SAMUEL MANU-TECH INC.

THIRD QUARTER
REPORT TO SHAREHOLDERS 2006

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Results of Operations

Net Sales

Sales for the third quarter ended September 30, 2006 were $238.4 million, which represents an increase of $25.4 million or 11.9% over the $213.0 million achieved in the comparable quarter of last year. Sales for the nine months to September 30, 2006 were $683.4 million which represents an increase of $27.0 million or 4.1% over the $656.4 million achieved in the comparable period of last year.

Steel pricing softened somewhat in the third quarter reflecting high inventories at service centres due to over production by North American steel mills and increased imports. Sales levels were negatively impacted however by the continued strength of the Canadian dollar. The average exchange rate of the U.S. dollar in the first nine months of 2006 was Cdn. $1.13 compared to $1.22 in the first nine months of last year.

Sales of the Packaging segment in the third quarter, at $103.8 million, were down $1.9 million or 1.8% compared to last year due mainly to the change in the exchange rate which continued to negatively impact Canadian exports and U.S. based sales. In addition, Canadian forestry sales softened in the quarter reflecting the decline in housing starts in the U.S. and Canada. Metal Processing sales for the quarter were $107.7 million, which is up $26.0 million or 31.8% compared to last year. This was primarily due to higher sales of steel pressure vessels and tubing products reflecting the recent acquisitions of Silvan Industries, Inc. and Advanced Tubing Technology, Inc. In addition, higher sales of roll formed products were positively impacted by higher volumes and increased demand from the railroad industry. These increases were partially offset by lower steel pickling sales reflecting reduced volumes as a result of decreased demand from the automotive market for raw steel. Distribution sales for the quarter were $27.0 million, which is $1.4 million or 5.6% higher than last year with most of the increase in the U.S. The increase in the U.S. reflects continuing favourable market conditions, higher volumes and increased bar product prices.

Earnings

Net earnings for the third quarter were $12.4 million or $0.39 per share compared to $12.5 million or $0.39 per share in the comparable quarter of last year. Net earnings for the nine months to September 30, 2006 were $35.5 million or $1.11 per share compared to $44.0 million or $1.38 per share last year. The results for the nine months last year included a restructuring gain of $5.8 million recorded in the first quarter on the sale of the Brockhouse facility as outlined in Note 3 to the interim financial statements. This restructuring gain of $5.5 million after tax positively impacted earnings in the first nine months last year by $0.17 per share.

Operating profit (see below for cautionary language regarding non-GAAP measures) for the third quarter amounted to $20.4 million compared to $19.7 million in the comparable quarter of last year with increases in the Metal Processing and Distribution segments more than offsetting a decrease in the Packaging segment.

The Packaging segment had an operating profit of $9.5 million, which was $1.5 million lower than the $11.0 million earned last year with all of the decrease occurring in Canada. The decreased profitability reflected lower margins resulting from higher steel costs and lower margins on export sales due to selling price erosion and the strong Canadian dollar, as well as a slow down in the Canadian forestry sector.

The Metal Processing segment generated profits of $12.0 million which was $1.7 million above the comparable quarter of last year. Earnings from roll formed products were up due to higher custom forming sales to the freight car industry. In addition, profits from steel pressure vessel and tubing operations were up due to the recent acquisitions of Silvan Industries, Inc. and Advanced Tubing Technology, Inc. These increases more than offset decreases in other products. Earnings from our pickling operations were down reflecting the slowdown in the North American automotive market. Profits from stainless steel tubular products were also lower in the third quarter reflecting the negative impact of the strong Canadian dollar as well as certain start up costs incurred in the new Mexican operation.

The Distribution segment generated an operating profit of $1.5 million compared to $1.0 million in the comparable quarter of last year with all of the increase occurring in the U.S. reflecting increased volumes and pricing levels.

Financial Condition

Liquidity and Capital Resources

Cash flow before changes in non-cash working capital for the first nine months of 2006 amounted to $53.4 million which was down $4.4 million from $57.8 million in the comparable period of last year with the decrease attributable to lower earnings. Overall, cash flow from operating activities decreased to $14.6 million from $36.0 million last year reflecting increased requirements for non-cash working capital and lower levels of profitability.

