MANAGEMENT'S RESPONSIBILITY
FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements and other financial information in this annual report were prepared by management of Reko International Group Inc., reviewed by the Audit Committee and approved by the Board of Directors.

Management is responsible for the consolidated financial statements and believes that they fairly present the Company's financial condition and results of operation in conformity with Canadian generally accepted accounting principles. Management has included in the Company's consolidated financial statements amounts based on estimates and judgments that it believes are reasonable, under the circumstances.

To discharge its responsibilities for financial reporting and safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the financial records are reliable and form a proper basis for the timely and accurate preparation of financial statements. Consistent with the concept of reasonable assurance, the Company recognizes that the relative cost of maintaining these controls should not exceed their expected benefits. Management further assures the quality of the financial records through careful selection and training of personnel and through the adoption and communication of financial and other relevant policies.

These financial statements have been audited by the shareholders' auditors, PricewaterhouseCoopers LLP, and their report is presented herein.

"DIANE REKO"

Diane Reko, B.Comm
Chief Executive Officer
October 11, 2011

"CARL MERTON"

Carl A. Merton, CA, CBV
Chief Financial Officer
October 11, 2011

Independent Auditor's Report

To the Shareholders of
Reko International Group Inc.

We have audited the accompanying consolidated financial statements of Reko International Group Inc., which comprise the consolidated balance sheets as at July 31, 2011 and July 31, 2010 and the consolidated statements of loss, comprehensive loss and retained earnings and the consolidated statement of cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

Auditor's 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 the auditor's 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, the auditor considers 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 financial position of Reko International Group Inc. as at July 31, 2011 and July 31, 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"PRICEWATERHOUSE COOPERS LLP"

Chartered Accountants, Licensed Public Accountants
London, Ontario
October 11, 2011

REKO INTERNATIONAL GROUP INC.
CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND RETAINED EARNINGS

Years ended July 31,
(in $000's, except for loss per common share)

		2011		2010
Sales	**$**	**41,078**	$	40,151
Costs and Expenses				
Cost of sales		**35,231**		36,040
Selling and administrative		**5,869**		5,990
Amortization		**3,487**		5,058
		44,587		47,088
Loss before the following		**(3,509)**		(6,937)
Gain on sale of capital assets		**(226)**		(24)
Unrealized foreign exchange loss on foreign tax losses		**240**		119
Interest on long-term debt		**864**		1,026
Interest on other interest bearing obligations, net		**763**		449
		1,641		1,570
Loss before income taxes and other items		**(5,150)**		(8,507)
Asset impairment		**3,400**		--
Business transformation project expenses (Note 19)		**2,359**		--
		5,759		--
Loss before income taxes		**(10,909)**		(8,507)
Income taxes recovered (Note 7)				
Future		**(964)**		(1,038)
		(964)		(1,038)
Net loss and comprehensive loss	**$**	**(9,945)**	$	(7,469)
Retained earnings, beginning of year	**$**	**15,634**	$	23,103
Net loss		**(9,945)**		(7,469)
Retained earnings, end of year		**5,689**		15,634
Loss per common share (Note 15)				
Basic	**$**	**(1.55)**	$	(1.16)
Diluted	**$**	**(1.55)**	$	(1.16)

REKO INTERNATIONAL GROUP INC.
CONSOLIDATED BALANCE SHEETS

As at July 31,
(in $000's)

	2011	2010
ASSETS (Notes 10 and 12)		
Current		
Cash and cash equivalents	**$ 1,589**	$ 1,303
Accounts receivable (Note 3)	**10,686**	10,657
Other receivables	**526**	367
Non-hedging financial derivatives (Note 4)	**1,172**	591
Income taxes receivable	**22**	22
Work-in-progress (Note 5)	**12,086**	19,826
Prepaid expenses and deposits	**346**	536
Assets held for sale (Note 6)	**1,289**	--
	27,716	33,302
Capital assets (Note 9)	**24,965**	32,825
Future income taxes (Note 7)	**1,491**	2,814
SR & ED tax credits (Note 8)	**3,458**	4,460
	$ 57,630	$ 73,401
LIABILITIES		
Current		
Bank indebtedness (Note 10)	**$ 10,900**	$ 14,292
Accounts payable and accrued liabilities (Note 11)	**8,176**	6,201
Current portion of long-term debt (Note 12)	**1,891**	12,678
	20,967	33,171
Long-term debt (Note 12)	**10,447**	1,925
Future income taxes (Note 7)	**--**	2,149
SHAREHOLDERS' EQUITY		
Share capital (Note 13)	**18,772**	18,772
Contributed surplus (Note 14)	**1,755**	1,750
Retained earnings	**5,689**	15,634
	26,216	36,156
	$ 57,630	$ 73,401

Contingencies (Note 24)

On behalf of the Board:

"DIANE REKO" — Director

"ANDREW SZONYI" — Director

REKO INTERNATIONAL GROUP INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended July 31,
(in $000's)

	2011	2010
OPERATING ACTIVITIES		
Net loss	**$ (9,945)**	$ (7,469)
Adjustments for:		
Amortization	**3,487**	5,058
Asset impairment	**3,400**	--
Business transformation expenses	**1,778**	--
Unrealized foreign exchange loss on foreign tax losses	**240**	119
Future income taxes	**(1,066)**	(1,038)
SR & ED tax credits	**1,002**	151
Gain on sale of capital assets	**(226)**	(24)
Stock option expense (Note 14)	**5**	8
	(1,325)	(3,195)
Net change in non-cash working capital (Note 21)	**7,358**	3,187
CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**6,033**	(8)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (payments) proceeds on bank indebtedness	**(3,392)**	1,792
Net payments on long-term debt	**(2,265)**	(3,218)
CASH USED IN FINANCING ACTIVITIES	**(5,657)**	(1,426)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in capital assets	**(894)**	(889)
Proceeds on sale of capital assets	**804**	542
CASH USED IN INVESTING ACTIVITIES	**(90)**	(347)
Net change in cash and cash equivalents	**286**	(1,781)
Cash and cash equivalents, beginning of year	**1,303**	3,084
Cash and cash equivalents, end of year	**1,589**	$ 1,303

Refer to Note 21 for supplemental cash flow information.

1. SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

The Company, incorporated under the laws of Ontario, has several subsidiaries, which operate in Canada and the State of Michigan in the United States.

During the year, Reko Global Services, LLC, of which Reko maintains a 50% membership interest, was organized in Alabama and began operations.

The Company's revenue is primarily generated from the sales of manufacturing molds, automation and large custom machining primarily for the automotive sector.

Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

Principles of consolidation

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, Reko Tool & Mould (1987) Inc., Reko Manufacturing Group Inc., Reko International Sales, Inc. and Reko International Holdings, Inc. and its 50% membership interest in Reko Global Services, LLC ("RGS"). All material inter-company accounts and transactions with wholly-owned subsidiaries have been eliminated on consolidation.

During the year, the Company began reporting financial results from its 50% membership interest in RGS, using proportional consolidation.

During the prior year, the Company dissolved, wound up the affairs, liquidated and terminated the remaining interests in Novi Laser Inc. and ABC Plastics, Inc. (f/k/a Superior Plastics, Inc.). These actions were completed without a material financial impact to these consolidated financial statements.

Use of significant accounting estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates. Significant estimates used in the preparation of these financial statements include the allowance for doubtful accounts, percentage of completion of work-in-progress, net realizable value of inventory, inventory reserves, inventory overhead allocation, useful lives of capital assets, impairment of capital assets, fair value of financial instruments, valuation of stock options, realizable value of Scientific, Research & Experimental Development ("SR&ED") tax credits and valuation of future income taxes.

Revenue recognition

The Company deals primarily in contracts with a period of completion over several months. Revenue is recognized based on the percentage of completion method, provided the contract has progressed to the point where total costs can be reasonably estimated. The percentage of completion is determined by relating the actual cost of work performed to date to the current estimated total cost for each contract. Any projected loss is

recognized immediately. The Company considers all jobs, which have completed all aspects of engineering and design (approximately 15% to 25% complete), to have progressed to the point where total costs could be reasonably estimated.

Foreign currency translation

The Company translates monetary assets and liabilities denominated in foreign currencies at the exchange rate as at the balance sheet date. Revenues and expenses are translated at rates prevailing on the date of the transaction. Gain of $709 (2010: $268) arising on translation is included in the statements of loss.

The financial statements of U.S. subsidiaries (including RGS), which are considered integrated foreign operations, are translated such that monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates for the year except for amortization, which is translated at historical rates. Translation gains or losses are included in income.

The Company hedges its exposure to foreign currency fluctuations by purchasing forward exchange contracts and options (see Note 17).

Interest in joint ventures

The Company's interests in joint ventures are accounted for using the proportional consolidation method. Under this method, the Company's proportionate share of joint venture revenues, expenses, assets and liabilities are included in the consolidated financial statements.

Financial instruments

The Company utilizes derivative instruments in the management of its foreign currency exposure by hedging its foreign exchange exposure on anticipated net cash inflows in U.S. dollars through the use of U.S. dollar denominated debt, forward contracts.

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Settlement date accounting is used.

Classification

Cash and cash equivalents	Held for trading
Non-hedging financial derivatives	Held for trading
Accounts receivable	Loans and receivables
Other receivables	Loans and receivables
Bank indebtedness	Held for trading
Accounts payable and accrued liabilities	Other financial liabilities
Current portion of long-term debt	Other financial liabilities
Long-term debt	Other financial liabilities

Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in sales. Financial liabilities designated as held for trading are those non-derivative financial liabilities that the Company elects to designate on initial recognition as instruments that it will measure at fair value through other interest expense. These are accounted for in the same manner as held for trading assets.

Held-to-maturity

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity, other than loans and receivables that an entity has the positive intention and ability to hold to maturity. These financial assets are measured at amortized cost using the effective interest method. The Company has not designated any non-derivative financial assets as held to maturity.

Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale, or that are not classified as loans and receivables, held-to-maturity or held-for-trading investments. Available-for-sale financial assets are carried at fair value with unrealized gains and losses included in accumulated other comprehensive income until realized when the cumulative gain or loss is transferred to income. Available-for-sale financial assets that do not have quoted market prices in an active market are recorded at cost. Interest on interest-bearing available-for-sale financial assets is calculated using the effective interest method. The Company has not designated any non-derivative financial assets as available for sale.

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

Other financial liabilities

Other financial liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than bank indebtedness and derivative instruments.

Transaction costs

Transaction costs related to held for trading financial assets are expensed as incurred. Transaction costs related to available-for-sale financial assets, held-to-maturity financial assets, other liabilities and loans and receivables are netted against the carrying value of the asset or liability and are then recognized over the expected life of the instrument using the effective interest method.

Effective interest method

The Company uses the effective interest method to recognize interest income or expense, which includes transaction costs or fees, premiums or discounts, earned or incurred for financial instruments.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with maturities less than 90 days.

Work-in-progress

Work-in-progress includes unbilled contract revenue and inventory. Costs incurred on contracts where the criteria for revenue recognition have not been met are shown as inventory. Domestic and outsourced tooling inventory is valued at the lower of cost and net realizable value. Cost includes the cost of materials, direct labour applied to the product and the applicable share of manufacturing overhead less any amounts billed to the customer. The results reported under the percentage of completion method are based on management's estimates. Actual results could differ from these estimates.

Capital assets and amortization

Capital assets are stated at cost. Amortization of capital assets is calculated on the straight-line basis over the estimated economic lives of the assets at the following rates:

Buildings	4%
Machinery and equipment	5 – 20%
Computer hardware	33%
Computer software	50%
Leasehold improvement	10%
Equipment under capital lease	5 – 10%

SR & ED tax credits

SR & ED costs are expensed as incurred. SR & ED tax credits are recorded when there is reasonable assurance of receiving them. SR & ED tax credits are recorded as part of cost of sales.

