

# **AUTOMODULAR CORPORATION**

**Interim consolidated financial statements  
Three months ended March 31, 2006  
(unaudited)**

**All numbers in thousands except share and per share data**

# AUTOMODULAR CORPORATION

## CONSOLIDATED INTERIM BALANCE SHEETS

(Unaudited)

(All numbers in thousands)

	<u>MAR. 31, 2006</u>	<u>DEC. 31, 2005</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	\$ 2,333	\$ 10,257
Receivables	14,574	16,213
Inventory	107	117
Prepaid expenses	4,151	4,440
	<u>21,165</u>	<u>31,027</u>
<b>Property, plant and equipment</b>	18,361	7,840
<b>Goodwill</b>	9,414	9,414
<b>Other assets</b>	<u>4,036</u>	<u>3,047</u>
	\$ <u><u>52,976</u></u>	\$ <u><u>51,328</u></u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 11,945	\$ 9,271
Income taxes payable	8	206
Advanced tooling payment	957	2,026
Current portion of long-term liabilities	2,470	2,450
	<u>15,380</u>	<u>13,953</u>
<b>Future income taxes</b>	413	9
<b>Long-term liabilities</b>	<u>1,871</u>	<u>2,502</u>
	<u>17,664</u>	<u>16,464</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Capital stock</b>	42,566	42,566
<b>Contributed surplus</b>	83	82
<b>Cumulative translation adjustment</b>	(5,663)	(5,533)
<b>Deficit</b>	(1,674)	(2,251)
	<u>35,312</u>	<u>34,864</u>
	\$ <u><u>52,976</u></u>	\$ <u><u>51,328</u></u>

# AUTOMODULAR CORPORATION

## CONSOLIDATED INTERIM STATEMENTS OF DEFICIT FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005

(Unaudited)

(All numbers in thousands)

	<u>MAR. 31, 2006</u>	<u>MAR. 31, 2005</u>
<b>BALANCE - BEGINNING OF YEAR</b>	\$ (2,251)	\$ (13,293) (restated)
Net earnings for the period	<u>577</u>	<u>(340)</u>
<b>BALANCE - END OF PERIOD</b>	\$ <u><u>(1,674)</u></u>	\$ <u><u>(13,633)</u></u>

# AUTOMODULAR CORPORATION

## CONSOLIDATED INTERIM STATEMENTS OF EARNINGS FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005

(Unaudited)

(All numbers in thousands except share and per share data)

	<u>3 MONTHS</u> <u>MAR. 31, 2006</u>	<u>3 MONTHS</u> <u>MAR. 31, 2005</u>  (restated)
<b>SALES</b>	\$ 17,890	\$ 19,306
<b>COST OF SALES AND OTHER EXPENSES</b>	<u>16,577</u>	<u>19,170</u>
<b>EARNINGS FROM OPERATIONS BEFORE THE FOLLOWING:</b>	<u>1,313</u>	<u>136</u>
Amortization	506	530
Interest expense	15	137
Stock option expense	2	6
Foreign exchange	(126)	18
Other income	<u>(14)</u>	<u>(22)</u>
	<u>383</u>	<u>669</u>
<b>EARNINGS BEFORE INCOME TAXES</b>	930	(533)
<b>INCOME TAXES</b>	<u>353</u>	<u>(193)</u>
<b>NET EARNINGS FOR THE YEAR</b>	\$ <u><u>577</u></u>	\$ <u><u>(340)</u></u>
Earnings per share -		
Basic and fully diluted	\$ 0.03	\$ (0.02)
Weighted average common shares outstanding -		
Basic	22,049,233	19,049,233
Fully diluted	22,049,233	19,049,233

# AUTOMODULAR CORPORATION

## CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005

(Unaudited)

(All numbers in thousands)