Cash used for investing activities at $62.9 million was above last year's $8.5 million and is due to increased spending on business acquisitions and capital assets. Cash flow generated from financing activities amounted to $39.6 million in the nine months compared to $20.2 million used last year with the increase in cash this year due mainly to the net increase in long-term debt. During the nine months, the Company did not purchase and cancel any common shares under its Normal Course Issuer Bid which terminated on August 18, 2006. Dividends paid on common shares for the nine months amounted to $9.6 million or $0.30 per share compared to $8.6 million or $0.27 per share in the comparable period of last year. This reflects an increase in the quarterly dividend rate to $0.10 per share from $0.09 per share effective the fourth quarter of 2005. In aggregate, the cash position decreased by $8.5 million compared to a $7.3 million increase last year. The Company continues to maintain credit facilities with various banks and, at September 30, 2006, had available unused credit facilities of approximately $87 million.

Capital Expenditures

Capital expenditures in the nine months to September 30, 2006 were $18.6 million compared to $13.4 million during the comparable period last year. Expenditures in the current nine months related primarily to the new production facility in Iuka, Mississippi as well as new and replacement machinery and equipment at several other locations.

Business Acquisitions

On May 1, 2006, the Company acquired 100% of the shares of Silvan Industries, Inc. for consideration of U.S. $22.0 million subject to certain adjustments for working capital items. On June 22, 2006, the Company acquired 100% of the shares of Advanced Tubing Technology, Inc. for consideration of U.S. $18.2 million plus an earn-out payment subject to certain adjustments for working capital items. The Company is pleased with the performance of both acquisitions to date. Both of these strategic acquisitions are reported under the Metal Processing segment, and have been accounted for under the purchase method of accounting. Additional details are outlined in the Business Acquisitions Note 5 to the interim consolidated financial statements.

Subsequent Event

On October 11, 2006, the Company acquired the assets and the plastic strapping, graphic arts and industrial distribution business operations of Gerrard-Ovalstrapping, Ovalstrapping Inc., and Plastic Extruders in North America. Additional details are outlined in Subsequent Event Note 6 to the interim consolidated financial statements.

Working Capital

Working capital at September 30, 2006 was $211.3 million, an increase of $36.8 million from the year-end position due to higher receivables and inventories offset in part by higher payables and bank indebtedness. Overall, the working capital ratio decreased to 2.8 from the year-end position when it was 3.0, but remained unchanged from the third quarter last year.

Net Borrowings to Capitalization

The Company's net borrowings as at September 30, 2006 amounted to $79.4 million, an increase of $55.9 million from $23.5 million at December 31, 2005. This increase reflects the business acquisitions completed in the first nine months of the year. The net debt to capitalization ratio at the end of the quarter increased to 19.4% compared to 7.1% at year-end and 11.1% at the end of the third quarter last year.

Capital Stock

Details of issued and outstanding common shares are outlined in Note 2 to the interim consolidated financial statements. As at the date of this report the number of outstanding common shares is 31,967,145. Under the Company's Normal Course Issuer Bid no common shares of Samuel Manu-Tech Inc. were purchased in 2006. The Issuer Bid approves the purchase by the Company of up to 1,589,622 common shares during the one-year period commencing August 19, 2005. The Issuer Bid terminated on August 18, 2006 and was not renewed. No stock options were issued during the third quarter; however, 79,900 stock options were exercised, resulting in the issuance of 79,900 common shares in exchange for proceeds of $0.6 million, as outlined in the Capital Stock Note 2 to the interim consolidated financial statements.

Outlook

Steel pricing levels softened somewhat in the third quarter of 2006 after strengthening in the second quarter, reflecting lower end user demand in certain markets, as well as increased levels of offshore steel entering North America. Overall demand however continues to be moderately strong, and this, coupled with continued good supply side management by North American steel producers should help to maintain a relatively high, though declining, steel pricing environment for the balance of the year.

Results will also continue to be impacted by relatively high raw material and energy operating costs, as well as the negative impact of a strong Canadian dollar.

Considering these factors, the Company is pleased with the performance for the first nine months, and remains cautiously optimistic for the balance of the year.

