

NEW FLYER INDUSTRIES INC.

BALANCE SHEET

as at July 3, 2005

Assets

Cash C\$10

Shareholder's Equity

Capital stock

1 common share (note 1) C\$10

Subsequent events (note 2)

See accompanying notes to balance sheet

NEW FLYER INDUSTRIES INC.

NOTES TO BALANCE SHEET

at July 3, 2005

(All amounts herein are in U.S. dollars unless otherwise stated)

1. FORMATION

New Flyer Industries Inc. ("NFI") was incorporated on June 16, 2005 under the laws of the Province of Ontario. NFI's authorized capital consists of an unlimited number of common shares with no par value. One common share was issued on June 16, 2005 for cash consideration of C\$10.00.

For the period from June 16, 2005 to July 3, 2005, NFI was inactive and, accordingly, a statement of operations and retained earnings and a statement of cash flows have not been presented.

2. SUBSEQUENT EVENTS

On August 19, 2005, NFI, together with its indirect wholly-owned subsidiary New Flyer Industries Canada ULC ("NFI ULC", together with NFI, the "Issuer"), completed an initial public offering (the "IPO") through the issuance of 20,000,000 income deposit securities ("IDS") at a price of C\$10.00 per IDS for net proceeds of C\$189,000,000. Each IDS represents (a) one common share of NFI, and (b) C\$5.53 principal amount of 14% subordinated notes ("Subordinated Notes") of NFI ULC. In connection with the IPO, NFI acquired a 36.9% economic interest and a 51% voting interest in New Flyer Holdings, Inc. ("NFL Holdings"), a company incorporated on June 21, 2005 under the laws of the State of Delaware, as described below.

In connection with the IPO, NFI ULC issued, on a private placement basis, C\$33,300,000 of Subordinated Notes (not forming part of IDSs) ("Separate Subordinated Notes") for net proceeds of C\$32,301,000.

The Issuer used the net proceeds of the IPO and the issuance of the Separate Subordinated Notes, together with amounts drawn under its New Credit Facility (defined below) to acquire 100% of the Class A common shares ("Class A Shares") of NFL Holdings. The principal holder of shares and warrants of Transit Holdings, Inc. ("THI"), being New Flyer Transit L.P. (the "Continuing Investor"), together with New Flyer LLC ("NFL LLC") acquired 100% of the Class B common shares of NFL Holdings ("Class B Shares") and 100% of the Class C common shares of NFL Holdings ("Class C Shares"). NFL Holdings, in turn, acquired an interest in THI and its subsidiaries through (i) NFL Holdings acquiring 100% of the outstanding shares and warrants of THI and (ii) THI purchasing for cancellation a portion of the existing THI options. The Continuing Investor will temporarily hold its remaining shares and warrants of THI until the exercise and/or expiry of the over-allotment option, at which time such shares and warrants will be sold, exchanged and/or redeemed, as the case may be. The remainder of the net proceeds, plus certain amounts to be drawn under the New Credit Facility, was used to repay the existing indebtedness of THI and to pay certain other transaction costs. As of closing of the IPO ("Closing"), NFI owns all of the issued and outstanding Class A Shares representing a 51.0% voting interest in NFL Holdings and a 36.9% economic interest in THI and its subsidiaries and the Continuing Investor and NFL LLC, collectively, own all of the issued and outstanding Class B Shares and Class C Shares representing a 49.0% voting interest in NFL Holdings and (together with the Continuing Investor's temporary holdings of shares and warrants of THI) a 63.1% economic interest in THI, in each case assuming that the over-allotment option is not exercised.

NFL Holdings is considered to be a variable interest entity and will not be consolidated by NFI. As a result, NFI will account for its investment in NFL Holdings using the equity method of accounting whereby the investment will be initially recorded at cost and the carrying amount adjusted thereafter by NFI's 100% share of post-acquisition earnings of NFL Holdings which include deductions for distributions to the holders of Class B Shares and the holders

of Class C Shares. Dividends received or receivable from NFL Holdings will reduce the carrying value of the investment. The acquisition of THI by NFL Holdings will be accounted for using the purchase method.

Contemporaneously with the Closing, NFI ULC and New Flyer of America Inc. entered into a senior credit facility (the "New Credit Facility") and at Closing, \$90 million was drawn under the term portion of the New Credit Facility. The proceeds from the IPO, private placement of Separate Subordinated Notes and the New Credit Facility were used as described above.