earnings includes an after-tax gain on sale of land and building of $167,577 realized in the third quarter.

The carrying value of this investment increased by $741,291 for the year to date (2014 - $427,355) due to gains in the value of the Chinese yuan against the Canadian dollar.

Over the medium term, the Government of China's five year economic plans call for significant investment in infrastructure projects which is expected to provide future growth opportunities for XPCT in both operating segments.

Income Taxes

The effective tax rate can vary from the Canadian tax rate of approximately 27% applied to earnings before income taxes as a result of different rates of tax on foreign income, XPCT net earnings, and foreign currency translation gains or losses on consolidation of foreign subsidiaries. As a result, the consolidated effective tax rate is not representative of statutory rates effective in the jurisdictions in which the Company operates.

In each of the Canada and United States and Latin America and Mexico business segments, the Company's income tax provision generally reflects the statutory rates applicable to those jurisdictions. The India segment has not recorded any income tax recovery on fiscal 2015 accounting losses of $947,857 (2014 - $712,673) due to the expectation that insufficient future earnings will be generated in this entity to offset current tax losses prior to expiry.

LIQUIDITY AND CAPITAL RESOURCES

The Company's net cash and cash equivalents position at November 30, 2015 was $1,833,703 (2014 – $1,399,332) including cash held in the Company's foreign subsidiaries of $1,832,147 (2014 – $1,215,830). Cash held in foreign jurisdictions may be subject to additional taxation at the time the funds are transferred out of the local jurisdiction.

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 working capital, capital expenditures and debt repayments. As at November 30, 2015 working capital balances amounted to $11,301,215 (2014 – $9,546,962) representing a working capital ratio of 1.64 (2014 – 1.61).

Condensed Statement of Cash Flows

	Three Months Ended November 30		Twelve Months Ended November 30	
	2015	2014	**2015**	2014
	$	$	**$**	$
Net earnings	**779,143**	465,246	**2,531,585**	1,372,103
Non-cash items	**343,300**	(420,477)	**2,685,731**	1,432,522
Net funds flow from operations[1]	**1,122,443**	44,769	**5,217,316**	2,804,625
Changes in non cash working capital	**4,537,070**	(438,035)	**(546,283)**	(3,642,608)
Operating cash flows	**5,659,513**	(393,266)	**4,671,033**	(837,983)
Investing cash flows	**(535,991)**	(27,029)	**(1,051,763)**	(721,477)
Financing cash flows	**(4,273,023)**	503,745	**(3,181,161)**	1,602,175
Increase in cash and cash equivalents	**850,499**	83,450	**438,109**	42,715
Exchange rate changes on foreign currency cash balances	**(35,973)**	(47,307)	**(3,738)**	(33,257)
Cash and cash equivalents, beginning of period	**1,019,177**	1,363,189	**1,399,332**	1,389,874
Cash and cash equivalents, end of period	**1,833,703**	1,399,332	**1,833,703**	1,399,332

[1]See Non-IFRS Measures

Operating Cash Flows

Net funds flow from operations for the fourth quarter of fiscal 2015 were $1,122,443 (2014 - $44,769) and year to date $5,217,316 (2014 - $2,804,625). The most significant changes for the quarter and year relate to higher earnings, increased bad debt provisions, increased investment tax credits earned, changes in deferred revenue and tax balances which can vary from period to period.

Changes in non cash working capital in the fourth quarter of fiscal 2015 increased cash by $4,537,070 (2014 - decrease $438,035) due to decreases in accounts receivable, embedded derivatives, unbilled revenues, inventories, and prepaid expenses and deposits offset by a small reduction in accounts payable and accrued liabilities. For the year to date, changes in non cash working capital used cash of $546,283 (2014 - $3,642,608). Operating cash flows may vary significantly between periods due to changes in working capital balances.

Investing Cash Flows

Investing cash flows in the fourth quarter and for fiscal 2015 consist of net additions to property, plant and equipment of $457,223 and $972,995 (2014 - $209,445 and $903,893), investment in intangible assets of $390,960 (2014 - $nil), and dividends received from XPCT of $312,192 (2014 - $182,416). Net additions to property, plant and equipment are comprised of investments in computer equipment, vehicle, and operations equipment. Investment in intangible assets is comprised of patents and trademark costs incurred for protection of certain intellectual property under development.

Financing Cash Flows

Net financing cash flows include changes in bank indebtedness, proceeds on issuance of capital stock offset by interest and long-term debt payments. Bank indebtedness can fluctuate throughout the year primarily due to changes in working capital levels and net investment activities.

Financing cash flows for the fourth quarter of 2015 include payments of $78,539 (2014 - $104,680) in interest obligations, a decrease in bank indebtedness of $4,206,596 (2014 - $312,767), decrease in long-term debt of $32,143 (2014 - increase $900,000) and proceeds from the issuance of capital stock of $44,255 (2014 - $21,192). For fiscal 2015, financing cash flows included payments of $388,257 (2014 - $390,169) in interest payments, decrease in bank indebtedness of $2,754,129 (2014 - increase of $1,050,278), decrease in long-term debt of $128,572 (2014 - increase $900,000) and proceeds on issuance of capital stock of $89,797 (2014 - $42,066).

Capital Resources

The Company manages its capital structure with a mix of debt and equity or other credit facilities and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. In order to maintain or adjust the capital structure, the Company may assume more debt, issue new shares, purchase and cancel shares previously issued, return capital to shareholders, or sell assets to reduce debt.

The Company has an $8.5 million demand facility with HSBC Bank Canada (HSBC), secured by a general security agreement, to support ongoing operating working capital requirements in Canada and the United States. Up to U.S. $6.5 million of this line of credit may be borrowed in US dollars. At November 30, 2015 the remaining amount available to be drawn under this credit facility based on margin capacity is approximately $4.5 million. This credit facility is subject to annual review and renewal by HSBC.

In November 2014, the Company established a long-term loan of $900,000 with HSBC, secured by a general security agreement on the assets of the Company in Canada and guaranteed by Export Development Canada (EDC). The proceeds of debt were used to pay out the Company's line of credit in India in December 2014.

The Company is subject to covenants on its credit facility and long-term debt with HSBC as follows: current ratio greater than 1.2 to 1 (tested quarterly), debt to tangible net worth less than 2.5 to 1 (tested quarterly) and debt service coverage ratio greater than 1.25 to 1 (tested annually). At November 30, 2015 the Company is in compliance with these covenants.

The Company has an additional credit facility of $1.2 million (U.S. $900,000) with HSBC for the support of performance guarantees provided by the Company and its subsidiaries, secured by EDC to May 31, 2016. At November 30, 2015 these performance guarantees totaling $101,762 (November 30, 2014 - $57,210) were outstanding under this credit facility.

The Company's Chilean subsidiary also maintains a secured line of credit to support performance guarantees required for selected projects. As at November 30, 2015 the Canadian dollar value of these performance guarantees in Chile totaled $1,192,395 (November 30, 2014 - $1,024,436).

Contractual Obligations

As at November 30, 2015, the Company has identified the following contractual obligations:

	Total	Less than 1 year	1 - 3 years	4 - 5 years	Thereafter
	$	$	$	$	$
Bank indebtedness	3,959,768	3,959,768	—	—	—
Accounts payable and accrued liabilities	8,948,729	8,948,729	—	—	—
Long-term debt	771,428	128,572	257,144	257,144	128,568
Leases	4,267,680	579,000	1,158,000	1,158,000	1,372,680
	17,947,605	13,616,069	1,415,144	1,415,144	1,501,248

Bank indebtedness, as described in the Capital Resources section in this document, is payable upon demand.

Leases represent annual lease obligations of $579,000 related to base rent and certain operating expenses of the Company's Saskatoon premises which expire on April 14, 2023.

As at November 30, 2015, management believes that the Company has adequate cash flows from operations and capital resources to meet its contractual obligations.

Off Balance Sheet Arrangements

As at November 30, 2015 and 2014 the Company has identified the following off balance sheet arrangements:

- Operating lease commitments as described above.
- A loan guarantee in the amount of 10.0 million yuan (approximately $2.1 million) (2014 - 7.5 million yuan or approximately $1.4 million) for 50% of a bank loan to XPCT representing the Company's proportionate interest in this entity.

As at November 30, 2015 and November 30, 2014 there were no derivative financial instruments outstanding.

Related Parties

Subsidiaries

The consolidated financial statements include the accounts of International Road Dynamics Inc. and its wholly-owned subsidiaries. Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this section.

Investment in Joint Venture

Investment in joint venture comprises a 50% interest in XPCT, an ITS products and manufacturing service provider in China. The Company had sales to XPCT of $282,450 during the year (2014 - $286,781). At November 30, 2015 accounts receivable from XPCT was $15,820 (2014 - $16,532).

Key management personnel and directors compensation

Key management personnel comprise the executive officers of the Company. In addition to salaries and benefits, executive officers also participate in the Company's share option program and, in event of termination, are entitled to termination benefits ranging from 18 to 24 months' gross salary. Upon resignation executive officers are subject to a notice term of six months. Certain executive officers are employed through corporate entities.

OUTSTANDING SHARE AND OPTION DATA

At November 30, 2015 the Company had 14,398,462 (November 30, 2014 - 14,149,170) common shares outstanding. During the twelve months ended November 30, 2015 249,292 (2014 - 130,833) shares were issued by the Company of which 235,167 (2014 - 130,833) were issued on exercise of stock options and 14,125 (2014 - nil) shares as directors' compensation. A total of 115,000 shares were issued between November 30, 2015 and February 19, 2016 on exercise of stock options.

At November 30, 2015 the Company had 1,614,000 (November 30, 2014 - 1,519,167) 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 May 19, 2020.

CRITICAL ACCOUNTING ESTIMATES

In the preparation of the annual audited consolidated financial statements, various estimates are required, which are either subjective, could be materially different under different conditions or using different assumptions, or which require complex judgments. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the audited consolidated financial statements are as follows:

Stage of Completion of Contracted Projects

Contract revenue, contract costs, deferred contract revenue and costs and estimated earnings in excess of billings include amounts derived using the percentage of completion method applied to project contracts. Percentage of completion is calculated by comparing the actual costs incurred to the total estimated costs for the contract. In determining the estimated costs to complete the contract, assumptions and estimates are required to evaluate issues related to schedule, material and labour costs, changes in contract scope and subcontractor costs. Due to the nature of project contracts, estimates may change significantly between accounting periods.

Financial Assets

Assessments about the recoverability of financial assets, including accounts receivable and unbilled revenue, require judgment as to whether a loss event has occurred and estimates of the amounts and timing of future cash flows.

