

AUTOMODULAR CORPORATION

CONSOLIDATED INTERIM FINANCIAL STATEMENTS NINE MONTHS ENDED SEPTEMBER 30, 2006

(UNAUDITED)

ALL NUMBERS IN THOUSANDS EXCEPT SHARE AND PER SHARE DATA

AUTOMODULAR CORPORATION

CONSOLIDATED INTERIM BALANCE SHEETS

(Unaudited)

(All numbers in thousands)

	<u>SEPTEMBER 30,</u> <u>2006</u>	<u>DECEMBER 31,</u> <u>2005</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,335	\$ 10,257
Receivables	10,569	16,213
Inventory	51	117
Income taxes receivable	672	-
Prepaid expenses	3,453	4,440
	<u>16,080</u>	<u>31,027</u>
Property, plant and equipment	16,070	7,840
Goodwill	9,414	9,414
Other assets (Note 3)	<u>10,545</u>	<u>3,047</u>
	\$ <u>52,109</u>	\$ <u>51,328</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,819	\$ 9,271
Income taxes payable	-	206
Advanced tooling payment	97	2,026
Current portion of long-term liabilities (Note 4)	3,268	2,450
	<u>9,184</u>	<u>13,953</u>
Future income taxes	1,121	9
Long-term liabilities (Note 4)	<u>6,133</u>	<u>2,502</u>
	<u>16,438</u>	<u>16,464</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 5)	42,566	42,566
Contributed surplus	87	82
Cumulative translation adjustment	(6,100)	(5,533)
Deficit	<u>(882)</u>	<u>(2,251)</u>
	<u>35,671</u>	<u>34,864</u>
	\$ <u>52,109</u>	\$ <u>51,328</u>

AUTOMODULAR CORPORATION

CONSOLIDATED INTERIM STATEMENTS OF DEFICIT FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

(Unaudited)

(All numbers in thousands)

	<u>SEPTEMBER 30,</u> <u>2006</u>	<u>SEPTEMBER 30,</u> <u>2005</u>
BALANCE - BEGINNING OF YEAR	\$ (2,251)	\$ (13,293)
Net earnings for the period	<u>1,369</u>	<u>1,672</u>
BALANCE - END OF PERIOD	\$ <u><u>(882)</u></u>	\$ <u><u>(11,621)</u></u>

AUTOMODULAR CORPORATION

CONSOLIDATED INTERIM STATEMENTS OF EARNINGS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

(Unaudited)

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

	9 MONTHS SEPTEMBER 30, 2006	9 MONTHS SEPTEMBER 30, 2005
SALES	\$ 45,229	\$ 59,550
COST OF SALES AND OTHER EXPENSES	41,903	56,326
EXIT COSTS <i>(Note 8)</i>	873	-
EARNINGS FROM OPERATIONS BEFORE THE FOLLOWING:	2,453	3,224
Amortization	1,565	1,925
Interest income (net)	(207)	308
Foreign exchange gain	(279)	(207)
Other income	(904)	(1,168)
	175	858
EARNINGS BEFORE INCOME TAXES	2,278	2,366
INCOME TAXES	909	694
NET EARNINGS FOR THE PERIOD	\$ 1,369	\$ 1,672
Earnings per share -		
Basic and fully diluted	\$ 0.06	\$ 0.08
Weighted average common shares outstanding -		
Basic	22,049,233	20,126,156
Fully diluted	22,049,233	20,126,156

AUTOMODULAR CORPORATION

CONSOLIDATED INTERIM STATEMENTS OF EARNINGS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

(Unaudited)

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

	3 MONTHS SEPTEMBER 30, 2006	3 MONTHS SEPTEMBER 30, 2005
SALES	\$ 10,206	\$ 20,680
COST OF SALES AND OTHER EXPENSES	10,004	19,004
EXIT COSTS <i>(Note 8)</i>	39	-
EARNINGS FROM OPERATIONS BEFORE THE FOLLOWING:	163	1,676
Amortization	517	772
Interest income (net)	(103)	72
Foreign exchange gain	(105)	(63)
Other income	(453)	(37)
	(144)	744
EARNINGS BEFORE INCOME TAXES	306	932
INCOME TAXES	108	350
NET EARNINGS FOR THE PERIOD	\$ 199	\$ 582
Earnings per share -		
Basic and fully diluted	\$ 0.01	\$ 0.03
Weighted average common shares outstanding -		
Basic	22,049,233	22,049,233
Fully diluted	22,049,233	22,049,233