	<u>3 MONTHS MAR. 31, 2006</u>	<u>3 MONTHS MAR. 31, 2005</u>
		(restated)
<b>CASH* PROVIDED BY (USED IN)</b>		
<b>OPERATIONS</b>		
Net earnings for the period	\$ 577	\$ (340)
<b>Items not involving current cash* flows:</b>		
Amortization	506	530
Future income taxes	404	-
Compensation expense	2	6
Foreign exchange gain	(126)	18
Gain on sale of property, plant and equipment	(14)	(22)
Accrued pension cost	-	113
	<u>1,349</u>	<u>305</u>
<b>Net change in non-cash* working capital:</b>		
Receivables	1,599	1,922
Inventory	11	24
Income taxes receivable	(203)	(132)
Prepaid expenses	283	21
Accounts payable and accrued liabilities	2,608	(1,211)
Advanced tooling payment	(1,069)	-
	<u>4,578</u>	<u>929</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment and other assets	(12,248)	(729)
Proceeds on disposal of property, plant and equipment	200	-
	<u>(12,048)</u>	<u>(729)</u>
<b>FINANCING ACTIVITY</b>		
Repayment of long-term liabilities	(631)	(566)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH*</b>		
	<u>177</u>	<u>28</u>
<b>CHANGE IN CASH*</b>	<b>(7,924)</b>	<b>(338)</b>
Cash*, beginning of period	10,257	995
Cash*, end of period	<u>\$ 2,333</u>	<u>\$ 657</u>

\*Cash includes cash and cash equivalents

# AUTOMODULAR CORPORATION

## NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(all numbers in thousands except per share amounts)

### 1. BASIS OF PRESENTATION

The unaudited interim consolidated financial statements of Automodular Corporation ("Automodular" or the "Company") have been prepared in accordance with Canadian generally accepted accounting principles, except that certain disclosures required for annual financial statements have not been included. Accordingly, the unaudited interim consolidated financial statements should be read in conjunction with the Company's most recent annual audited consolidated financial statements. The consolidated interim financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements.

### 2. USE OF ESTIMATES

The preparation of unaudited interim consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the unaudited interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes that the estimates used in preparing its unaudited interim consolidated financial statements are reasonable and prudent; however, actual results could differ from these estimates.

### 3. RE-STATEMENT OF COMPARATIVE FIGURES

The Company has re-stated its comparative figures to reflect the previous sale of its Whitby facility as a Q2 2005 transaction as opposed to a Q1 2005 transaction as previously reported. The impact on the Q1 2005 statement of earnings is a reduction in other income of \$1,025, a reduction in the income tax provision of \$162 and a reduction in net earnings of \$863 or \$0.05 per share. Accordingly, the Q2 2005 comparative financial statements that will form part of the Q2 2006 filing later this year will be re-stated to reflect an increase in other income of \$1,025, an increase in the income tax provision and an increase in net earnings of \$863 or \$0.05 per share.

### 4. LONG-TERM LIABILITIES

During the first quarter, the Company signed a \$6 million equipment financing agreement for assets to be purchased in relation to a new business award. The facility is to be repaid over a six-year term, at an interest rate of approximately 8%. The Company expects to draw on the facility in the second quarter.

Interest expense on long-term liabilities during the first quarter amounted to \$108 (2005 - \$121).

### 5. CAPITAL STOCK

No stock options were exercised, issued or expired in the current period.

### 6. CASH FLOW SUPPLEMENTAL INFORMATION

For the three months ended March 31	2006	2005
Interest paid	\$ 108	\$ 137
Income taxes paid (recovered)	\$ -	\$ -

### 7. SEGMENTED INFORMATION

#### Geographic Information

	Mar 31, 2006		Mar 31, 2005		Dec 31, 2006	
	YTD Sales	PP&E and Goodwill	YTD Sales	PP&E and Goodwill		
Canada	\$ 11,015	\$ 26,469	\$ 7,548	\$ 15,800		
United States	6,875	1,306	11,758	1,454		
	\$ 17,890	\$ 27,775	\$ 19,306	\$ 17,254		

### 8. COMPARATIVE FIGURES

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

# **AUTOMODULAR CORPORATION**

## **NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(all numbers in thousands except per share amounts)

(cont)

### **9. SUBSEQUENT EVENT**

Subsequent to quarter-end, the Company received notice of legal action initiated by a former landlord.

Management does not believe it will incur any additional liability and accordingly no provision has been made in the financial statements with respect to this matter.