Impairment of Non-Financial Assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated.

In assessing recoverability of non-financial assets, judgment is required in the determination of either, the appropriate grouping of assets that generate cash inflows or the cash-generating units (CGUs). The determination of CGUs is based on management's assessment of independence of revenue earned, operating asset utilization, shared infrastructure, geographic proximity and similarity of risk exposures.

The recoverable amount of an asset or CGU is estimated at the higher of its value in use and fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Assessments of recoverability involve significant estimations on future cash flows, revenue and costs, sustaining capital reinvestments and discount rates. These assessments and assumptions could affect the Company's future results if the current estimates of future performance, capital requirements, and discount rates change.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount of a previously impaired asset or CGU.

Income Taxes, Deferred Taxes and Investment Tax Credits

The Company operates in a number of tax jurisdictions and is, therefore, required to estimate its income taxes in each of these tax jurisdictions in preparing its consolidated financial statements. The Company is also engaged in scientific research and development giving rise to investment tax credits that may be available to reduce future taxes payable in certain jurisdictions. In calculating income taxes and investment tax credits, consideration is given to factors such as current and future tax rates in the different jurisdictions, non-deductible expenses, qualifying expenditures and changes in tax law. In addition management makes judgments on the ability of the Company to realize deferred taxes and investment tax credits reported as assets based on their estimations of amounts and timing of future taxable income and future cash flows in the related jurisdiction.

Functional Currency

Functional currency is defined as the currency of the primary economic environment in which the entity operates. Management must use significant judgment when identifying the functional currency of the Company's subsidiaries taking into account various primary and secondary indicators such as the currency that influences sales prices, competitive forces that determine sales prices, and costs of inputs required to deliver goods and services. The Company also considers the currency of any financing activities and the currency in which receipts from operations are usually retained.

Joint Arrangements

Management must use judgment in determining whether joint control exists in its joint arrangements which are classified as either joint operations or joint ventures. The determination as to whether a joint arrangement is a joint venture or a joint operation also requires significant judgment based on the structure of the arrangement, the legal form of any separate vehicle, the contractual terms of the arrangement and other facts and circumstances.

SIGNIFICANT ACCOUNTING POLICIES

The Company's audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). New accounting standards adopted during this year, as described below.

Recently Adopted Accounting Standards

The following standards became effective for the Company beginning December 1, 2014 and did not have any impact on the Company's financial reporting.

Amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities clarify the requirements relating to the offset of financial assets and liabilities. The amendments were effective for annual reporting periods on or after January 1, 2014.

Amendments to IAS 36, Impairment of Assets address disclosure information about the recoverable amount of impaired assets if that amount is based on fair value less costs to sell. The amendments were effective for annual periods beginning on or after January 1, 2014.

Recent Accounting Pronouncements Not Yet Adopted

The following is a summary of recent accounting pronouncements which may be applicable to subsequent reporting periods. The Company is currently reviewing the standards and amendments to determine the impact on its consolidated financial statements, if any:

IFRS 9 Financial Instruments provides guidance on the classification, measurement and disclosure of financial instruments and general hedge accounting requirements. The standard must be applied retrospectively and is effective for annual periods beginning after January 1, 2018, with earlier application permitted. The Company intends to adopt the standard in the period beginning December 1, 2018.

IFRS 15, Revenue from Contracts with Customers supersedes current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The standard may be applied retrospectively or with a modified transition approach and is effective for reporting periods beginning on or after January 1, 2018. The Company intends to adopt the standard in the period beginning December 1, 2018.

The IASB has issued amendments to IAS 1, Presentation of Financial Statements, to improve the effectiveness of presentation and disclosure in financial reports. These amendments are effective for annual periods beginning on or after January 1, 2016 allowing for early adoption. The Company intends to adopt these amendments in its financial statements for the annual period beginning December 1, 2016.

IFRS 16, Leases introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term greater than 12 months, unless the underlying asset is of a low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 will replace IAS 17, Leases and is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on December 1, 2019.

FINANCIAL INSTRUMENTS AND OTHER RISKS

Financial Instruments Recognition and Fair Value

As at November 30, 2015, the Company values and records its financial instruments as follows:

- Cash and cash equivalents are classified as loans and receivables and are initially recognized at fair value.
- Accounts receivable are classified as loans and receivables and are initially accounted for at fair value and subsequently adjusted for any allowance for doubtful accounts, with allowances reported in administrative and marketing expenses.
- Accounts payable and accrued liabilities are classified as other financial liabilities and initially recorded at fair value; subsequently they are recorded at amortized cost using the effective interest rate (EIR) method, with realized gains and losses reported in income.
- Bank indebtedness and long-term debt are classified as loans and receivables and are initially recorded at fair value and subsequently recorded at amortized cost using the EIR method, with realized gains and losses reported in finance costs.
- Embedded derivatives are recognized at fair value with changes in fair value reported as foreign exchange gains or losses.
- Derivative contracts are marked to market with resulting net gains or losses reported in income.

Estimates of fair value for embedded derivatives are measured using a market approach, based on the difference between quoted forward foreign exchange rates as of the contract date and quoted forward foreign exchange rates as of the reporting date.

The carrying amounts of the Company's financial assets and liabilities, including cash and cash equivalents, 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 bank indebtedness and long-term debt approximates the carrying amounts since these debts bear interest at floating interest rates.

The Company is subject to a number of risks relating to financial instruments including credit risks, currency fluctuation, interest rate and liquidity risks as more fully described in note 17 of the audited consolidated financial statements as of November 30, 2015. An overview of these risks plus additional risks in the areas of technology, government program funding, and operations are summarized below.

Credit Risk

The Company is exposed to credit risk from its government and private industry customers on its trade receivables and unbilled revenue which exposes the Company to risk of non-payment. Government accounts are considered secure and are normally not subjected to extensive credit reviews. However, industry accounts are subjected to internal credit review and approval in order to minimize risk of non-payment. For Canada and U.S. billings to non-government customers, not otherwise secured by letter of credit, the Company generally insures these accounts with EDC to the extent of 90% of the invoiced amount.

Currency Fluctuation Risk

As the majority of the Company's business is carried on outside of Canada, the Company continually monitors foreign currency movements to assess currency risks across all business segments.

The Company is exposed to foreign exchange risk relating to sales revenue, operating expenses and capital expenditures denominated in foreign currencies, including embedded derivative portions of unearned revenue of U.S. dollar denominated sales contracts in its Chile and Mexico subsidiaries. In addition the Company is exposed to foreign exchange risk on translation of net assets held in foreign currencies and translation of foreign currency subsidiary and joint venture operations from their functional currency to that of the Company.

The Company reduces its exposure to U.S. currency volatility by maintaining a portion of its bank indebtedness in U.S. funds. In addition, from time to time the Company may enter into forward foreign exchange contracts to sell U.S. dollars to hedge its net accounts receivable denominated in this currency. The term of these forward contracts are of a short term nature with the objective of matching the expected payments from customers. As at and for the year ended November 30, 2015 the Company had no foreign exchange forward contracts.

Interest Rate Risk

Interest rate risk arises because of the fluctuation in interest rates which may impact the future cash flows and fair values of various financial instruments. The Company is exposed to fluctuations in interest rates on bank indebtedness and long-term debt since these debts are financed at variable interest rates. The Company does not use derivative financial instruments to mitigate interest rate risk however, the Company routinely monitors interest rates movements to assess the impact on all business segments.

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 HSBC and other long term borrowing facilities.

In addition, the Company has an additional credit facility with HSBC of $1.2 million (U.S. $900,000) for the support of performance guarantees provided by the Company's subsidiaries, supported by EDC. This facility expires on May 31, 2016. The Company's Chilean subsidiary also maintains a secured line of credit to support performance guarantees required for selected projects.

Technology Risk

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 customers' evolving requirements. Future operating results will depend upon IRD's ability to research, develop and market its current products and those under development.

Government Program Funding Risk

The majority of IRD's revenue is 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 particular since more than 60% of the Company's revenue is derived from the U.S. market, future results may be affected by changes in U.S. Government programs.

To mitigate reliance on the U.S. market the Company has diversified its customer base by several acquisitions and expansions which expanded its markets into Latin America, South Asia and China. In addition, to minimize dependence on direct government funding, the Company has also diversified its product offering to include more technologies, such as in-vehicle GPS management systems, that are used in commercial, municipal and city markets.

Operational Risk

The Company has business interests and operations in many countries worldwide. Operations may be affected by changes in government or government regulation or priorities, civil unrest, terrorism, military action, corruption, cultural norms, access to capital, changing technologies and competition.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that material information required to be disclosed by the Company is identified and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, in order to allow timely decisions regarding required disclosure.

The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as at November 30, 2015 that the Company's disclosure controls and procedures are effective and provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, required to be disclosed in reports that the Company files or submits under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified therein.

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 IFRS. Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company.

As of November 30, 2015, an evaluation was carried out on the effectiveness of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and financial statement compliance with IFRS. Based on the evaluation performed at that time, the Chief Executive Officer and Chief Financial Officer concluded they were able to certify that the design and operating effectiveness of internal control over financial reporting was effective.

In prior periods, certain potential material weaknesses in internal control had been identified within the Company's subsidiaries in India and Chile in that these subsidiaries lacked personnel with sufficient expertise to complete appropriate accounting reconciliations and reviews. As a result, during the year, management enhanced the training and level of resources in its subsidiaries and hired additional personnel that have expertise to perform account reconciliations and appropriate review procedures to provide accurate, complete and timely financial information.

Management's evaluations were conducted in accordance with the standards of COSO (Committee of Sponsoring Organizations of the Treadway Commission) Internal Control - Integrated Framework (2013), 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.

There have been no changes in the Company's internal control over financial reporting during the three months ended November 30, 2015 other than those disclosed above that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

CONSOLIDATED RESULTS

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

	2015	2014	2013
	$	$	$
Revenue	57,990	45,102	43,646
EBITDA*	4,400	2,763	2,762
Net earnings	2,532	1,372	912
Earnings per share - basic	0.18	0.10	0.07
Earnings per share - diluted	0.17	0.09	0.06
Total assets	41,760	36,632	32,098
Total long-term financial liabilities	643	771	—

* See Non-IFRS Measures

SELECTED QUARTERLY RESULTS

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 project awards, product delivery schedules, 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. With the Company's Canada and United States segment currently the largest source of consolidated revenues for the Company, seasonal weather conditions in North America may impact installation work for the Company's projects. Thus the first quarter of a fiscal year is often the weakest compared to the balance of the fiscal year.