During the year, management determined that, based on the past history of successful claims, it was appropriate to accrue $348 (2010: $304) of the current year's estimated SR & ED tax credits since reasonable assurance exists for recovering them.

Impairment of long-lived assets and basis of valuation

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value and is included in amortization of capital assets.

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the financial statements and their respective tax bases, using enacted and substantively enacted income tax rates for the years in which differences are expected to reverse. A valuation allowance is recognized to the extent management determines the Company's ability to realize on its future income tax asset, on a more likely than not basis, cannot be met. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs.

Stock based compensation

The Company estimates the fair value of stock options at the grant date using the Black-Scholes option-pricing model. This model requires the input of a number of assumptions, including expected dividend yields, expected stock volatility, expected time until exercise and risk-free interest rates. Although the assumptions used reflect

management's best estimates, they involve inherent uncertainties based on market conditions generally outside the Company's control. If other assumptions are used, stock-based compensation expense could be significantly impacted. As stock options are exercised, the proceeds received on exercise, in addition to the portion of the contributed surplus balance related to those stock options, is credited to share capital and contributed surplus is reduced accordingly.

Earnings per share

Basic earnings per share are calculated on net income using the weighted average number of common shares outstanding during the year.

Diluted earnings per share are calculated on the weighted average number of common shares that would have been outstanding during the year had all "in the money" stock options outstanding been exercised and converted into common shares using the treasury method.

Government assistance

The Company makes periodic applications for financial assistance under available government assistance programs in the various jurisdictions that the Company operates. Grants and tax credits relating to capital expenditures are reflected as a reduction of the cost of the related assets. Grants and tax credits relating to current operating expenditures are generally recorded as a reduction of the related expense at the time the eligible expenses are incurred.

Consideration given to customers

Cash consideration given by the Company to a customer, such as cash discounts and rebates, are presumed to be a reduction of the selling prices of the Company's products or services and are, therefore, accounted for as a reduction of revenue when recognized in the statement of income.

Future accounting changes

The Canadian Institute of Chartered Accountants ("CICA") has announced the following accounting changes scheduled to become effective for the Company between August 1, 2010 and August 1, 2012:

International financial reporting standards ("IFRS")

In March 2008, the CICA confirmed its intent to replace GAAP with IFRS. As a publicly accountable enterprise, the Company must convert to IFRS no later than its first quarter of fiscal 2012.

2. CONTINUING OPERATIONS AND LIQUIDITY RISK

The Company has experienced low revenues and significant operating losses in both the current and the previous year caused primarily by the temporary decline in capital equipment markets occurring concurrent with the global recession and from structural changes in the automotive industry which eventually led to General Motors and Chrysler's bankruptcies. In addition, the Company is currently working with its primary lender under reduced financial covenants and in the third quarter announced a business transformation project that involves disposing of surplus assets with a net book value of $3,328. The financial losses pose challenges to the Company's continued operations and its ability to meet its obligations as they fall due. Management is actively addressing this condition, as discussed in the following paragraphs.

Operating losses

The Company needs to further reduce and eliminate its operating losses. The Company's ability to do this may be impacted by the speed of the current economic recovery, increased competitiveness and pricing pressure in the plastic injection mold industry, its ability to manage its cost structure based on changing market and economic conditions and the success of its business transformation project.

The Company is addressing its operating losses through: (i) increased sales in the capital equipment market, tied to the economic recovery; (ii) targeted entrances into new markets, such as aerospace, with greater sales opportunities and higher margins; (iii) changes in its product mix, moving away from heavily competitive low margin sales categories and into less competitive higher margin categories; and, (iv) an improved cost structure developed through the targeted restructurings completed in the last three years and its business transformation project.

Continued support of its primary lender

The Company needs to maintain the continued support of its primary lender, through the lender's willingness to accept reduced financial covenants while the Company addresses its operating losses. The primary lender's decision to continue its support may be impacted by their view of the speed, with which the Company improves its operating results and the lender's view of the markets in which the Company operates.

To address the continued support of its primary lender, the Company has built and will continue to build a proactive and open relationship with the lender, involving timely and frequent dialogue and a strategy of analyzing the Company based on rolling six month intervals as opposed to more traditional one year intervals.

Prior to April 2010, a debt service coverage ratio existed with the Company's primary lender. The debt service coverage ratio covenant was calculated as follows: EBITDA less cash taxes (for the previous 52 weeks) divided by the sum of interest expense and repayments of long-term debt (based on the upcoming 52 weeks). Effective April 2010, the Company's primary lender removed this quarterly debt service coverage covenant and replaced it with a monthly EBITDA target, established based on rolling six month analyses. As at July 31, 2011, the Company's monthly EBITDA target is established for the months of August, September and October 2011. Subsequent to year-end, the primary lender established the monthly EBITDA target for November and December 2011 and January 2012.

Renewal of the mortgage

During the last quarter of the year, the Company renewed its mortgage. The Company's renewed mortgage is amortized over 10 years, with a 2 year term and bears interest at 580 basis points above the 90 day bankers' acceptance rate.

Business transformation project

During the third quarter of the year, the Company announced a business transformation project that will substantially reduce the Company's manufacturing capacity associated with building plastic injection molds, a change in strategic direction for the Company to reduce its reliance on low margin business opportunities. The project will ultimately cost the Company $7,500, of which $5,759 has already been recognized in these consolidated financial statements recorded as $3,400 as asset impairments and $2,359 as business transformation project expenses. Part of the capacity reduction involves disposing of real estate, with a current net book value of $1,978 and machinery and equipment, with a current net book value of $1,350 after recognition, in the third quarter of the year, of the impairment of $3,400 on these assets.