Quarterly Results

(in thousands of dollars except per share amounts)

	2006 Q3	2006 Q2	2006 Q1	2005 Q4	2005 Q3	2005 Q2	2005 Q1	2004 Q4
Net Sales	**$ 238,424**	$ 232,171	$ 212,801	$ 205,672	$ 212,974	$ 226,324	$ 217,151	$ 213,111
Net Earnings	**12,384**	12,997	10,081	12,702	12,546	12,801	18,667	17,236
Basic Earnings per Share	**0.39**	0.40	0.32	0.40	0.39	0.40	0.59	0.55
Diluted Earnings per Share	**0.39**	0.40	0.31	0.40	0.39	0.40	0.58	0.54

Samuel Manu-Tech Inc. (SMT-TSX) is a leading North American industrial products and technology company producing and distributing a wide range of steel, plastic and related industrial products and services from locations in Canada, the United States, and Mexico.

Mark Samuel.

Mark C. Samuel
Vice-Chairman & CEO

October 23, 2006

Cautionary Statement

The "Third Quarter Results" utilize the term "operating profit (EBIT)" which is a non-GAAP measure. Securities regulations require that corporations caution readers that these terms do not have standardized meanings under GAAP and are unlikely to be comparable to similar measures used by other companies. Operating profit (EBIT) is defined as earnings before restructuring gain, interest and income taxes.

Operating profit (EBIT) should not be construed as a substitute for net earnings or cash flows from operations (each as determined in accordance with generally accepted accounting principles) for the purpose of analyzing the Company's operating performance, financial position or cash flows. The Company believes that, in addition to cash flow from operations and net earnings, operating profit is a useful financial performance measurement for assessing operating performance as it provides investors with an additional basis to evaluate the ability of the Company to incur and service debt and to fund capital expenditures.

This report may contain forward-looking information that is subject to risks, uncertainties and assumptions. Such information represents our current views based on information as at the date of issuing this report. We do not intend to update this information and disclaim any legal obligation to the contrary.

Notice to Reader of the Interim Consolidated Financial Statements

The interim consolidated financial statements of Samuel Manu-Tech Inc., which include the interim consolidated balance sheet as at September 30, 2006 and the interim consolidated statements of earnings, retained earnings and cash flows for the nine month period then ended are the responsibility of management. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and, where appropriate, reflect estimates based on the best judgment of management.

These interim consolidated financial statements have not been audited or reviewed on behalf of the shareholders by the independent external auditors of the Company, KPMG LLP.

Mark C. Samuel
Vice-Chairman & CEO

John D. Amodeo
Vice-President & Chief Financial Officer

October 23, 2006

CONSOLIDATED STATEMENTS OF EARNINGS

Nine Months ended September 30, 2006 and 2005 *(unaudited)*

(in thousands of dollars except per share amounts)

	3RD QUARTER		NINE MONTHS	
	2006	2005	**2006**	2005
NET SALES	**$ 238,424**	$ 212,974	**$ 683,396**	$ 656,449
COSTS AND EXPENSES (INCOME):				
Cost of sales, selling & administration	**212,108**	186,774	**608,824**	576,439
Depreciation and amortization	**5,892**	5,974	**16,981**	18,131
Foreign exchange loss (gain)	**(14)**	573	**1,095**	887
Interest on long-term debt	**975**	399	**1,728**	1,582
Interest on short-term debt	**146**	39	**299**	326
Interest income	**(17)**	(11)	**(43)**	(24)
	219,090	193,748	**628,884**	597,341
EARNINGS BEFORE RESTRUCTURING GAIN AND INCOME TAXES	**19,334**	19,226	**54,512**	59,108
RESTRUCTURING GAIN (note 3)	**—**	—	**—**	(5,786)
EARNINGS BEFORE INCOME TAXES	**19,334**	19,226	**54,512**	64,894
INCOME TAXES:				
Current	**6,731**	5,846	**17,676**	18,079
Future	**219**	834	**1,374**	2,801
	6,950	6,680	**19,050**	20,880
NET EARNINGS	**$ 12,384**	$ 12,546	**$ 35,462**	$ 44,014
BASIC EARNINGS PER SHARE	**$ 0.39**	$ 0.39	**$ 1.11**	$ 1.38
DILUTED EARNINGS PER SHARE	**$ 0.39**	$ 0.39	**$ 1.10**	$ 1.37

See accompanying notes to consolidated financial statements.