Although quarterly results are not readily comparable due to factors noted above, with the exception of the first quarter 2015 results, that were affected by increased investments in administrative and marketing expenses and R&D expenses relative to the prior year, the Company achieved a demonstrated growth trend in quarterly revenues, EBITDA and net earnings in 2015 compared to the prior year.

The majority of revenue and profitability growth in 2015 is attributed to the Canada and United States segment that has successfully completed an increasing number of projects and services over the past two fiscal quarters as compared to the prior year comparable periods. In addition, increased revenues, EBITDA, and earnings for this period also reflect the increased value of the U.S. dollar compared to the Canadian dollar and Chilean peso.

	2015				2014			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	$	$	$	$	$	$	$	$
Revenue	16,244	18,086	12,964	10,697	11,319	11,904	11,554	10,325
EBITDA[1]	1,194	2,188	765	252	552	1,157	564	490
Net earnings (loss)	779	1,458	337	(43)	465	506	185	216
Earnings (loss) per share -								
- Basic	0.05	0.10	0.02	(0.00)	0.03	0.03	0.01	0.02
- Diluted	0.05	0.10	0.02	(0.00)	0.03	0.03	0.01	0.01

[1] See Non-IFRS Measures

NON-IFRS MEASURES

The Company reports its financial results in accordance with IFRS. The Company has also included in its Quarterly and Annual Reports certain non-IFRS financial measures – EBITDA and Net funds flow from operations as defined below.

EBITDA

"EBITDA" means earnings before interest, income taxes, depreciation and amortization and includes gains or losses from foreign exchange and derivatives and earnings or losses from the Company's equity accounted investments. EBITDA is not a recognized measure under IFRS. 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 determined in accordance with IFRS, 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:

	Three Months Ended November 30		**Twelve Months Ended November 30**	
	2015	2014	**2015**	2014
	$	$	**$**	$
EBITDA	**1,194,193**	551,853	**4,399,866**	2,762,989
Depreciation expense	**(140,563)**	(201,681)	**(589,781)**	(628,306)
Interest expense	**(89,320)**	(130,439)	**(396,233)**	(415,928)
Income tax recovery (expense)	**(185,167)**	245,513	**(882,267)**	(346,652)
Net earnings	**779,143**	**465,246**	**2,531,585**	**1,372,103**

Net Funds Flow from Operations

"Net funds flow from operations" means net earnings adjusted for changes in deferred revenue, depreciation and amortization, bad debt expense, share-based compensation, XPCT earnings, interest expense, loss (gain) on disposal of property plant and equipment, investment tax credits earned, income tax expense and income taxes paid. Management believes that "net funds flow from operations" is a useful measure of cash flows from operations excluding the normal business fluctuations in the levels of other operating items.

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This Management Discussion & Analysis (MDA) report contains forward-looking statements about the Company, including its business operations, strategy and expected financial performance and conditions. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or contain words such as "expects", "anticipates", "plans", "believes", "estimates", "intends", "forecasts", or negative versions thereof and other similar expressions, or future or conditional future financial performance, on-going business strategies or prospects, and possible future action by the Company. Forward looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, the general economic environment and ITS industry, business conditions in all geographic areas where the Company carries on business, interest and foreign exchange rates, changes in accounting policies and methods used to report financial condition, including uncertainties associated with critical accounting assumptions and estimates, the effect of applying future accounting changes, business competition, technological changes, changes in government regulation and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, and the Company's success in managing the foregoing risks. Readers are cautioned, to consider these and other factors carefully and not place undue reliance on forward-looking statements. Forward-looking information contained in this report is based on management's current estimates, expectations and projections, which management believes are reasonable as of February 19, 2016. However, actual future operating results and economic performance could differ materially from what is currently expected. While the Company may elect to, it is under no obligation and does not undertake to update any forward-looking statements at any particular time, unless required by applicable securities law.

Additional information on the Company, including our most recently filed Annual Information Form can be found 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 International Financial Reporting Standards as issued by the International Accounting Standards Board. 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 consolidated financial statements before they are presented to the Directors for approval. These consolidated financial statements have been approved by the Board of Directors as recommended by the Audit Committee.

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

Terry Bergan
President and
Chief Executive Officer

David Cortens
Vice President Finance and
Chief Financial Officer

Saskatoon, Canada

February 19, 2016

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 statements of financial position as at November 30, 2015 and November 30, 2014, the consolidated statements of earnings, comprehensive income, changes in 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 International Financial Reporting Standards, 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, 2015 and November 30, 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants
February 19, 2016
Saskatoon, Canada

INTERNATIONAL ROAD DYNAMICS INC.
Consolidated Statements of Financial Position

November 30, 2015 and 2014
($ Canadian)

	Note	2015	2014
Assets			
Current assets:			
Cash and cash equivalents		$ 1,833,703	$ 1,399,332
Accounts receivable	17	11,207,440	11,128,235
Embedded derivatives	3(d)	481,689	743,919
Unbilled revenue	11	6,134,832	4,089,057
Income taxes receivable		160,391	101,964
Inventories	4	7,088,400	6,345,363
Prepaid expenses and deposits		1,982,379	1,296,998
		28,888,834	25,104,868
Property, plant and equipment	5	2,395,445	1,985,300
Intangible assets	6	403,706	14,861
Investment in XPCT	7	6,879,528	6,005,724
Investment tax credits recoverable	10	1,826,529	2,376,489
Deferred tax assets	10	1,365,696	1,144,458
		12,870,904	11,526,832
		$ 41,759,738	$ 36,631,700
Liabilities and Shareholders' Equity			
Current liabilities:			
Bank indebtedness	8	$ 3,959,768	$ 6,713,897
Accounts payable and accrued liabilities		8,948,729	5,730,032
Current portion of deferred revenue		4,550,550	2,985,405
Current portion of long-term debt	9	128,572	128,572
		17,587,619	15,557,906
Deferred revenue		824,666	1,128,245
Long-term debt	9	642,856	771,428
		1,467,522	1,899,673
Shareholders' equity:			
Share capital	12(b)	12,219,737	12,123,093
Contributed surplus		315,733	303,290
Retained earnings		9,090,633	6,559,048
Accumulated other comprehensive income		1,078,494	188,690
		22,704,597	19,174,121
		$ 41,759,738	$ 36,631,700

See accompanying notes to consolidated financial statements.

Approved by the Board:

Terry Bergan, Director   Ray G. Harris, Director

INTERNATIONAL ROAD DYNAMICS INC.
Consolidated Statements of Earnings

Years ended November 30, 2015 and 2014
($ Canadian)

	Note	2015	2014
Revenue		$ 57,990,057	$ 45,101,507
Cost of goods sold		40,372,784	31,098,994
		17,617,273	14,002,513
Administrative and marketing expenses		13,618,796	11,927,105
Research and development, net	13	1,246,583	1,243,922
Financing costs (income), net	16	(82,518)	(527,762)
Other income		(134,735)	(33,457)
XPCT earnings	7	(444,705)	(326,050)
Earnings before income taxes		3,413,852	1,718,755
Income tax expense	10	882,267	346,652
Net earnings		$ 2,531,585	$ 1,372,103
Earnings per share	15		
Basic		$ 0.18	$ 0.10
Diluted		$ 0.17	$ 0.09

Consolidated Statements of Comprehensive Income

Years ended November 30, 2015 and 2014
($ Canadian)

	2015	2014
Net earnings	$ 2,531,585	$ 1,372,103
Other comprehensive income which may be reclassified to net earnings:		
Exchange differences on translation of foreign operations	889,804	179,587
Total comprehensive income	$ 3,421,389	$ 1,551,690

See accompanying notes to consolidated financial statements.

INTERNATIONAL ROAD DYNAMICS INC.
Consolidated Statements of Changes in Shareholders' Equity

Years ended November 30, 2015 and 2014
($ Canadian)

	Note	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total shareholders' equity
Balance at December 1, 2013		$ 12,077,209	$ 293,304	$ 5,186,945	$ 9,103	$ 17,566,561
Issuance of capital stock	12(b)	45,884	(3,818)	—	—	42,066
Net earnings		—	—	1,372,103	—	1,372,103
Other comprehensive income:						
Exchange differences on translation of foreign operations		—	—	—	179,587	179,587
Share-based compensation	12(c)	—	13,804	—	—	13,804
Balance at November 30, 2014		$ 12,123,093	$ 303,290	$ 6,559,048	$ 188,690	$ 19,174,121
Balance at December 1, 2014		$ 12,123,093	$ 303,290	$ 6,559,048	$ 188,690	$ 19,174,121
Issuance of capital stock	12(b)	96,644	(6,847)	—	—	89,797
Net earnings		—	—	2,531,585	—	2,531,585
Other comprehensive income:						
Exchange differences on translation of foreign operations		—	—	—	889,804	889,804
Share-based compensation	12(c)	—	19,290	—	—	19,290
Balance at November 30, 2015		$ 12,219,737	$ 315,733	$ 9,090,633	$ 1,078,494	$ 22,704,597

Accumulated other comprehensive income is comprised solely of exchange differences on translation of foreign operations, net of tax of $nil.

See accompanying notes to consolidated financial statements.

INTERNATIONAL ROAD DYNAMICS INC.
Consolidated Statements of Cash Flows

Years ended November 30, 2015 and 2014
($ Canadian)

	Note	2015	2014
Cash flows from (used in):			
Operations:			
Net earnings		$ 2,531,585	$ 1,372,103
Adjustments for:			
Deferred revenue		1,261,566	854,596
Depreciation and amortization expense	14(b)	589,781	628,306
Bad debt expense	17	585,467	220,741
Share-based compensation	12(c)	19,290	13,804
XPCT earnings	7	(444,705)	(326,050)
Interest expense	16	396,233	415,928
Loss (gain) on disposal of property, plant and equipment		(21,447)	81,921
Investment tax credits earned	13	(704,276)	(180,000)
Income tax expense	10	882,267	346,652
Income taxes paid		121,555	(623,376)
Changes in non-cash working capital	20	(546,283)	(3,642,608)
		4,671,033	(837,983)
Investing:			
Dividend received from XPCT	7	312,192	182,416
Proceeds from sale of property, plant and equipment		86,045	59,208
Additions to property, plant and equipment	5	(1,059,040)	(963,101)
Additions to intangibles	6	(390,960)	–
		(1,051,763)	(721,477)
Financing:			
Interest paid		(388,257)	(390,169)
Bank indebtedness increase (decrease)	8	(2,754,129)	1,050,278
Long-term debt increase (decrease)	9	(128,572)	900,000
Issuance of capital stock	12(b)	89,797	42,066
		(3,181,161)	1,602,175
Increase in cash and cash equivalents		438,109	42,715
Exchange rate changes on foreign currency cash balances		(3,738)	(33,257)
Cash and cash equivalents, beginning of year		1,399,332	1,389,874
Cash and cash equivalents, end of year		$ 1,833,703	$ 1,399,332

See accompanying notes to consolidated financial statements.