Further information related to liquidity risks is provided in Note 17 to these consolidated financial statements.

While the Company believes that the necessary steps are being taken with respect to eliminating its operating losses, and that the business transformation project will be successful, the outcome of these matters cannot be predicated at this time. However, the ongoing support of Reko's primary lender is crucial to the future of the Company.

3. ACCOUNTS RECEIVABLE

During the year, the Company recorded the following transactions with respect to its allowance for doubtful accounts:

	2011	2010
Opening allowance for doubtful accounts	**$ 679**	$ 885
Less: write-off of allowance and receivables	**(75)**	(368)
Plus: bad debt expense	**87**	193
Less: effect of foreign exchange on U.S. denominated balances	**(44)**	(31)
	$ 647	$ 679

4. NON-HEDGING FINANCIAL DERIVATIVES

Non-hedging financial derivatives is comprised of:

	2011	2010
Fair value of forward exchange contracts	**$ 1,172**	$ 591

Based on the average spot market value of U.S. dollars for the year ended July 31, 2011 and the forward exchange contracts outstanding during the year, the Company generated foreign exchange gains of $709 (2010: $268), recognized in sales.

5. WORK-IN-PROGRESS

Work-in-progress is comprised of:

	2011	2010
Unbilled contract revenue	**$ 11,154**	$19,336
Inventory	**932**	490
	$ 12,086	$19,826

Unbilled contract revenue represents the costs incurred under long-term manufacturing contracts in excess of amounts billed and paid by the customer or billed and included in accounts receivable.

6. ASSETS HELD FOR SALE

Subsequent to year-end, the Company sold capital assets for net proceeds of $3,475. $1,022 of the proceeds were used to reduce the Company's mortgage and $2,453 of the proceeds were used to reduce the Company's bank indebtedness. At July 31, 2011, the assets subsequently sold were included in assets held for sale within current assets and were held at the lower of carrying value and fair value less costs to sell.

7. INCOME TAXES

	2011	**2010**
The provision for income taxes reflects an effective tax rate which differs from the combined Federal and Provincial rate for the following reasons:		
Combined Federal and Provincial rate	**29.4%**	31.8%
Manufacturing and processing deduction	**(1.9%)**	(2.0%)
Increase in valuation allowance	**(13.4%)**	(18.2%)
Decrease in substantively enacted tax rates on future tax assets and liabilities	**(2.5%)**	(0.7%)
Permanent and other differences	**(2.8%)**	1.3%
Effective rate	**8.8%**	12.2%

The tax effects of temporary differences that give rise to significant portions of long-term future income tax assets and liabilities are as follows:

Long-term future tax asset (liability)	**2011**	**2010**
United States:		
Non-capital loss carry-forwards	**$ 3,252**	$ 3,730
Valuation allowance	**(2,424)**	(916)
	828	2,814
Canada:		
Non-capital loss carry-forwards	**1,165**	--
Undeducted SR & ED expenditures	**1,963**	1,715
Unbilled contract revenue	**715**	1,056
Valuation allowance	**(1,601)**	(1,568)
	2,242	1,203
Capital assets	**(670)**	(2,177)
Tax impact of SR & ED tax credits	**(964)**	(1,274)
Other	**55**	98
	(1,579)	(3,352)
	$ 663	$(2,149)
Presented on the balance sheet as follows:		
Future income tax asset	**$ 1,491**	$ 2,814
Future income tax liability	**--**	2,149

The ultimate realization of the future income tax assets is dependent upon the generation of future taxable income during the years in which the temporary differences become deductible.

The valuation allowance for Canadian future income taxes as at July 31, 2011 is $1,601 (2010: $1,568). The valuation allowance for U.S. future income taxes as at July 31, 2011 is $2,424 (2010: $916). In assessing the realizability of future tax assets, management considers whether it is more likely or not that some portion or all of the future tax assets will be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the years in which these temporary differences and loss carry forwards are deductible. Management considers the scheduled reversal of future tax liabilities, the character of future income tax assets and available tax planning strategies in making this assessment.

At July 31, 2011, the Company had net operating losses of $10,027 (2010: $10,971) in the United States, which expire between 2022 and 2029 and non-capital losses of $4,795 (2010: $Nil) in Canada, which expire in 2031. These losses have been recognized in these consolidated financial statements, net of a valuation allowance.

8. SR & ED TAX CREDITS

The tax effect of SR & ED tax credits is:

	2011	2010
SR & ED tax credits	**$ 5,278**	$ 4,877
Valuation allowance	**(1,820)**	(417)
	$ 3,458	$ 4,460

The valuation allowance for SR & ED tax credits as at July 31, 2011 is $1,820 (2010: $417). In assessing the realizability of SR & ED tax credits, management considers whether there is reasonable assurance that some portion or all of the SR & ED tax credits will be realized. The ultimate realization of SR & ED tax credits is dependent upon the generation of future taxable income. Management considers the scheduled reversal of future tax liabilities, the character of future tax assets and available tax planning strategies in making this assessment.

9. CAPITAL ASSETS

Capital assets are comprised of:

2011	Cost	Accumulated Amortization	Net Book Value
Land	**$ 945**	**$ --**	**$ 945**
Buildings	**15,369**	**8,055**	**7,314**
Machinery and equipment	**62,357**	**47,797**	**14,560**
Leasehold improvements	**467**	**49**	**418**
Equipment under capital lease	**3,105**	**1,398**	**1,707**
Equipment under construction	**21**	**--**	**21**
	$ 82,264	**$ 57,299**	**$ 24,965**

2010	Cost	Accumulated Amortization	Net Book Value
Land	$ 1,287	$ --	$ 1,287
Buildings	16,280	8,098	8,182
Machinery and equipment	74,903	53,893	21,010
Leasehold improvements	80	51	29
Equipment under capital lease	3,434	1,512	1,922
Equipment under construction	395	--	395
	$ 96,379	$ 63,554	$ 32,825

During the year, the Company recorded an impairment charge of $3,000 related to machinery and equipment used in the production of its plastic injection mold building and a $400 impairment charge of its machinery and equipment used in its custom machining operations. The assets were determined to be impaired as a result of the Company's decision to implement its business transformation project and dispose of certain of its capital assets. The impairment charge was determined by comparing the carrying value of the capital assets to their fair values, as determined by a third party independent appraiser.