SEGMENTED INFORMATION

Nine Months ended September 30, 2006 and 2005 *(unaudited)*

(in thousands of dollars)

	3RD QUARTER		NINE MONTHS	
NET SALES	**2006**	2005	**2006**	2005
Packaging	**$ 103,782**	$ 105,702	**$ 313,758**	$ 325,753
Metal Processing	**107,658**	81,708	**287,392**	250,418
Distribution	**26,984**	25,564	**82,246**	80,278
Consolidated	**$ 238,424**	$ 212,974	**$ 683,396**	$ 656,449

	3RD QUARTER		NINE MONTHS	
EARNINGS BEFORE RESTRUCTURING GAIN, INTEREST AND INCOME TAXES	**2006**	2005	**2006**	2005
Packaging	**$ 9,476**	$ 10,980	**$ 27,624**	$ 32,727
Metal Processing	**12,027**	10,293	**33,383**	31,217
Distribution	**1,535**	1,021	**3,790**	4,975
Corporate	**(2,600)**	(2,641)	**(8,301)**	(7,927)
Earnings before restructuring gain, interest and income taxes	**20,438**	19,653	**56,496**	60,992
Restructuring gain	**—**	—	**—**	(5,786)
Interest on long-term debt	**975**	399	**1,728**	1,582
Interest on short-term debt	**146**	39	**299**	326
Interest income	**(17)**	(11)	**(43)**	(24)
Earnings before income taxes	**$ 19,334**	$ 19,226	**$ 54,512**	$ 64,894

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

September 30, 2006 *(unaudited)* and December 31, 2005 *(audited)*

(in thousands of dollars)

	Sept. 30, 2006	Dec. 31, 2005
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	**$ 2,468**	$ 1,131
Accounts receivable	**144,973**	106,540
Inventories	**172,677**	143,944
Prepaid expenses and sundry	**4,044**	3,736
Future income taxes	**6,098**	6,043
	330,260	261,394
CAPITAL ASSETS	**143,800**	138,064
ACCRUED PENSION ASSET	**5,288**	4,751
FUTURE INCOME TAXES	**984**	1,206
GOODWILL	**46,295**	16,941
INTANGIBLE ASSETS	**6,739**	8,078
	$ 533,366	$ 430,434
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank indebtedness	**$ 15,800**	$ 5,938
Accounts payable and accrued liabilities	**95,688**	69,797
Deferred revenue	**1,298**	936
Dividends payable	**3,223**	3,203
Income taxes payable	**2,954**	7,036
	118,963	86,910
LONG-TERM DEBT	**66,106**	18,702
POST-RETIREMENT BENEFITS OTHER THAN PENSIONS	**2,181**	2,176
FUTURE INCOME TAXES	**17,077**	15,971
	204,327	123,759
SHAREHOLDERS' EQUITY:		
Capital stock (note 2)	**28,580**	27,375
Contributed surplus	**108**	108
Retained earnings	**319,425**	293,533
Cumulative translation adjustment	**(19,074)**	(14,341)
	329,039	306,675
SUBSEQUENT EVENT (note 6)		
	$ 533,366	$ 430,434

See accompanying notes to consolidated financial statements.

Consolidated Statements of Retained Earnings

Nine Months ended September 30, 2006 and 2005 *(unaudited)*

(in thousands of dollars)

	2006	2005
RETAINED EARNINGS, BEGINNING OF PERIOD	**$ 293,533**	$ 248,580
NET EARNINGS	**35,462**	44,014
DIVIDENDS PAID ON COMMON SHARES	**(9,570)**	(8,583)
RETAINED EARNINGS, END OF PERIOD	**$ 319,425**	$ 284,011

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Nine Months ended September 30, 2006 and 2005 *(unaudited)*

(in thousands of dollars)