1. Reporting entity

International Road Dynamics Inc. is incorporated under the *Canada Business Corporations Act*. The address of its registered office is 702 43rd Street East, Saskatoon, Saskatchewan, Canada, S7K 3T9. The consolidated financial statements as at and for the years ended November 30, 2015 and 2014 comprise International Road Dynamics Inc. and its wholly-owned subsidiaries (together the “Company”) and the Company’s 50% investment in Xuzhou-PAT Control Technologies Limited (XPCT). The Company is a highway traffic management technology company specializing in supplying products and integrated systems to the global Intelligent Transportation Systems (ITS) industry. The Company’s common shares are traded on the Toronto Stock Exchange under the symbol IRD.

2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These consolidated financial statements were authorized for issue by the Board of Directors on February 19, 2016.

(b) Basis of presentation

These consolidated financial statements are presented in Canadian dollars, which is the parent’s functional currency and presentation currency.

The consolidated financial statements have been prepared on the historical cost basis except for derivative instruments at fair value through profit and loss.

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses and disclosures of contingent assets and liabilities at the dates of the consolidated financial statements. Actual results may vary from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Judgments included in the financial statements are decisions made by management, based on an analysis of relevant information available at the time the decision is made. Judgments relate to application of accounting policies, and decisions related to the measurement, recognition and disclosure of financial amounts.

Estimates, judgments and underlying assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key areas involving estimation, uncertainty and critical judgments include the following:

(i) Stage of completion of contracted projects

Contract revenue, contract costs, deferred contract revenue and costs and estimated unbilled revenue include amounts derived using the percentage of completion method applied to project contracts. Percentage of completion is calculated by comparing the actual costs incurred to the total estimated costs for the contract. In determining the estimated costs to complete the contract, assumptions and estimates are required to evaluate issues related to schedule, material and labour costs, changes in contract scope and subcontractor costs. Due to the nature of project contracts, estimates may change significantly between accounting periods.

(ii) Financial assets

Assessments about the recoverability of financial assets, including accounts receivable and unbilled revenue, require judgment as to whether a loss event has occurred and estimates of the amounts and timing of future cash flows.

2. Basis of preparation – continued:

(iii) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated.

In assessing recoverability of non-financial assets, judgment is required in the determination of either the appropriate grouping of assets that generate cash inflows or the cash-generating units (CGUs). The determination of CGUs is based on management's assessment of independence of revenue earned, operating asset utilization, shared infrastructure, geographic proximity and similarity of risk exposures.

The recoverable amount of an asset or CGU is estimated at the higher of its value in use and fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Assessments of recoverability involve significant estimations on future cash flows, revenue and costs, sustaining capital reinvestments and discount rates. These assessments and assumptions could affect the Company's future results if the current estimates of future performance, capital requirements, and discount rates change.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount of a previously impaired asset or CGU.

(iv) Income taxes, deferred taxes and investment tax credits

The Company operates in a number of tax jurisdictions and is, therefore, required to estimate its income taxes in each of these tax jurisdictions in preparing its consolidated financial statements. The Company is also engaged in scientific research and development giving rise to investment tax credits that may be available to reduce future taxes payable in certain jurisdictions. In calculating income taxes and investment tax credits, consideration is given to factors such as current and future tax rates in the different jurisdictions, non-deductible expenses, qualifying expenditures and changes in tax law. In addition management makes judgments on the ability of the Company to realize deferred taxes and investment tax credits reported as assets based on their estimations of amounts and timing of future taxable income and future cash flows in the related jurisdiction.

(v) Functional currency

Functional currency is defined as the currency of the primary economic environment in which the entity operates. Management must use significant judgment when identifying the functional currency of the Company's subsidiaries taking into account various primary and secondary indicators such as the currency that influences sales prices, competitive forces that determine sales prices, and costs of inputs required to deliver goods and services. The Company also considers the currency of any financing activities and the currency in which funds are usually retained.

(vi) Joint arrangements

Management must use judgment in determining whether joint control exists in its joint arrangements which are classified as either joint operations or joint ventures. The determination as to whether a joint arrangement is a joint venture or a joint operation also requires significant judgment based on the structure of the arrangement, the legal form of any separate vehicle, the contractual terms of the arrangement and other facts and circumstances.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently by all reporting entities of the Company and to all periods presented in these consolidated financial statements unless otherwise indicated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company and include the following wholly-owned entities located in the United States, Chile, Mexico and India, respectively: International Road Dynamics Corporation, PAT Traffic Limitada, PAT Traffic Mexico S.A. de C.V and International Road Dynamics South Asia Pvt. Ltd.

3. Significant accounting policies - continued:

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are consistent with the policies adopted by the Company.

(ii) Joint arrangements

Joint arrangements are those arrangements over which the Company has joint control established by contractual arrangements and requiring unanimous consent of the parties to the arrangement for financial and operating decisions. The Company's joint arrangement with respect to XPCT has been determined to be a joint venture since it is structured through a separate legal entity. Joint ventures are accounted for using the equity method whereby the investments are initially recorded at cost. The investments are increased or decreased to reflect the Company's proportionate share of the earnings or losses and equity movements of the investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee. The Company has an interest in one joint venture, its 50% investment in XPCT which is located in Xuzhou, China.

(iii) Transactions eliminated on consolidation

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the financial reporting 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 average monthly rate of exchange. The resulting gains or losses are included in the consolidated statement of earnings.

(ii) Foreign operations

The functional currency of the Company's subsidiary in the United States - International Road Dynamics Corporation is the Canadian dollar, the functional currency of its subsidiary in Chile - PAT Traffic Limitada is the Chilean peso, the functional currency of its subsidiary in Mexico – PAT Traffic Mexico S.A. de C.V is the Mexican peso and the functional currency of its subsidiary in India - International Road Dynamics South Asia Pvt. Ltd. is the Indian rupee.

All assets and liabilities of the Company's foreign subsidiaries in Chile, Mexico and India are translated to Canadian dollars at exchange rates in effect at the financial reporting date and all revenue and expenses are translated into Canadian dollars using the average monthly rate of exchange. 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).

The functional currency of the Company's equity investment in XPCT is the Chinese yuan. The financial statements of XPCT, including the adjustments to reflect the fair values of assets acquired and liabilities assumed, as well as goodwill arising on acquisition, are translated to Canadian dollars at exchange rates in effect at the financial reporting date and all revenue and expenses are translated into Canadian dollars using the average monthly rate of exchange. 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).

3. Significant accounting policies - continued:

When a foreign operation is disposed of, the relevant amount in accumulated other comprehensive income is transferred to the consolidated statement of earnings as part of the gain or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to the consolidated statement of earnings.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income (loss).

(c) Revenue recognition

(i) Contracted projects

The majority of sales of integrated systems are delivered as contracted projects. The Company's contract types include fixed price and time and materials contracts. Contract revenue includes the initial amount agreed in the contract plus any amendments in contract work to the extent that it is probable they will result in revenue and can be reliably measured. Contract values considered to include multiple arrangements are allocated to their component parts, generally defined as installation and warranty values as separate portions of the total contract revenue. In circumstances where contracts are expected to exceed one year and full payment is not expected until contracts are completed, management considers these contracts to also include a financing component.

For fixed price contracts, revenue from each of the component values within the contracted projects is recorded in accordance with the stage of completion of the contract by comparing the actual costs incurred to the total estimated costs for that component project. Revenue from the financing component is considered to be earned over the period from contract inception up to expected date of final payment. An expected loss on a contract is recognized immediately in the consolidated statement of earnings.

For time and materials contracts, labour and material rates are established within the contract. Revenues from time and materials contracts are recognized progressively on the basis of costs incurred during the period plus the estimated margin earned.

Contract costs include expenses that relate directly to fulfill the requirements of a specific contract including materials costs, subcontractor costs, equipment rentals, engineering and project management labour, design and technical support labour, warranty costs, insurance and bond premiums. Contract costs are recognized in the period in which they are incurred unless they result in an asset related to future contract activity.

Unbilled revenue represents the excess of contract costs incurred and estimated gross profits recognized over billings to date. If progress billings received exceed costs incurred plus recognized gross profits, then the difference is presented as deferred revenue in the consolidated statement of financial position.

(ii) Product sales

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable. Revenue is recognized when persuasive evidence exists, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

The timing of the transfers of risks and rewards varies depending on the individual terms of the contract of sale. For sales of products, transfer usually occurs when the product is received at the customer's warehouse. For some international shipments, when the buyer has no right of return, transfer occurs upon loading the goods onto the relevant carrier at the port of the seller.

3. Significant accounting policies - continued:

(iii) Services

Revenue from services is recognized in accordance with the stage of completion of the service arrangement by comparing the actual costs incurred to the total estimated costs for the service. An expected loss on a service arrangement is recognized immediately in the consolidated statement of earnings.

Service arrangements may be included in a project contract. When projects and services are sold under a single arrangement, each component is accounted for separately. The allocation of consideration from a revenue arrangement to its separate units of account is based on the relative fair values of each component.

(d) Financial instruments

(i) Financial assets

All financial assets are initially recorded at fair value. Subsequent measurement is dependent upon classification as one of the following: financial assets at fair value through profit and loss, held-to-maturity financial assets, loans and receivables or available-for-sale financial assets.

Financial assets at fair value through profit and loss are measured at fair value with gains and losses recognized in the consolidated statement of earnings.

Held-to-maturity financial assets and loans and receivables are measured at amortized cost, including transaction costs using the effective interest method with amortization reported as a finance cost.

Available-for-sale instruments are measured at fair value with gains and losses, net of tax, recognized in other comprehensive income (loss).

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Non-derivative financial assets of the Company consist of cash and cash equivalents, accounts receivable and unbilled revenue.

Cash and cash equivalents comprise cash balances and deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Cash, accounts receivable and unbilled revenue are classified as "loans and receivables".

(ii) Financial liabilities

Financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition the Company's financial liabilities are measured at amortized cost using the effective interest method. The Company has not designated any financial liabilities at fair value through profit and loss.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities, bank indebtedness and long-term debt.