Subsequent to year-end, the Company sold capital assets for net proceeds of $3,475. The proceeds were used to reduce the Company's bank indebtedness and mortgage payable. At July 31, 2011, the assets subsequently sold were included in assets held for sale within current assets.

10. BANK INDEBTEDNESS

The bank indebtedness is payable over various maturities, not exceeding 90 days, with interest at various amounts ranging from LIBOR plus a premium to bank prime plus a premium, as follows:

	2011	2010
Canadian dollar bankers' acceptances – bearing interest at rates ranging from Nil% (2010: 4.74% to 4.79%), due in less than 30 days	**$ --**	$ 2,000
Canadian dollar bankers' acceptances – bearing interest at rates ranging from Nil% (2010: 4.87% to 4.89%) due in less than 60 days	**--**	3,300
Canadian dollar bankers' acceptances – bearing interest at 5.30% (2010: 4.90%) due in less than 90 days	**2,300**	2,000
U. S. dollar LIBORs – bearing interest at 4.32% (2010: 4.39% to 4.50%), due in less than 30 days	**4,000**	6,992
U. S. dollar LIBORs – bearing interest at rates ranging from 4.30% to 4.31%, due in less than 60 days	**4,600**	--
	$ 10,900	$ 14,292

The bank indebtedness is secured by a general assignment of book debts and work-in-progress together with a second collateral mortgage of $85,000 on all land and buildings. At July 31, 2011, the Company had available operating lines of credit totaling $20,000 (2010: $20,000).

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of:

	2011	2010
Accounts payable	**$ 4,385**	$ 3,708
Severance payable (Note 19)	**1,778**	--
Accrued liabilities	**2,013**	2,493
	$ 8,176	$ 6,201

12. LONG-TERM DEBT

The long-term debt is comprised of:

	2011	2010
Mortgage payable – 580 basis points above the 90 day bankers' acceptance rate (7.01%), repayable $125 monthly including interest, due in full July 2013, secured by land and buildings and a second position on a general assignment of book debts and work-in-progress	**$ 10,397**	$ --
Mortgage payable – 6.26% repayable $111 monthly including interest, due in full July 2011, secured by land and buildings and a second position on a general assignment of book debts and work-in-progress	**--**	10,030
Mortgage payable – 6.52% repayable $15 monthly including interest, due in full July 2011, secured by land and buildings and a second position on a general assignment of book debts and work-in-progress	**--**	1,409
Loan payable – 5.90% repayable $14 monthly including interest due in full April 2012 secured by equipment	**124**	282
Loan payable – 7.25% repayable $63 monthly plus interest due in full July 2013, secured by equipment and a third position on a general assignment of book debts and work-in-progress	**1,563**	2,312
Obligations under capital leases payable $30 monthly including interest, bearing interest at 6.05% expiring in March 2012	**254**	570
	12,338	14,603
Deduct - principal portion included in current liabilities	**1,891**	12,678
Long-term portion	**$ 10,447**	$ 1,925

Obligations under capital leases are secured by the specific leased assets and certain of the obligations maintain a second or third position on a general assignment of book debts and work-in-progress.

Total bank credit facilities and minimum lease payments are as follows:

Year	Bank Credit Facilities	Capital Leases	Total
2012	$ 1,637	$ 259	$ 1,896
2013	10,384	--	10,384
2014	63	--	63
2015	--	--	--
2016	--	--	--
	$ 12,084	$ 259	$ 12,343
Amount representing interest	--	(5)	(5)
Balance of obligation	$ 12,084	$ 254	$ 12,338

13. SHARE CAPITAL

Share capital is comprised of:

	Authorized	Issued Shares	Amount
Class A preference shares	Unlimited	Nil	--
Class B preference shares	Unlimited	Nil	--
Common shares	Unlimited	6,420,920	$ 18,772

Share capital transactions during the year were as follows:

	2011		2010	
	Shares	**Amount**	Shares	Amount
Outstanding, beginning of year	**6,420,920**	**$ 18,772**	6,420,920	$ 18,772
Transactions during the year	**--**	**--**	--	--
Outstanding, end of year	**6,420,920**	**$ 18,772**	6,420,920	$ 18,772

The following table presents the maximum number of shares that would be outstanding if all the dilutive "in the money" instruments outstanding, as at July 31, 2011 were exercised:

Common shares outstanding at July 31, 2011	6,420,920
Stock options (Note 16)	--
	6,420,920

14. CONTRIBUTED SURPLUS

Contributed surplus is comprised of:

	2011	2010
Balance, beginning of year	**$ 1,750**	$ 1,742
Amounts charged to contributed surplus in respect of stock based compensation	**5**	8
Balance, end of year	**$ 1,755**	$ 1,750

15. LOSS PER SHARE

Loss per share is computed as follows:

	2011	2010
Basic loss per share:		
Net loss	**$ (9,945)**	$ (7,469)
Average number of common shares outstanding during the year	**6,420,920**	6,420,920
Basic loss per share	**$ (1.55)**	$ (1.16)

	2011	2010
Diluted loss per share:		
Net loss	**$ (9,945)**	$ (7,469)
Average number of common shares outstanding during the year	**6,420,920**	6,420,920
Weighted 'In the money' stock options outstanding during the year	**--**	--
	6,420,920	6,420,920
Diluted loss per share	**$ (1.55)**	$ (1.16)

Diluted earnings per share exclude 74,000 (2010: 117,000) common shares issuable under the Company's stock option plan because these options were not 'in the money'.