	3RD QUARTER		NINE MONTHS	
	2006	2005	**2006**	2005
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:				
Net earnings	**$ 12,384**	$ 12,546	**$ 35,462**	$ 44,014
Items not involving cash:				
Depreciation and amortization	**5,892**	5,974	**16,981**	18,131
Loss (gain) on disposal of capital assets	**16**	9	**33**	(5,817)
Future income taxes	**219**	834	**1,374**	2,801
Increase in accrued pension asset	**(158)**	(481)	**(544)**	(1,432)
Decrease in post-retirement benefits other than pensions	**47**	58	**69**	68
	18,400	18,940	**53,375**	57,765
Change in non-cash operating working capital:				
Decrease (increase) in accounts receivable	**(9,564)**	(5,294)	**(30,622)**	(6,107)
Decrease (increase) in inventories	**(7,014)**	8,642	**(24,872)**	6
Decrease (increase) in prepaid expenses and sundry	**677**	1,152	**(162)**	2,353
Increase (decrease) in accounts payable and accrued liabilities	**(16)**	2,075	**20,635**	(4,076)
Increase (decrease) in deferred revenue	**(261)**	—	**323**	—
Increase (decrease) in income taxes payable	**(1,669)**	(4,066)	**(4,051)**	(13,984)
	553	21,449	**14,626**	35,957
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:				
Proceeds on sale of capital assets	**1,069**	14	**1,214**	7,423
Purchase of capital assets and intangible assets	**(8,068)**	(3,797)	**(18,631)**	(13,388)
Business acquisitions (note 5)	**—**	—	**(45,474)**	(2,573)
	(6,999)	(3,783)	**(62,891)**	(8,538)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:				
Issuance of common shares (note 2)	**565**	23	**1,205**	309
Increase in long-term debt	**5,723**	2,688	**48,282**	15,000
Repayment of long-term debt	**—**	(12,717)	**(314)**	(26,925)
Dividends paid on common shares	**(3,196)**	(2,862)	**(9,570)**	(8,583)
	3,092	(12,868)	**39,603**	(20,199)
EFFECT OF EXCHANGE RATE CHANGES ON CASH POSITION	**114**	131	**137**	116
INCREASE (DECREASE) IN CASH POSITION	**(3,240)**	4,929	**(8,525)**	7,336
CASH POSITION, BEGINNING OF PERIOD	**(10,092)**	(8,832)	**(4,807)**	(11,239)
CASH POSITION, END OF PERIOD	**$ (13,332)**	$ (3,903)	**$ (13,332)**	$ (3,903)

Cash position is comprised of cash and cash equivalents, with maturities at the date of purchase of three months or less, less bank indebtedness.

See accompanying notes to consolidated financial statements.

Nine Months ended September 30, 2006 and 2005 *(unaudited)*

(in thousands of dollars except per share amounts)

1. SIGNIFICANT ACCOUNTING POLICIES:

The unaudited consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada. These financial statements should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2005. All accounting policies and methods of their application used in the interim financial statements are consistent with the Company's annual financial statements.

2. CAPITAL STOCK:

	Sept. 30, 2006	Dec. 31, 2005
Number of common shares outstanding	**31,967,145**	31,801,445
Number of options outstanding	**587,000**	752,700

The Company did not issue any stock options during the three months and nine months ended September 30, 2006. During the quarter ended September 30, 2006, 79,900 stock options were exercised, resulting in the issuance of 79,900 common shares in exchange for proceeds of $565. During the nine months ended September 30, 2006, 165,700 stock options were exercised, resulting in the issuance of 165,700 common shares in exchange for proceeds of $1,205.

Weighted average number of shares:

	3RD QUARTER		NINE MONTHS	
	2006	2005	**2006**	2005
Basic shares	**31,943,478**	31,793,778	**31,877,534**	31,781,956
Effect of dilutive stock options	**262,256**	217,083	**278,111**	254,035
Diluted shares	**32,205,734**	32,010,861	**32,155,645**	32,035,991

The Company applied the settlement method of accounting for stock options granted to employees and directors during the year ended December 31, 2002. Accordingly no compensation cost has been recognized for the 177,500 stock options issued during that period. For the purposes of pro forma disclosures, the weighted average estimated fair value for the 177,500 stock options granted during the year ended December 31, 2002 was $1.77 per share, with a total compensation cost of $314, which is amortized to earnings over the options' vesting period. The following table outlines the pro forma disclosure provisions had the compensation costs for the Company's stock options been determined under the fair-value based method of accounting for awards granted from January 1, 2002 through to December 31, 2002.