3. Significant accounting policies - continued:

(iii) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

(iv) Derivative financial instruments

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 the statement of earnings.

Derivatives are carried at fair value and are reported as assets when they have a positive fair value and as 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. The Company's embedded derivatives are classified as fair value through profit and loss.

(e) Inventories

Inventories are measured at the lower of average cost and net realizable value. The cost of inventories is determined on the weighted average basis. Cost includes the costs of acquired material plus, in the case of manufactured inventories, direct labour applied to the product and the applicable share of manufacturing overhead, including rent expense and depreciation based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(f) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, borrowing costs and any other costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in a manner intended by management.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Depreciation

Depreciation is computed over the expected useful lives of the assets in use at 5% on buildings, 20% and 25% on office equipment and operations equipment respectively, 30% on automotive and computer equipment and 100% on computer software based on the declining balance method. Depreciation methods and useful lives are reviewed annually and adjusted if appropriate.

(g) Intangible assets

(i) Recognition and measurement

Intangible assets include patents and trademarks which are measured at cost less accumulated amortization. An impairment loss is recognized through profit or loss when the recoverable amount is less than the carrying amount.

(ii) Amortization

Amortization is recognized on a straight-line basis over the expected useful lives of intangible assets, which is generally 10 to 20 years.

3. Significant accounting policies - continued:

(h) Leased assets

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased assets are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are accounted for as operating leases. Operating lease payments are expensed and the leased assets are not recognized in the Company's statement of financial position. All existing leases of the Company are operating leases.

(i) Impairment

(i) Financial assets

Financial assets not carried at fair value through profit or loss, comprised mainly of accounts receivable and unbilled revenue, are assessed at each financial reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of the asset can be estimated reliably. Objective evidence can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

An impairment loss is determined based on estimated future cash flows and is recognized in the consolidated statement of earnings. An impairment loss is reversed when a subsequent event causes an increase to the fair value of a financial asset.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value is determined as the amount that would be obtained from the sale of the asset or CGU in an arm's length transaction between knowledgeable and willing parties. In the absence of market related comparative information, the fair value less costs to sell is determined based on the present value of estimated future cash flows from each non-financial asset or CGU using the assumptions that market participants would use. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Certain corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statement of earnings. Impairment losses recognized in prior periods, excluding losses related to goodwill, are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3. Significant accounting policies - continued:

Goodwill that forms part of the carrying amount of an investment in a joint venture is not tested for impairment separately. Instead the entire amount of the investment is tested for impairments as a single asset when there is objective evidence that the investment is impaired.

(j) Research and development costs:

The Company expenses research and development costs during the year in which they are incurred. Research and development related investment tax credits are recognized as a reduction of related expenditures when the Company has reasonable assurance that they will be utilized.

(k) Employee benefits

(i) Share-based compensation

The grant date fair value of share-based compensation awards granted to employees is recognized as an expense, with a corresponding increase in contributed surplus, over the period that the employees unconditionally become entitled to the awards. For awards with multiple vesting dates, the amount vested at each date of an award is considered a separate grant with a different vesting date and fair value. The fair value is measured using the Black-Scholes option pricing model.

The amount recognized as an expense is adjusted to reflect expected forfeitures and service conditions not being met.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(l) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax risk free rate that reflects current market assessments of the time value of money and the risks specific to the liability. The amortization of the discount is recognized as financing cost.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with that contract.

(m) Financing costs

Financing costs comprise interest expense on bank indebtedness and long-term debt, foreign currency gains and losses, unwinding of the discount on provisions, changes in the fair value of financial assets and financial liabilities at fair value through profit or loss, gains and losses on hedging instruments recognized through profit and loss, if any. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in the consolidated statement of earnings using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(n) Income tax

Income tax expense comprises current and deferred tax expense. Current tax and deferred tax are recognized in the consolidated statement of earnings except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

3. Significant accounting policies - continued:

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of losses available for carry forward and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(o) Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise share options granted to employees.

(p) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Company's other components. All operating segment results for which discrete financial information is available are reviewed regularly by the Company's Chief Executive Officer (CEO) to make decisions about resources to be allocated to the segment and to assess its performance.

Operating segment results that are reported to the CEO include items directly attributable to the segments.

(q) Accounting standards adopted during the year:

The following standards became effective for the Company beginning December 1, 2014 and did not have any impact on the Company's financial reporting.

Amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities clarify the requirements relating to the offset of financial assets and liabilities. The amendments were effective for annual reporting periods on or after January 1, 2014.

Amendments to IAS 36, Impairment of Assets address disclosure information about the recoverable amount of impaired assets if that amount is based on fair value less costs to sell. The amendments were effective for annual periods beginning on or after January 1, 2014.

3. Significant accounting policies - continued:

(r) Recent accounting pronouncements:

The following is a summary of recent accounting pronouncements which may be applicable to subsequent reporting periods. The Company is currently reviewing the standards and amendments to determine the impact on its consolidated financial statements, if any:

IFRS 9 Financial Instruments provides guidance on the classification, measurement and disclosure of financial instruments and general hedge accounting requirements. The standard must be applied retrospectively and is effective for annual periods beginning after January 1, 2018, with earlier application permitted. The Company intends to adopt the standard in the period beginning December 1, 2018.

IFRS 15, Revenue from Contracts with Customers supersedes current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The standard may be applied retrospectively or with a modified transition approach and is effective for reporting periods beginning on or after January 1, 2018. The Company intends to adopt the standard in the period beginning December 1, 2018.

The IASB has issued amendments to IAS 1, Presentation of Financial Statements, to improve the effectiveness of presentation and disclosure in financial reports. These amendments are effective for annual periods beginning on or after January 1, 2016 allowing for early adoption. The Company intends to adopt these amendments in its financial statements for the annual period beginning December 1, 2016.

IFRS 16, Leases introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term greater than 12 months, unless the underlying asset is of a low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 will replace IAS 17, Leases and is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on December 1, 2019.

4. Inventories:

	2015	2014
Raw materials	$ 538,763	$ 557,595
Original equipment manufacturer materials	3,427,726	2,896,819
Work in process	1,413,583	1,374,418
Finished goods	1,708,328	1,516,531
	$ 7,088,400	$ 6,345,363

During the year, inventories expensed within cost of goods sold were $20,010,437 (2014 - $14,321,747). The Company also recorded an incremental provision for excess and obsolete inventories within cost of goods sold of $9,424 (2014 - $57,767).

5. Property, plant and equipment:

	Land and buildings	Office equipment	Operations equipment	Automotive equipment	Computer equipment	Computer software	Total
Cost							
Balance at November 30, 2013	$ 292,149	$ 975,927	$ 2,915,220	$ 1,485,342	$ 2,231,966	$ 1,273,005	$ 9,173,609
Additions	24,996	12,639	305,961	400,099	186,983	32,423	963,101
Disposals/other	—	—	(24,724)	(482,396)	—	—	(507,120)
Effect on movements in exchange rates	(12,000)	12,368	(9,345)	(22,029)	4,450	(420)	(26,976)
Balance at November 30, 2014	$ 305,145	$ 1,000,934	$ 3,187,112	$ 1,381,016	$ 2,423,399	$ 1,305,008	$ 9,602,614
Additions	—	1,551	426,199	527,819	96,252	7,219	1,059,040
Disposals/other	—	—	—	(207,032)	(4,286)	—	(211,318)
Effect on movements in exchange rates	(1,159)	19,070	(595)	988	13,057	(60)	31,301
Balance at November 30, 2015	$ 303,986	$ 1,021,555	$ 3,612,716	$ 1,702,791	$ 2,528,422	$ 1,312,167	$ 10,481,637
Accumulated Depreciation							
Balance at November 30, 2013	$ 29,206	$ 901,320	$ 2,322,769	$ 836,269	$ 2,002,110	$ 1,265,138	$ 7,356,812
Additions	15,708	21,337	235,112	232,164	96,003	23,291	623,615
Disposals/other	—	—	(19,944)	(346,047)	—	—	(365,991)
Effect on movements in exchange rates	(1,703)	13,513	(7,904)	(8,218)	7,368	(178)	2,878
Balance at November 30, 2014	$ 43,211	$ 936,170	$ 2,530,033	$ 714,168	$ 2,105,481	$ 1,288,251	$ 7,617,314
Additions	16,250	18,614	155,245	260,413	112,580	20,568	583,670
Disposals	—	—	—	(142,746)	(3,974)	—	(146,720)
Effect on movements in exchange rates	(379)	18,830	(847)	1,561	13,025	(262)	31,928
Balance at November 30, 2015	$ 59,082	$ 973,614	$ 2,684,431	$ 833,396	$ 2,227,112	$ 1,308,557	$ 8,086,192
Carrying amounts							
At November 30, 2014	$ 261,934	$ 64,764	$ 657,079	$ 666,848	$ 317,918	$ 16,757	$ 1,985,300
At November 30, 2015	$ 244,904	$ 47,941	$ 928,285	$ 869,395	$ 301,310	$ 3,610	$ 2,395,445

Operations equipment includes assets under construction of $880,261 (2014 - $499,388).

6. Intangible Assets:

As at November 30, 2015 the Company had intangible assets with a net book value of $403,706 (2014 - $14,861). During the year additions to intangible assets were $390,960 (2014 - $nil) and amortization expense of $2,115 (2014 - $4,745) was recognized.

7. Investment in XPCT:

	2015	2014
Xuzhou-PAT Control Technologies Limited (XPCT)		
Balance, beginning of year	$ 6,005,724	$ 5,434,735
Currency gain on financial statement translation	741,291	427,355
Company's share of earnings	444,705	326,050
Dividend received	(312,192)	(182,416)
Balance, end of year	$ 6,879,528	$ 6,005,724

XPCT is a joint venture located in China in which the Company holds a 50% interest. XPCT has two business divisions providing products and services to both the ITS industry and construction equipment manufacturers.

7. Investment in XPCT - continued:

As a distributor for the Company's ITS manufactured goods, XPCT provides a strategic advantage to the Company to increase sales in the Chinese market.

The Company had sales to XPCT of $282,450 during the year (2014 - $286,781). At November 30, 2015 accounts receivable from XPCT was $15,820 (2014 - $16,532).