16. STOCK BASED COMPENSATION

The Company has established a stock option plan for directors, officers, and key employees. The terms of the plan state that the aggregate number of shares, which may be issued and sold, will not exceed 10% of the issued and outstanding common shares of the Company on a non-diluted basis. The issue price of the shares shall be determined at the time of grant based on the closing market price of the shares on the specified date of issue. Options shall be granted for a period of five years with equal cumulative vesting over that period and 20% being exercisable immediately upon issue. Options given to outside directors vest immediately and can be exercised immediately. Effective September 24, 2002, amendments to the plan include a vesting progression of 30% in the year of grant, 30% in the second year, and 40% in the third year with the term still being 5 years.

As at July 31, 2011, the following options and warrants were outstanding:

Number of Options	Exercise Price	Expiry
3,000	$3.27	2012
30,000	$1.50	2014
41,000	$1.16	2014

The weighted average exercise price of the options is as follows:

	2011		2010	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Outstanding at the beginning of the year	**117,000**	**$ 1.85**	121,000	$ 1.83
Granted during the year	**--**	**--**	--	--
Expired during the year	**(25,000)**	**2.66**	--	--
Exercised during the year	**--**	**--**	--	--
Cancelled during the year	**(18,000)**	**2.59**	(4,000)	1.33
Outstanding at the end of the year	**74,000**	**$ 1.38**	117,000	$ 1.85
Exercisable at the end of the year	**74,000**	**$ 1.38**	98,000	$ 1.96

The significant assumptions used during the year to estimate the fair values of options is as follows:

	2011	2010
Expected life	**5 years**	5 years
Expected dividends	**$ Nil**	$ Nil
Expected volatility	**46.16%**	40.25%
Risk free rate of return	**2.56%**	3.43%
Total compensation cost recognized in income for stock-based employee compensation awards	**$ 5**	$ 8

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of financial assets and liabilities

Under Canadian GAAP, financial instruments are classified into one of the following five categories: held for trading; held to maturity investments; loans and receivables; available-for-sale financial assets; and, other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

Held for trading financial assets	**2011**	2010
Cash and cash equivalents	**$ 1,589**	$ 1,303
Non-hedging financial derivatives	**1,172**	591
	$ 2,761	$ 1,894
Held for trading financial liabilities		
Bank indebtedness	**$ 10,900**	$ 14,292
	$ 10,900	$ 14,292
Loans and receivables		
Accounts receivable	**$ 10,686**	$ 10,657
Other receivables	**526**	367
	$ 11,212	$ 11,024
Other financial liabilities		
Accounts payable and accrued liabilities	**$ 8,176**	$ 6,201
Current portion of long-term debt	**1,891**	12,678
Long-term debt	**10,447**	1,925
	$ 20,514	$ 20,804

The Company has determined the estimated fair value of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. The fair values of the Company's financial instruments are not materially different from their carrying value, with the exception of $1,941 of the Company's long-term debt (2010: $14,603). Based on current interest rates for debt with similar terms and maturities, the fair value of the long-term debt is estimated to be $1,933 (2010: $14,962).

Risks arising from financial instruments and risk management

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange and interest rate), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance from quarter to quarter. The Company uses derivative financial instruments to achieve this objective. The Company does not purchase any derivative financial instruments for speculative purposes.

Foreign exchange risk

The Company operates in Canada and its functional and reporting currency is Canadian dollars, however a significant portion of its sales are denominated in U.S. dollars. Foreign exchange risk arises because the amount of the receivable or payable for transactions denominated in a foreign currency may vary due to changes in exchange rates ("transaction exposures") and because certain long-term contractual arrangements denominated in a foreign currency may vary due to changes in exchange rates ("translation exposures").

The Company's balance sheet includes U.S. dollar denominated cash and cash equivalents, accounts receivable, work-in-progress, capital assets, future income taxes, bank indebtedness and accounts payable and accrued liabilities. The Company is required to revalue these U.S. dollar denominated items to their current Canadian dollar value at each period end, with the exception of capital assets which is revalued at historical rates.

The objective of the Company's foreign exchange risk management activities is to minimize translation exposures and the resulting volatility of the Company's earnings. The Company manages this risk by entering into foreign exchange option contracts.

Based on the Company's foreign currency exposures, as at July 31, 2011, a change in the U.S. dollar/Canadian dollar foreign exchange rate to reflect a 100 basis point strengthening of the U.S. dollar for the month of July would, assuming all other variables remain constant, have increased net income by $3, (2010: $13) with an equal but opposite effect for an assumed 100 basis point weakening of the U.S. dollar. We caution that this sensitivity is based on an assumed net U.S. dollar denominated asset or liability balance at a point in time. The net U.S. dollar denominated asset or liability position changes on a daily basis, sometimes materially.

The Company utilizes financial instruments to manage the risk associated with fluctuations in foreign exchange. At July 31, 2011, the Company had entered into foreign exchange contracts to sell an aggregate amount of $16,000 (USD). These contracts hedge the Company's expected exposure to U.S. dollar denominated net assets and mature at the latest on May 15, 2012, at an average exchange rate of $1.0300 Canadian.

As at July 31, 2011	**Maturity**	**Notional value**	**Average rate**	**Notional USD equivalent**	**Carrying & fair value asset**
Sell USD / buy CAD	**0 – 6 months**	**$ 12,812**	**$ 1.0228**	**$ 12,000**	**$ 812**
Sell USD / buy CAD	**7 – 12 months**	**4,360**	**1.0515**	**4,000**	**360**
		$ 17,172	**$ 1.0300**	**$ 16,000**	**$ 1,172**

As at July 31, 2010	**Maturity**	**Notional value**	**Average rate**	**Notional USD equivalent**	**Carrying & fair value asset (liability)**
Sell USD / buy CAD	0 – 6 months	$ 11,216	$ 1.0640	$ 10,800	$ 416
Sell USD / buy CAD	7 – 12 months	7,199	1.0590	7,000	198
Sell USD/ buy CAD	13 – 18 months	6,976	1.0340	7,000	(23)
		$ 25,391	$ 1.0538	$ 24,800	$ 591

Interest rate risk

The Company's interest rate risk primarily arises from its floating rate debt, in particular its bank indebtedness and its mortgage payable. At July 31, 2011, $21,514 (2010: $14,292) of the Company's total debt portfolio is subject to movements in floating interest rates.