	3RD QUARTER		NINE MONTHS	
	2006	2005	**2006**	2005
Net earnings as reported	**$ 12,384**	$ 12,546	**$ 35,462**	$ 44,014
Pro forma net earnings	**12,368**	12,530	**35,415**	43,967
Pro forma earnings per share – basic	**$ 0.39**	$ 0.39	**$ 1.11**	$ 1.38
– diluted	**$ 0.39**	$ 0.39	**$ 1.10**	$ 1.37

3. RESTRUCTURING GAIN:

On February 19, 2004, the Company announced the approval of a formal plan to close its Brockhouse facility in Brampton, Ontario. The facility closure occurred in the third quarter of 2004. The land and building, which had a net book value of $1,346, were sold for net proceeds of $7,232 which resulted in a gain of $5,886 during the first quarter of 2005, and the pension curtailment and settlement occurred during the fourth quarter of 2005. The remaining restructuring accrual is to provide for restructuring costs as noted in the table below. The restructuring costs are associated with the Metal Processing segment, and are reported in the restructuring gain line within the consolidated statements of earnings. Total costs expected to be incurred amount to $406, net of the gain on the sale of land and building of $5,886. Costs of $5,942 were incurred in 2004, and a net gain of $5,536 was realized in 2005.

The following table highlights the activity and balance of the restructuring accrual for the period ended September 30, 2006:

Restructuring Accrual	Balance, June 30, 2006	Additions to restructuring accrual (expensed in 3rd Quarter)	Charges against restructuring accrual	Balance, Sept. 30, 2006
Severance, termination costs & benefits, and retention bonuses	$ 195	$ —	$ 64	$ 131
Pension curtailment and settlement	161	—	2	159
Other	36	—	—	36
	$ 392	$ —	$ 66	$ 326

4. FUTURE BENEFIT COSTS:

The Company has incurred pension and other post-retirement benefit costs as noted below.

	3RD QUARTER		NINE MONTHS	
	2006	2005	**2006**	2005
Defined benefit pension plans	**$ 1,332**	$ 968	**$ 3,997**	$ 2,906
Defined contribution pension plans	**432**	279	**1,309**	966
Other benefit plans	**71**	78	**214**	239
Total	**$ 1,835**	$ 1,325	**$ 5,520**	$ 4,111

5. BUSINESS ACQUISITIONS:

On May 1, 2006, the Company acquired 100% of the shares of Silvan Industries, Inc. (Silvan) for consideration of U.S. $22,000, subject to certain adjustments for working capital items. Silvan designs, engineers and manufactures pressure vessels to a number of international codes for a variety of industrial applications.

On June 22, 2006, the Company acquired 100% of the shares of Advanced Tubing Technology, Inc. (Tube.tec) for consideration of U.S. $18,200 plus an earn-out payment, subject to certain adjustments for working capital items. Tube.tec designs and manufactures tight-tolerance structural tubing components and assemblies for the all-terrain vehicle, power sports and transportation industries in North America.

These strategic acquisitions will allow the Company to expand its product range and market share within the pressure vessel industry, as well as expand upon existing capabilities in robotic welding and steel tube bending. Both acquisitions are reported under the Metal Processing segment, and have been accounted for under the purchase method of accounting. Effective from the acquisition date, the results of operations have been included in the consolidated statements of earnings.

The process of valuing certain assets acquired is not finalized and as such, the fair value allocation of the purchase price is subject to refinement. On a preliminary basis, details of the consideration given and the fair value of net assets acquired are as follows, in Canadian dollars:

Cash Consideration	$ 45,474

Net assets acquired, at fair values:	
Accounts receivable	$ 9,624
Inventories	6,325
Prepaid expenses and sundry	213
Capital assets	6,230
Goodwill	29,527
Accounts payable	(6,361)
Deferred revenue	(84)
Net assets acquired, net of cash of $85	$ 45,474

All of the goodwill acquired is deductible for tax purposes.

6. SUBSEQUENT EVENT:

On October 11, 2006, the Company acquired the assets and the plastic strapping, graphic arts and industrial distribution business operations of Gerrard-Ovalstrapping, Ovalstrapping Inc. and Plastex Extruders in North America, for consideration of U.S. $25,000, which is subject to certain adjustments for working capital items. Gerrard-Ovalstrapping and its associated group of companies is one of the leading packaging organizations in North America. This strategic acquisition will allow the Company to expand its product range within its existing packaging operations. The acquisition will be accounted for under the purchase method of accounting and the results of operations, since the date of acquisition, will be included in the consolidated statement of earnings commencing with the fourth quarter of this year.

The process of valuing certain assets acquired is not finalized and as such, the fair value allocation of the purchase price is currently being determined.

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