The Company's ownership interest comprises a 50% share of net assets and net earnings of XPCT as well as purchase price adjustments to allocate fair values assigned to certain assets and liabilities at the time of acquisition. Summary financial information for XPCT is as follows:

Year ended November 30, 2015	Financial summary	Purchase adjustments	Adjusted summary	Company's share
Cash	$ 5,228,588	$ –	$ 5,228,588	$ 2,614,294
Other current assets	15,099,820	–	15,099,820	7,549,910
Non-current assets	345,889	4,720,455	5,066,344	2,533,172
Current liabilities				
Trade and other	(4,453,952)	–	(4,453,952)	(2,226,976)
Short term loans	(7,181,744)	–	(7,181,744)	(3,590,872)
Net assets	$ 9,038,601	$ 4,720,455	$ 13,759,056	$ 6,879,528
Revenue	$ 11,204,026	$ –	$ 11,204,026	$ 5,602,013
Cost of sales	8,291,559	190,347	8,481,906	4,240,953
Depreciation and amortization	151,368	–	151,368	75,684
Finance costs	168,172	–	168,172	84,086
Administrative expenses	1,332,532	–	1,332,532	666,266
Earnings before income taxes	1,260,395	(190,347)	1,070,048	535,024
Income taxes	209,189	(28,552)	180,637	90,319
Net earnings	$ 1,051,206	$ (161,795)	$ 889,411	$ 444,705

Year ended November 30, 2014	Financial summary	Purchase adjustments	Adjusted summary	Company's share
Cash	$ 4,241,999	$ –	$ 4,241,999	$ 2,120,999
Other current assets	12,967,360	–	12,967,360	6,483,680
Non-current assets	638,662	4,381,249	5,019,911	2,509,956
Current liabilities				
Trade and other	(4,935,483)	(26,031)	(4,961,514)	(2,480,757)
Short term loans	(5,256,308)	–	(5,256,308)	(2,628,154)
Net assets	$ 7,656,230	$ 4,355,218	$ 12,011,448	$ 6,005,724
Revenue	$ 10,202,217	$ –	$ 10,202,217	$ 5,101,109
Cost of sales	6,646,572	33,202	6,679,774	3,339,887
Depreciation and amortization	132,495	–	132,495	66,248
Finance costs	134,107	–	134,107	67,054
Administrative expenses	2,461,597	–	2,461,597	1,230,799
Earnings before income taxes	827,446	(33,202)	794,244	397,121
Income taxes	147,122	(4,980)	142,142	71,071
Net earnings	$ 680,324	$ (28,222)	$ 652,102	$ 326,050

8. Bank indebtedness:

	2015	2014
Revolving credit facility of $8.5 million authorized and secured by a general security agreement:		
HSBC Bank Canada - borrowing in Canadian dollars with interest at bank prime plus 1.5%	$ 875,034	$ 1,828,244
HSBC Bank Canada - borrowing in U.S. dollars with interest at U.S. bank base rate plus 1.5%	3,084,734	4,227,860
Revolving credit facility authorized and secured by a standby letter of credit of $1.1 million U.S. issued by HSBC Bank Canada and guaranteed by Export Development Canada (EDC):		
The Hongkong and Shanghai Banking Corporation Limited - borrowing in Indian rupees with interest at 12.7%	—	657,793
	$ 3,959,768	$ 6,713,897

The HSBC credit facility may be borrowed by way of banker's acceptances at prevailing market rates to a maximum of $8.5 million or by way of U.S. dollar advances to a maximum of U.S. $6.5 million. Borrowings on this facility are restricted to the lesser of $8.5 million and the margin total on the following assets in Canada and the U.S.: 90% of secured and government accounts receivable less than 120 days and 50% of inventory to a maximum of $3 million. As at November 30, 2015 approximately $4.5 million was available to be drawn.

The Company's demand facility and long-term debt with HSBC are secured by a general security agreement on the assets of the Company held in Canada with a carrying value at November 30, 2015 of $34.9 million (2014 - $31.5 million). In addition, the Company's subsidiaries in the United States, Chile and India have provided corporate guarantees as security.

The Company is subject to covenants on its credit facility and long-term debt with HSBC as follows: current ratio greater than 1.2 to 1 (tested quarterly), debt to tangible net worth less than 2.5 to 1 (tested quarterly) and debt service coverage ratio greater than 1.25 to 1 (tested annually).

Current ratio is defined as total current assets divided by total current liabilities. If applicable, current assets exclude intangible assets and current liabilities exclude amounts postponed to HSBC.

Debt to tangible net worth is defined as total debt divided by tangible net worth. Debt is calculated as total liabilities excluding deferred taxes and subordinated debt, if any. Tangible net worth is the aggregate of paid in capital, contributed surplus, accumulated other comprehensive income (loss), retained earnings and if applicable, postponed loans, subordinated debt and associated accrued interest less any assets deemed intangible by HSBC.

Debt service coverage ratio is calculated as EBITDA (earnings before interest, income taxes, depreciation and amortization) less cash taxes, dividends, advances to related parties, and unfunded capital expenditures, divided by the total of principal payments on long term debt and capital leases plus interest.

At November 30, 2015 the Company is in compliance with these covenants.

During the first quarter of 2015 the Company repaid and cancelled the credit facility in India with The Hongkong and Shanghai Banking Corporation Limited.

See note 17 for a discussion of liquidity risk.

9. Long-term debt:

	2015	2014
HSBC Bank Canada term loan, repayable in quarterly installments of $32,143 with interest at bank prime plus 0.5%. Due September 30, 2021	$ 771,428	$ 900,000
Less current portion	128,572	128,572
	$ 642,856	$ 771,428

The HSBC term loan is secured by a general security agreement on the assets of the Company in Canada and is guaranteed by EDC. As described in note 8 the Company is in compliance with the covenants under the terms of its credit facilities with HSBC.

In addition the Company has a credit facility of U.S. $500,000 to finance construction of certain operating assets. As at November 30, 2015 no amount was drawn on this facility.

10. Income taxes:

Reconciliation of income tax expense:

Income tax expense attributable to earnings differs from the amounts computed by applying the Canadian statutory income tax rate of 27.0% (2014 – 27.0%) to earnings before income tax expense as a result of the following:

	2015	2014
Earnings before income taxes	$ 3,413,852	$ 1,718,755
Computed expected tax expense	922,000	464,000
Increase (decrease) in income tax expense resulting from:		
Non-deductible expenses	13,000	(50,000)
Manufacturing and processing deduction	(56,000)	(4,000)
XPCT earnings	(120,000)	(88,000)
Rate difference in foreign jurisdictions	(16,000)	(18,000)
Change in expected future tax rates	45,000	(32,000)
Change in unrecognized deferred tax assets	112,000	75,000
Other	(17,733)	(348)
	$ 882,267	$ 346,652

	2015	2014
Income tax expense is comprised of:		
Current income taxes	$ 1,105,044	$ 440,040
Deferred income taxes	(222,777)	(93,388)
	$ 882,267	$ 346,652

Recognized deferred income tax assets (liabilities):

	November 30, 2013	Recognized 2014	Effect of movement in exchange rates	November 30, 2014	Recognized 2015	Effect of movement in exchange rates	November 30, 2015
Non-capital losses	$ 302,998	$ 1,356	$ –	$ 304,354	$ (75)	$ –	$ 304,279
Unclaimed research and development expenses	366,812	66,573	–	433,385	211,514	–	644,899
Other	(57,246)	23,639	(3,076)	(36,683)	(125,263)	182	(161,764)
Deferred revenue	486,179	(94,032)	(17,094)	375,053	104,338	(1,570)	477,821
Investment tax credits	(364,996)	53,113	(1,104)	(312,987)	(124,304)	–	(437,291)
Property, plant and equipment	338,597	42,739	–	381,336	156,567	(151)	537,752
Net deferred income tax assets	$ 1,072,344	$ 93,388	$ (21,274)	$ 1,144,458	$ 222,777	$ (1,539)	$ 1,365,696

Based on projections of future earnings, realization of these net deferred tax assets is probable and consequently a deferred tax asset has been recorded.

10. Income taxes - continued:

Unrecognized deferred income tax assets:

Unrecognized deferred income tax assets relate to unrecognized timing differences as well as non-capital losses in India and Mexico.

	November 30, 2013	Change in 2014	Adjustment to prior year	November 30, 2014	Change in 2015	Adjustment to prior year	November 30, 2015
Unrecognized timing differences	$ 120,000	$ –	$ –	$ 120,000	$ (120,000)	$ –	$ –
Non-capital losses	1,654,000	75,000	(528,000)	1,201,000	232,000	263,000	1,696,000
	$ 1,774,000	$ 75,000	$ (528,000)	$ 1,321,000	$ 112,000	$ 263,000	$ 1,696,000

Non-capital loss carry forward:

Non-capital loss carry forward at November 30, 2015 expire as follows:

Year	Canada	India	Mexico	Total
2019	$ –	$ 85,476	$ –	$ 85,476
2020	–	3,346,946	–	3,346,946
2021	–	360,553	–	360,553
2022	–	419,921	73,406	493,327
2023	–	40,460	70,619	111,079
2024	–	720,512	276,122	996,634
2025	–	–	109,919	109,919
2028	1,178,982	–	–	1,178,982
	$ 1,178,982	$ 4,973,868	$ 530,066	$ 6,682,916

Investment tax credits:

At November 30, 2015, the Company has recognized investment tax credits of $1,826,529 (2014 - $2,376,489) as a result of its research and development activities. Investment tax credits can be carried forward and used to reduce Canadian 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 prior to March 19, 2009 and after March 31, 2012 can be carried forward for 10 years.

Investment tax credits available for carry forward at November 30, 2015 expire as follows:

Year(s)	Federal	Saskatchewan	Total
2017	$ –	$ 39,405	$ 39,405
2018	–	224,333	224,333
2019	–	57,424	57,424
2022 - 2025	–	539,970	539,970
After 2030	965,397	–	965,397
	$ 965,397	$ 861,132	$ 1,826,529

11. Contracted projects:

Revenue recognized from contracted projects during the year ended November 30, 2015 was $30,876,516 (2014 - $20,459,799).

Project and service contracts in progress as at the balance sheet date:

	2015	2014
Contract costs incurred plus recognized profits less recognized losses to date	$ 64,156,169	$ 42,420,965
Less progress billings	(65,079,236)	(44,767,812)
	$ (923,067)	$ (2,346,847)

Recognized and included in the financial statements:

	2015	2014
Unbilled revenue on contracted projects	$ 6,134,832	$ 4,089,057
Unearned revenue on contracted projects	(7,057,899)	(6,435,904)
	$ (923,067)	$ (2,346,847)

12. Share capital:

(a) Authorized:

An unlimited number of common voting shares, with no par value.

