

CONSOLIDATED BALANCE SHEETS

	September 30	December 31	September 30
(\$ thousands)	2006	2005	2005
	(Unaudited)	(Audited)	(Unaudited)
Assets			
Current assets:			
Cash	\$ -	\$ 2,103	\$ 1,899
Accounts receivable	9,524	10,886	9,906
Inventories	8,782	6,222	3,134
Income taxes receivable	64	-	-
Prepaid expenses	154	82	250
	18,524	19,293	15,189
Deposits for capital assets	1,218	1,472	4,451
Capital assets	23,746	16,078	12,516
	\$ 43,488	\$ 36,843	\$ 32,156
Liabilities and Shareholders' Equity			
Current liabilities:			
Bank indebtedness	\$ 416	\$ -	\$ -
Accounts payable and accrued liabilities	8,321	6,396	5,571
Income taxes payable	-	731	374
Current portion of long-term debt	3,243	2,420	2,348
Current portion of obligations under capital lease	84	-	-
	12,064	9,547	8,293
Long-term debt	10,529	7,318	4,992
Obligations under capital lease	263	-	-
Future income taxes	1,660	1,660	1,665
Non-controlling interest	29	-	-
Shareholders' equity:			
Share capital	7,367	7,367	7,168
Contributed surplus	285	285	285
Retained earnings	11,291	10,666	9,753
	18,943	18,318	17,206
	\$ 43,488	\$ 36,843	\$ 32,156

See accompanying notes to consolidated financial statements.

**CONSOLIDATED STATEMENTS OF INCOME
AND RETAINED EARNINGS**

(Unaudited)

(\$ thousands, except per share and share data)	Three months ended		Nine months ended	
	September 30 2006	September 30 2005	September 30 2006	September 30 2005
Sales	\$ 13,800	\$ 12,565	\$ 40,512	\$ 35,884
Cost of sales	11,487	9,887	34,012	28,192
Gross profit	2,313	2,678	6,500	7,692
Expenses:				
Selling and administrative	1,039	803	3,059	2,240
Amortization of capital assets	607	529	1,755	1,545
Interest	290	83	652	287
Foreign exchange loss (gain) on translation of integrated subsidiary	14	(63)	(388)	(63)
Other	28	20	31	43
	1,978	1,372	5,109	4,052
Income before income taxes and non-controlling interest	335	1,306	1,391	3,640
Provision for income taxes	287	233	837	759
Non-controlling interest	(36)	-	(71)	-
Net income	84	1,073	625	2,881
Retained earnings, beginning of period	11,207	8,680	10,666	7,185
Dividends	-	-	-	(313)
Retained earnings, end of period	\$ 11,291	\$ 9,753	\$ 11,291	\$ 9,753
Average number of shares outstanding				
Basic	37,600,002	37,600,002	37,600,002	33,283,335
Diluted	37,600,002	37,717,157	37,637,826	33,354,129
Basic earnings per share	\$ 0.003	\$ 0.029	\$ 0.017	\$ 0.087
Diluted earnings per share	\$ 0.003	\$ 0.028	\$ 0.017	\$ 0.086
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 1,232	\$ 1,918	\$ 3,798	\$ 5,472
Basic and Diluted EBITDA per share	\$ 0.033	\$ 0.050	\$ 0.101	\$ 0.164

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(\$ thousands)	Three months ended		Nine months ended	
	September 30 2006	September 30 2005	September 30 2006	September 30 2005
Cash flows from operating activities:				
Net income	\$ 84	\$ 1,073	\$ 625	\$ 2,881
Adjustments for:				
Amortization of capital assets	607	529	1,755	1,545
Future income taxes	-	(16)	-	(31)
Change in FV of derivative financial instruments	49	-	49	-
Non-controlling interest	(36)	-	29	-
Other	(11)	(1)	(77)	(1)
Cash from operations before changes in non-cash operating working capital	693	1,585	2,381	4,394
Net change in non-cash operating working capital	(1,159)	(643)	(724)	147
	(466)	942	1,657	4,541
Cash flows from financing activities:				
Increase (decrease) in bank indebtedness	(2,315)	(893)	416	(1,672)
Issuance of long-term debt	4,823	1,669	6,067	3,369
Issuance of obligations under capital lease	367	-	367	-
Repayment of long-term debt	(655)	(587)	(1,892)	(1,564)
Decrease in obligations under capital lease	(20)	-	(20)	-
Issuance of share capital	-	5,444	-	5,506
Dividends	-	-	-	(313)
	2,200	5,633	4,938	5,326
Cash flows from investing activities:				
Purchase of capital assets	(1,734)	(1,398)	(8,648)	(3,748)
Increase in deposits for capital assets	-	(3,277)	-	(4,219)
	(1,734)	(4,675)	(8,648)	(7,967)
Effect of exchange rate differences on cash	-	(1)	(50)	(1)
Net increase (decrease) in cash	-	1,899	(2,103)	1,899
Cash, beginning of period	-	-	2,103	-
Cash, end of period	\$ -	\$ 1,899	\$ -	\$ 1,899
Supplemental cash flow information:				
Interest paid	\$ 236	\$ 84	\$ 568	\$ 289
Income taxes paid	1,073	243	1,708	1,172
Additions to capital assets included in accounts payable	666	273	666	273
Conversion of deposits for capital assets to capital asset additions	551	-	254	-
Issuance of compensation options	-	285	-	285

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three months and nine months ended September 30, 2006 and 2005 (unaudited)

1. Significant accounting policies:

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). The accounting policies for these financial statements are the same as those in Note 1 of the audited annual consolidated financial statements for the year ended December 31, 2005.

These unaudited interim consolidated financial statements do not include all of the disclosures included in the Company's audited annual consolidated financial statements, and as such should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2005.

The unaudited interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Canslit Inc. and Imaflex USA, Inc, as well as the majority-owned Canguard Packaging Inc.

In addition, these unaudited interim consolidated financial statements have not been reviewed by KPMG LLP, the auditors of the Company.

2. Financial instruments:

On September 28, 2006, the Company obtained from Wachovia Corporation \$4,822,000 C.D.N. (\$4,300,000 U.S.) at a variable interest rate for 7 years, as a result of a long-term debt facility entered into to fund its capital expenditures for its U.S. operations. The Company then entered into an interest rate swap for the same amount and period. Under the terms of this interest rate swap, the Company, receives on a monthly basis, a variable interest rate and pays a fixed interest rate of 6.54%. The Company used this derivative financial instrument to manage the risk from fluctuations in interest rates. The intent is to fix the interest cost on this long-term debt. Derivative financial instruments are not used for trading purposes. The Company does not currently apply hedge accounting for derivative financial instruments. They are measured at fair value, with changes in fair value recognized in income.

As at September 30, 2006, the fair value of the interest rate swap of \$49,000 has been recorded on the balance sheet under accounts payable and accrued liabilities, with a charge to the income statement under interest expense.

Except as noted above, the Company has no other swaps, futures, or hedge contracts at September 30, 2006.

3. Commitments:

The Company has entered into commitments to purchase machinery and equipment for approximately \$1,500,000, of which \$1,218,000 was paid as a deposit at September 30, 2006. The remaining payments will be required during the remainder of fiscal 2006.

4. Comparative figures:

Certain prior period figures have been reclassified to conform to the current period presentation.