Based on the value of interest-bearing financial instruments subject to movements in floating interest rates, as at July 31, 2011, an assumed 0.5 percentage point increase in the interest rate on all variable interest rate debt on the first day of the year would, assuming all other variables remain constant, have decreased net income by $108, (2010: $71) with an equal but opposite effect for an assumed 0.5 percentage point decrease.

The objective of the Company's interest rate risk management activities is to minimize the volatility of the Company's earnings. Since the Company's exposure to floating interest rates is limited to its bank indebtedness and mortgage payable, the Company's ability to effectively manage the volatility of interest rates is limited to locking portions of the Company's bank indebtedness into fixed rates for relatively short periods of time, usually 30 or 90 days.

Credit risk

Credit risk arises from cash and cash equivalents held with banks and financial institutions, derivative financial instruments as well as credit exposure to clients, including outstanding accounts receivable and unbilled contract revenue. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

The objective of managing counterparty credit risk is to prevent losses in financial assets. The Company assesses the credit quality of the counterparties, taking into consideration their financial position, past experience and other factors. Management also monitors the utilization of credit limits regularly. In cases where credit quality of a client does not meet the Company's requirements sales opportunities may be terminated, progress payments may be required or continuing security interests in our products may be required.

In the normal course of business, the Company is exposed to credit risk from its customers, the majority of whom are in the automotive industry. While these accounts receivable are subject to normal industry credit risks, the ultimate source of funds to pay our accounts receivable balances may come from the Detroit 3 original equipment manufacturers. The Company may be able to mitigate a portion of this credit risk through the use of accounts receivable insurance, when and if available for individual customers.

For the year ended July 31, 2011, sales to the Company's three largest customers represented 29.2% (2010: 43.4%) of its total sales. These same customers represent approximately 43.5% (2010: 43.4%) of its accounts receivable, as at July 31, 2011.

Liquidity risk

Liquidity risk arises through an excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and cash equivalents and through the availability of funding from credit facilities. As at July 31, 2011, the Company has undrawn lines of credit available to it of approximately $10,689 (2010: $6,798); however, under its current margining provisions with its lender, the maximum it can draw on its available undrawn lines of credit is limited to $4,774 (2010: $6,381).

The Company met all of its financial covenants during the fourth quarter of 2011. The Company's current financial forecasts suggest that it will earn sufficient levels of EBITDA to meet its minimum monthly EBITDA covenant for

the first and second quarters of 2012, the only periods for which the covenant is already set. Despite the Company's current forecasts suggesting the Company will achieve these financial covenants, the Company is exposed to a number of risks that could prevent it from achieving its primary lender defined monthly minimum EBITDA covenant.

18. MANAGEMENT OF CAPITAL

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its organic growth strategy, while at the same time taking a conservative approach to financial leverage and management of financial risk. The Company's capital is composed of net debt and shareholders' equity. Net debt consists of interest-bearing debt less cash and cash equivalents. The Company's primary uses of capital are to finance increases in non-cash working capital and capital expenditures for capacity expansion. The Company currently funds these requirements out of its internally generated cash flows and when internally generated cash flow is insufficient, its revolving bank credit facility.

The primary measure used by the Company to monitor its financial leverage is its ratio of net debt to shareholders' equity, which it aims to maintain at less than 1.0:1. As at July 31, 2011, these capital management criteria can be illustrated as follows:

	2011	2010
Net debt		
Bank indebtedness	**$ 10,900**	$ 14,292
Current portion of long-term debt	**1,891**	12,678
Long-term debt	**10,447**	1,925
Less: cash and cash equivalents	**(1,589)**	(1,303)
Net debt	**$ 21,649**	$ 27,592
Shareholders' equity	**$ 26,216**	$ 36,156
Ratio	**0.83**	0.76

As part of existing debt agreements, the Company monitors and communicates, as required by the terms of credit agreements, on a monthly, quarterly or annual basis, depending on the covenant and the lender, by management to ensure compliance with the agreements. The annual covenant is a debt service coverage ratio – calculated as EBITDA less cash taxes (for the previous 52 weeks) divided by interest coverage plus repayments of long-term debt (based on the upcoming 52 weeks). The quarterly covenants are: i) debt to equity ratio – calculated as total debt, excluding future income taxes divided by shareholders' equity minus minority interest, if any; and (ii) current ratio – calculated as current assets divided by current liabilities. The monthly covenant is a minimum EBITDA target. For fiscal 2011 only, the Company's sole annual covenant was permanently waived.

The Company was in compliance with these covenants at the end of the year.

19. BUSINESS TRANSFORMATION PROJECT

The Company announced on April 28, 2011, a business transformation project that will enhance its competitive position in North America and build a solid foundation for future profitability. The project will place greater emphasis on its custom machining operations, reduce fixed costs and eliminate capacity in its plastic mold building operations. While the project reduces the Company's emphasis on building plastic injection molds, Reko will continue to build plastic injection molds.

The project will result in the closure of 7 manufacturing plants at two industrial sites, elimination of a portion of the Company's machining capacity related to plastic injection molds and involve an employee head count rationalization. The Company completed all of the steps associated with implementing the business transformation project by July 31, 2011 and anticipates completing all non-strategic business asset divestitures associated with the plan by the end of its 2013 fiscal year.

During the year, the Company recorded a severance charge of $1,790 related to its business transformation project. The Company included this amount in its income statement as business transformation project expenses and on its balance sheet as accounts payable and accrued liabilities.