(b) Common shares:

	Number of shares	Amount
Balance, November 30, 2013	14,018,337	$ 12,077,209
Shares issued on exercise of stock options	130,833	42,066
Adjustment from contributed surplus	–	3,818
Balance, November 30, 2014	14,149,170	12,123,093
Shares issued on exercise of stock options	235,167	75,422
Shares issued for directors compensation	14,125	14,375
Adjustment from contributed surplus	–	6,847
Balance, November 30, 2015	14,398,462	$ 12,219,737

The weighted average market price of common shares issued during the year on exercise of stock options was $0.95 (2014 - $0.74).

(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, 2015, 130,665 (2014 - 460,665) options remain available to be granted, subject to approval by the Board of Directors. Stock options generally vest equally over three years subject to the discretion of the Compensation Committee of the Board of Directors and have a maximum term of five years.

12. Share capital - continued:

At November 30, 2015, the following stock options to officers, employees and others were outstanding:

	Options Outstanding			Options Exercisable	
Exercise Prices ($)	Number Outstanding at November 30, 2015	Weighted-Average Remaining Contractual Life (years)	Weighted-Average Exercise Price ($)	Number Exercisable at November 30, 2015	Weighted-Average Exercise Price ($)
0.31	452,500	0.91	0.31	452,500	0.31
0.43	66,500	1.95	0.43	66,500	0.43
0.44	40,000	2.01	0.44	26,666	0.44
0.63	200,000	2.86	0.63	133,333	0.63
0.72	300,000	4.01	0.72	100,000	0.72
1.00	30,000	4.47	1.00	10,000	1.00
1.20	525,000	3.25	1.20	525,000	1.20
	1,614,000	2.62	$0.74	1,313,999	$0.74

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, 2013	1,655,000	$ 0.64
Options exercised	(130,833)	0.32
Options forfeited	(5,000)	0.31
Outstanding, November 30, 2014	1,519,167	$ 0.67
Options granted	330,000	0.75
Options exercised	(235,167)	0.32
Outstanding, November 30, 2015	1,614,000	$ 0.74

Outstanding options expire between October 26, 2016 and May 19, 2020.

During the year the Company recorded share-based compensation expense of $19,290 (2014 - $13,804) along with a corresponding increase in contributed surplus in shareholders' equity.

The inputs used in the measurement of the fair values at grant date of the stock option plan were as follows:

	December 2014	May 2015
Number of options granted	300,000	30,000
Average strike price	$ 0.72	$ 1.00
Expected volatility	42%	42%
Risk-free interest rate	1.0%	0.7%
Expected life of option	5 years	5 years
Weighted average grant date fair values	$ 0.28	$ 0.37

12. Share capital - continued:

(d) Shareholders' rights plan:

In 1998 the Company adopted a Shareholder Rights Plan (the "Plan"), which was established to deter coercive take-over tactics and to prevent an acquirer from gaining control 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, and 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% or more 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% or more 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 has been extended with shareholders approval until May 9, 2018, at which time the Board may submit a resolution to the shareholders approving the extension of the Plan for a further three years.

13. Research and development, net:

	2015	2014
Research and development expenditures	$ 2,078,439	$ 1,423,922
Less:		
Government grants	(127,580)	–
Investment tax credits	(704,276)	(180,000)
	$ 1,246,583	$ 1,243,922

14. Expense classification:

(a) Personnel expenses:

	2015	2014
Wages and salaries	$ 15,837,628	$ 13,189,995
Statutory benefits	825,071	817,629
Other employment benefits	719,363	710,589
Contributions to defined contribution plans	312,714	273,137
Share-based compensation	19,290	13,804
	$ 17,714,066	$ 15,005,154

(b) Depreciation and amortization expense:

	2015	2014
Depreciation on property, plant and equipment (note 5)	$ 583,670	$ 623,615
Add: Depreciation in opening inventory	14,932	14,878
Less: Depreciation in closing inventory	(10,936)	(14,932)
Depreciation expense	$ 587,666	$ 623,561
Depreciation expense is allocated as follows:		
Cost of goods sold	$ 433,843	$ 469,837
Administration and marketing expenses	153,823	153,724
	587,666	623,561
Amortization on intangibles included in cost of goods sold	2,115	4,745
Depreciation and amortization expense	$ 589,781	$ 628,306

15. Earnings per share:

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

	2015	2014
Net earnings	$ 2,531,585	$ 1,372,103
Weighted average number of common shares outstanding:		
Basic	14,254,262	14,054,270
Effect of stock options	518,190	457,732
Diluted	14,772,452	14,512,002
Earnings per share:		
Basic	$ 0.18	$ 0.10
Diluted	$ 0.17	$ 0.09

As disclosed in note 12(b) the Company has stock options outstanding to purchase 1,614,000 common shares at November 30, 2015 (2014 - 1,519,167).

16. Financing costs (income), net:

		2015		2014
Interest on bank indebtedness	$	368,479	$	415,928
Interest on long-term debt		27,754		–
Foreign exchange gains		(478,751)		(943,690)
	$	(82,518)	$	(527,762)

17. Financial instruments and related risk:

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.

Recognition

As at November 30, 2015, the Company values and records its financial instruments as follows:

- Cash and cash equivalents are classified as loans and receivables and are initially recognized at fair value
- Accounts receivable are classified as loans and receivables and are initially accounted for at fair value and subsequently adjusted for any allowance for doubtful accounts, with allowances reported in administrative and marketing expenses
- Accounts payable and accrued liabilities are classified as other financial liabilities and initially recorded at fair value; subsequently they are recorded at amortized cost using the effective interest rate (EIR) method, with realized gains and losses reported in income
- Bank indebtedness and long-term debt are classified as loans and receivables and are initially recorded at fair value and subsequently recorded at amortized cost using the EIR method, with realized gains and losses reported in finance costs
- Embedded derivatives are recognized at fair value with changes in fair value reported as foreign exchange gains or losses.
- Derivative contracts are marked to market with resulting net gains or losses reported in income

Fair value:

The Company classifies its fair value measurements by reference to the following fair value measurement hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Assets and liabilities carried at fair value in the Company's financial statements are generally limited to derivative instruments used for risk management purposes and the embedded derivative portion of the unearned revenue of U.S. dollar denominated sales contracts in its Chilean and Mexican subsidiaries. Estimates of fair value for embedded derivatives are determined using Level 2 measurements. The fair value of embedded derivatives is measured using a market approach, based on the difference between quoted forward foreign exchange rates as of the contract date and quoted forward foreign exchange rates as of the reporting date.

The carrying amounts of the Company's financial assets and liabilities, including cash and cash equivalents, 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 bank indebtedness and long-term debt approximates the carrying amounts since these debts have floating interest rates.

17. Financial instruments and related risk - continued:

Financial instrument risk

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:

The Company's cash balances are held and transacted with banks and financial counterparties that are considered credit worthy with high credit ratings.

The Company is exposed to credit risk from its customers on its trade receivables and unbilled revenue. The maximum exposure to credit risk is represented by the uninsured portion of these financial assets.

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. The following table provides an aging analysis of trade accounts receivable. The age of an invoice does not necessarily indicate an account is past due as many contracts require the successful completion of system testing and acceptance.

	2015	2014
Current (less than 60 days)	$ 4,430,230	$ 5,998,077
61 to 120 days	2,695,290	1,659,222
121 to 365 days	1,792,848	1,800,500
Greater than one year	3,539,882	2,761,885
Trade accounts receivable	12,458,250	12,219,684
Allowance for impairment loss	(2,519,978)	(1,759,789)
Non-trade accounts receivable	1,269,168	668,340
	$ 11,207,440	$ 11,128,235

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 subject to internal credit review in order to minimize risk of non-payment. Canada and U.S. billings to non-government customers, not otherwise secured by letter of credit, are generally insured by EDC to the extent of 90% of the invoiced amount. Credit risk is more significant for certain customers in India due to higher risk of financial instability. The following table provides a breakdown of accounts receivable as described above:

	2015	2014
Government	$ 4,247,661	$ 4,205,021
Non-Government		
Secured		
Letter of credit	602,981	489,276
Export Development Canada insured	3,645,154	2,822,941
Unsecured	5,231,622	5,370,786
Allowance for impairment loss	(2,519,978)	(1,759,789)
	$ 11,207,440	$ 11,128,235

17. Financial instruments and related risk - continued:

The movement in the allowance for doubtful accounts is as follows:

	2015	2014
Balance, beginning of year	$ 1,759,789	$ 1,623,348
Bad debt expense	585,467	220,741
Write offs (recovery of write offs)	40,973	(190,580)
Foreign currency revaluation	133,749	106,280
Balance, end of year	$ 2,519,978	$ 1,759,789

Currency fluctuation risk:

The Company is exposed to foreign exchange risk primarily relating to sales revenue, operating expenses and capital expenditures denominated in foreign currencies and the embedded derivative portion of the unearned revenue of U.S. dollar denominated sales contracts in its Chilean and Mexican subsidiaries.

In addition the Company is exposed to foreign exchange risk on translation of net assets held in foreign currencies and translation of foreign currency subsidiary and joint venture operations from their functional currency to that of the Company.

The Company has exposure to the U.S. dollar, Indian rupee, Chilean peso, Mexican peso and Chinese yuan. 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 both the Canadian dollar and Chilean peso can significantly affect both earnings and cash flow from operations.

During the year ended November 30, 2015 approximately 91% of the Company's sales were denominated in U.S. dollars. The average Canadian exchange rate against the U.S. dollar weakened during 2015 relative to 2014 by approximately 17.3%. This resulted in an increase in the Canadian dollar value of the Company's U.S. dollar denominated sales of approximately $7.1 million during the 2015 fiscal year. This impact is partially offset by the corresponding higher value of U.S. dollar denominated expenses.

The Company has reduced its exposure to U.S. currency volatility by maintaining a portion of its bank indebtedness in U.S. funds. 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 this currency. The term of these forward contracts is of a short term nature with the objective of matching the expected payments from customers. As at and for the years ended November 30, 2015 and November 30, 2014 the Company had no foreign exchange forward contracts.

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% decrease in the Canadian dollar in comparison to the relevant foreign currency. This analysis assumes all other variables remain constant.

	Foreign currency exposure at	Foreign exchange risk 5% decrease in Cdn $	
	November 30, 2015	Income	OCI
Net asset:			
U.S. dollar	2,654,000	132,700	
Indian rupee	837,000		41,850
Chilean peso	419,000		20,950
Chinese yuan	6,879,528		343,976
U.S. dollar sales contract embedded derivatives	3,419,000	170,950	

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

17. Financial instruments and related risk - continued:

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 on bank indebtedness and long-term debt. The Company is exposed to interest fluctuations due to its variable interest rate instruments. The Company does not use derivative financial instruments to mitigate interest rate risk.

At November 30, 2015, the effect of a 1% increase or decrease in the Canadian and U.S. bank prime rates, with all other variables held constant would have resulted in an increase or decrease of $35,000 to the Company's net earnings for the year.

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 HSBC, as disclosed in note 8. At November 30, 2015 the remaining amount available to be drawn under this credit facility based on margin capacity is approximately $4.5 million.

In the prior year the Company maintained an operating line of credit for its operations in India with The Hongkong and Shanghai Banking Corporation Limited. As described in note 8 this facility was fully repaid from funds received under the HSBC term loan in December 2014.

In addition, EDC has provided a guarantee to May 31, 2016 of the Company's additional credit facility of $1,200,000 (2014 - HSBC $900,000) for the support of performance guarantees provided by the Company's subsidiaries. At November 30, 2015 performance guarantees totaling $101,762 (2014 - $57,210) were outstanding under this credit facility. The Company's Chilean subsidiary also maintains a secured line of credit to support performance guarantees required for selected projects. As at November 30, 2015 the Canadian dollar value of these performance guarantees totaled $1,192,395 (2014 - $1,024,436). The Company has also provided a guarantee, proportionate to its shareholding in XPCT, in the amount of 10.0 million yuan or $2.1 million (2014 - 7.5 million yuan or $1.4 million) for 50% of a bank loan to XPCT.

The table below presents a maturity analysis of the Company's financial liabilities based on the expected cash flows from November 30, 2015 to the contractual maturity date. The amounts represent the contractual undiscounted cash flows (thousands of dollars).

	Carrying Amount of Liability at November 30, 2015	Contractual Cash Flows Including Interest	Less than 1 year	1 to 6 years
Bank indebtedness*	$ 3,960	$ 4,126	$ 4,126	$ –
Accounts payable and accrued liabilities	8,949	8,949	8,949	–
Long-term debt	771	844	151	693
	$ 13,680	$ 13,919	$ 13,226	$ 693

* Assumes balance is outstanding for 365 days.

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.

The Company manages the capital structure with a mix of debt and equity and makes adjustments to it in 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 assume more debt, issue new shares, purchase and cancel shares previously issued, return capital to shareholders or sell assets to reduce debt.

17. Financial instruments and related risk - continued:

The Company monitors its capital to ensure compliance with its debt covenants as disclosed in note 8. These covenants have been established by HSBC and have not changed from the prior year. At November 30, 2015 and through out the year the Company was in compliance with these covenants.

The capital structure of the Company is as follows:

	2015	2014
Bank indebtedness	$ 3,959,768	$ 6,713,897
Long-term debt	771,428	900,000
Shareholders' equity	22,704,597	19,174,121
Total capital	$ 27,435,793	$ 26,788,018

18. Commitments:

The Company leases land and building under an operating lease expiring on April 14, 2023. The lease includes options to renew for up to an additional 10 years. Contractual lease obligations comprised of base rent and operating costs for the next five years and thereafter are as follows:

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	1,372,680
	$ 4,267,680

During the year ended November 30, 2015 an amount of $579,000 was recognized as an expense in the statement of earnings in respect of operating leases (2014 - $579,000).

The Company has provided a guarantee in the amount of 10.0 million yuan or $2.1 million (2014 - 7.5 million yuan or $1.4 million) for 50% of a bank loan to XPCT. The guarantee provided by the Company is proportionate to its shareholding in XPCT.

19. Segmented information:

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

Reportable segments represent the Company's geographic business units and reflect management's current focus on allocating resources and measuring performance. Reportable segments offer similar products and services, have separate management structures, and have their own sales force.

Revenue as disclosed in the following tables is from internal and external customers with intersegment revenue and expenditures eliminated on consolidation.

19. Segmented information:

Year ended November 30, 2015	Canada and United States	Latin America and Mexico	India	Intersegment Adjustments	Total
Revenue					
Contracted projects	$ 23,979,232	$ 6,543,074	$ 354,210	$ –	$ 30,876,516
Service	14,456,078	1,835,148	501,598	—	16,792,824
Product sales	10,275,669	1,083,170	50,164	(1,088,286)	10,320,717
	$ 48,710,979	$ 9,461,392	$ 905,972	$ (1,088,286)	$ 57,990,057
Cost of goods sold	33,893,269	7,022,886	492,403	(1,035,774)	40,372,784
	14,817,710	2,438,506	413,569	(52,512)	17,617,273
Administrative and marketing expenses	9,805,821	2,796,722	1,384,398	(368,145)	13,618,796
Research and development, net	1,154,767	91,816	—	—	1,246,583
Financing costs (income)	(78,300)	(20,264)	16,046	—	(82,518)
Other income	(393,345)	(70,517)	(39,018)	368,145	(134,735)
XPCT earnings	(444,705)	—	—	—	(444,705)
Earnings (loss) before income taxes	4,773,472	(359,251)	(947,857)	(52,512)	3,413,852
Income tax expense (recovery)	1,034,480	(141,711)	—	(10,502)	882,267
Net earnings (loss)	$ 3,738,992	$ (217,540)	$ (947,857)	$ (42,010)	$ 2,531,585
Current assets	$ 19,221,326	$ 7,596,710	$ 2,167,114	$ (96,316)	$ 28,888,834
Investment in XPCT	6,879,528	—	—	—	6,879,528
Other non-current assets	16,277,724	984,125	—	(11,270,473)	5,991,376
Total assets	$ 42,378,578	$ 8,580,835	$ 2,167,114	$ (11,366,789)	$ 41,759,738
Total liabilities	$ 16,075,079	$ 3,751,779	$ 8,685,864	$ (9,457,581)	$ 19,055,141
Additions to property, plant and equipment	$ 929,395	$ 129,645	$ –	$ –	$ 1,059,040
Additions to intangible assets	$ 390,960	$ –	$ –	$ –	$ 390,960

19. Segmented information - continued:

Year ended November 30, 2014	Canada and United States	Latin America and Mexico	India	Intersegment Adjustments	Total
Revenue					
Contracted projects	$ 14,797,586	$ 4,944,277	$ 717,936	$ –	$ 20,459,799
Service	12,048,283	1,657,154	569,877	—	14,275,314
Product sales	9,413,415	1,523,007	78,506	(648,534)	10,366,394
	$ 36,259,284	$ 8,124,438	$ 1,366,319	$ (648,534)	$ 45,101,507
Cost of goods sold	25,991,300	5,026,587	885,656	(804,549)	31,098,994
	10,267,984	3,097,851	480,663	156,015	14,002,513
Administrative and marketing expenses	8,976,741	2,254,880	1,050,333	(354,849)	11,927,105
Research and development, net	1,059,762	184,160	—	—	1,243,922
Financing costs (income)	33,538	(735,091)	173,791	—	(527,762)
Other income	(326,925)	(30,593)	(30,788)	354,849	(33,457)
XPCT earnings	(326,050)	—	—	—	(326,050)
Earnings (loss) before income taxes	850,918	1,424,495	(712,673)	156,015	1,718,755
Income tax expense	134,593	207,780	—	4,279	346,652
Net earnings (loss)	$ 716,325	$ 1,216,715	$ (712,673)	$ 151,736	$ 1,372,103
Current assets	$ 16,019,275	$ 6,477,081	$ 2,772,198	$ (163,686)	$ 25,104,868
Investment in XPCT	6,005,724	—	—	—	6,005,724
Other non-current assets	13,669,291	944,362	—	(9,092,545)	5,521,108
Total assets	$ 35,694,290	$ 7,421,443	$ 2,772,198	$ (9,256,231)	$ 36,631,700
Total liabilities	$ 13,739,450	$ 2,371,463	$ 9,574,988	$ (8,228,322)	$ 17,457,579
Additions to property, plant and equipment	$ 871,766	$ 91,335	$ –	$ –	$ 963,101

Revenue from external customers by geographic area is as follows:

	2015	2014
United States	$ 40,248,305	$ 27,498,934
Mexico	3,109,123	1,250,641
Chile	2,979,106	4,317,472
Paraguay	2,776,312	1,937,242
Canada	2,301,088	2,116,332
Thailand	1,603,709	1,586,411
India	912,376	1,366,319
Republic of Korea	871,177	1,224,678
Other	3,188,861	3,803,478
	$ 57,990,057	$ 45,101,507

19. Segmented information - continued:

Other non-current assets excluding deferred tax assets and investment tax credits recoverable by geographic area is as follows:

	2015	2014
Canada	$ 931,077	$ 593,691
United States	1,419,328	955,939
Chile	448,746	450,531
	$ 2,799,151	$ 2,000,161

20. Statements of cash flows:

Changes in non-cash working capital

	2015	2014
Accounts receivable	$ (543,950)	$ (1,729,507)
Embedded derivatives	264,460	(509,496)
Unbilled revenue	(2,032,972)	(933,197)
Inventories	(739,613)	(576,135)
Prepaid expenses and deposits	(681,296)	(360,013)
Accounts payable and accrued liabilities	3,187,088	465,740
	$ (546,283)	$ (3,642,608)

21. Related party transactions:

These consolidated financial statements include the accounts of International Road Dynamics Inc. and its wholly-owned subsidiaries. Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions and balances with the Company's joint venture XPCT, which is also a related party, are disclosed in note 7.

Key management personnel and directors compensation:

In addition to salaries and benefits, executive officers participate in the share option program (see note 12(c)). The Company compensates external directors through fees payable in cash or shares of the Company at the directors' discretion.

Upon resignation executive officers are subject to a notice term of six months. Executive officers are entitled to termination benefits ranging from 18 to 24 months' gross salary. Certain executive officers are employed through corporate entities.

Key management and directors compensation includes:

	2015	2014
Wages and salaries	$ 1,950,123	$ 1,323,253
Statutory and other benefits	11,313	11,314
Contributions to defined contribution plans	54,750	50,734
Share-based compensation	17,415	8,141
	$ 2,033,601	$ 1,393,442

22. Comparative figures:

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


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IRD Board of Directors

Corporate Governance

At International Road Dynamics Inc., 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, and on IRD's website irdinc.com.

Harvey Alton

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

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.

Ray Harris

Lead director and consultant, from 1996 to present. Prior thereto, he was an advisor to the Ministry of Finance of the People's Republic of China and prior thereto he was chairman of Deloitte and Touche (Canada).

Sharon Parker

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

Dr. C. Michael Walton

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

Ray Kolla

Director and Audit Committee Chair, former partner of KPMG LLP, 1978 to 2011.

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