The following is a summary of the amounts accrued and paid related to restructuring costs:

	2011	2010
Opening balance	**$ --**	$ --
Severance costs charged to expenses	**2,215**	--
Reduction in management estimate	**(425)**	--
Cash payments	**(12)**	--
	$ 1,778	$ --

20. REKO GLOBAL SERVICES, LLC

During the year, the Company began reporting financial results of its 50% membership interest in RGS, using proportional consolidation. At July 31, 2011, the following balances relate to the Company's share of the entity reporting under proportional consolidation.

	2011	2010
Current assets	**$ 278**	--
Current liabilities	**218**	--
Revenue	**389**	--
Expenses	**330**	--
Net income	**60**	--
Cash flow from operating activities	**257**	--

21. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash working capital (exclusive of the current portion of future income taxes) is comprised of:

	2011	2010
Accounts receivable	**$ (29)**	$ 7,302
Other receivables	**(159)**	(163)
Non-hedging financial derivatives	**(581)**	931
Work-in-progress	**7,740**	(4,974)
Income taxes	**--**	2
Prepaid expenses and deposits	**190**	36
Accounts payable and accrued liabilities	**197**	53
	$ 7,358	$ 3,187

Interest paid

Interest paid during the year was $1,652 (2010: $1,418).

Income taxes

Income taxes paid during the year were $Nil (2010: $Nil).

22. SEGMENTED INFORMATION

Geographic information

The following information reflects the geographic breakdown of revenues and capital assets based on the physical location of the Company's various operating segments. The Company does not track revenues based on 'ship to' locations.

	2011	
	Revenues	**Capital assets**
Canada	**$ 37,078**	**$ 25,252**
United States	**4,000**	**13**
	$ 41,078	**$ 25,265**

	2010	
	Revenues	**Capital assets**
Canada	$ 40,151	$ 32,805
United States	--	20
	$ 40,151	$ 32,825

23. RELATED PARTY TRANSACTIONS

During the current year, the Company did not engage in any material related party transactions. At year-end, there were no amounts outstanding with respect to related party transactions (2010 - $Nil).

24. CONTINGENCIES

The Company, in the course of its operations, is subject to environmental and other claims, lawsuits and contingencies. Accruals are made in instances where it is possible that liabilities can be reasonably estimated. The Company has no reason to believe that the ultimate outcome of these matters would have significant impact on its financial position, cash flows or results of operations.

25. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform to the current year's presentation.

REKO INTERNATIONAL GROUP INC.
SUMMARY OF (LOSS) INCOME

July 31, 2011 and 2010
(in $000's, except for share amounts)

	2011	2010	2009	2008	2007	2006	2005
Sales	**41,078**	$40,151	$55,277	$55,729	$49,377	$67,459	$61,626
Cost and expenses							
Cost of sales	**35,231**	36,040	41,670	46,517	38,404	50,479	47,787
Selling and administrative	**5,869**	5,990	7,101	7,226	7,463	7,647	8,650
Depreciation and amortization	**3,487**	5,058	4,615	5,511	4,165	4,183	4,407
	44,587	47,088	53,386	59,254	50,032	62,309	60,844
(Loss) income before the following	**(3,509)**	(6,937)	1,891	(3,525)	(655)	5,150	782
(Gain) loss on sale of capital assets	**(226)**	(24)	116	15	(54)	(146)	--
Unrealized foreign exchange (gain) loss on tax loss carryforwards	**240**	119	(3)	--	--	--	--
Interest on long-term debt	**864**	1,026	1,000	1,102	1,056	880	1,207
Interest on other interest bearing instruments, net	**763**	449	488	506	774	797	523
	1,641	1,570	1,601	1,623	1,776	1,531	1,730
Asset impairment	**3,400**	--	--	--	--	--	--
Business transformation expenses	**2,359**	--	--	--	--	--	--
	5,759	--	--	--	--	--	--
(Loss) income before income taxes	**(10,909)**	(8,507)	290	(5,148)	(2,431)	3,619	(948)
Income taxes (recovered)							
Current	**--**	--	8	30	(100)	2,392	1,774
Future	**(964)**	(1,038)	83	(1,649)	(779)	(2,004)	(1,853)
	(964)	(1,038)	91	(1,619)	(879)	388	(79)
(Loss) income before other equity adjustments	**(9,945)**	(7,469)	199	(3,529)	(1,552)	3,231	(869)
Net loss from discontinued operations	**--**	--	--	--	(2,072)	(2,303)	(3,645)
Net (loss) income for the year	**$ (9,945)**	$ (7,469)	$ 199	$ (3,529)	$ (3,624)	$ 928	$ (4,514)
Basic (loss) income per common share	**$ (1.55)**	$ (1.16)	$ 0.03	$ (0.49)	$ (0.51)	$ 0.12	$ (0.59)

STATISTICAL DATA
COSTS AND EXPENSES AS
A PERCENT OF SALES
BASED ON CONTINUING OPERATIONS

	2011	2010	2009	2008	2007	2006	2005
Costs and expenses							
Cost of sales	**85.8%**	90.0%	75.4%	83.5%	76.6%	74.8%	77.5%
Selling and administration	**14.3%**	14.9%	12.8%	13.0%	15.1%	11.3%	14.0%
Depreciation and amortization	**8.5%**	12.6%	8.3%	9.8%	8.4%	6.2%	7.2%
	108.6%	117.5%	96.5%	106.3%	100.1%	92.3%	98.7%
Gross margin contribution before selling and administration expenses	**6.7%**	(2.3%)	16.3%	6.6%	13.8%	19.0%	15.3%
Return on sales	**(24.2%)**	(18.6%)	0.4%	(6.3%)	(3.1%)	4.8%	(1.4%)
Effective tax rate	**8.8%**	12.2%	(31.4%)	(31.4%)	(36.2%)	10.7%	(8.3%)