AUTOMODULAR CORPORATION

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

(Unaudited)

(All numbers in thousands)

	<u>9 MONTHS SEPTEMBER 30, 2006</u>	<u>9 MONTHS SEPTEMBER 30, 2005</u>
CASH PROVIDED BY (USED IN)		
OPERATIONS		
Net earnings for the period	\$ 1,369	\$ 1,672
Items not involving current cash flows:		
Amortization	1,565	1,925
Future income taxes	1,112	-
Stock option expense	5	18
Foreign exchange gain	(279)	(207)
Gain on sale of property, plant and equipment	(904)	(1,125)
Accrued pension cost	-	75
	<u>2,868</u>	<u>2,357</u>
Net change in non-cash working capital:		
Receivables	5,519	(5,888)
Inventory	64	80
Income taxes receivable	(951)	1,710
Prepaid expenses	966	(447)
Accounts payable and accrued liabilities	(3,528)	387
Advanced tooling payment	(1,929)	-
	<u>3,009</u>	<u>(1,801)</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(10,242)	(3,403)
Purchase of other assets	(7,542)	-
Proceeds on disposal of property, plant and equipment	1,863	2,506
	<u>(15,921)</u>	<u>(897)</u>
FINANCING ACTIVITIES		
Proceeds from rights issue	-	2,195
Proceeds from new financing facility	6,000	-
Repayment of long-term liabilities	(1,996)	(2,834)
	<u>4,004</u>	<u>(639)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(14)	17
CHANGE IN CASH AND CASH EQUIVALENTS	(8,922)	(3,320)
Cash and cash equivalents, beginning of period	10,257	995
Cash and cash equivalents, end of period	<u>\$ 1,335</u>	<u>\$ (2,325)</u>

AUTOMODULAR CORPORATION

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

(Unaudited)

(All numbers in thousands)

	3 MONTHS SEPTEMBER 30, 2006	3 MONTHS SEPTEMBER 30, 2005
CASH PROVIDED BY (USED IN)		
OPERATIONS		
Net earnings for the period	\$ 202	\$ 576
Items not involving current cash flows:		
Amortization	516	772
Future income taxes	467	-
Stock option expense	2	6
Foreign exchange gain	(106)	(63)
Gain on sale of property, plant and equipment	(453)	(15)
Accrued pension cost	-	-
	628	1,275
Net change in non-cash working capital:		
Receivables	6,911	(4,396)
Inventory	53	(29)
Income taxes receivable	(1,059)	837
Prepaid expenses	361	67
Accounts payable and accrued liabilities	(6,546)	496
Advanced tooling payment	(252)	-
	96	(1,750)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,726)	(1,077)
Purchase of other assets	(3,542)	-
Proceeds on disposal of property, plant and equipment	64	-
	(4,584)	(1,077)
FINANCING ACTIVITIES		
Proceeds from rights issue	-	-
Proceeds from new financing facility	6,000	-
Repayment of long-term liabilities	(761)	(542)
	5,239	(542)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	69	(7)
CHANGE IN CASH AND CASH EQUIVALENTS	820	(3,376)
Cash and cash equivalents, beginning of period	515	1,051
Cash and cash equivalents, end of period	\$ 1,335	\$ (2,325)

AUTOMODULAR CORPORATION

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(All numbers in thousands except 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. OTHER ASSETS

The Company capitalizes costs incurred in establishing new production lines and facilities which require substantial time to reach commercial production capability. These costs are classified as "Other Assets". Amortization of these costs will be recorded over the life of the original contract, commencing on the date commercial production is achieved. After commencement of commercial production, ongoing contract costs will be expensed in the period incurred.

4. LONG-TERM LIABILITIES

During the first quarter, the Company obtained a \$6 million equipment financing facility for assets to be purchased in relation to a new business award. The facility is to be repaid over a six-year term, with quarterly principal payments of \$250, at an interest rate of approximately 8%. The Company drew upon this facility during the third quarter, and at September 30, 2006, \$5.9 million was outstanding.

Interest expense on long-term liabilities during the third quarter amounted to \$145 and year to date was \$338 (2005 - \$72 and \$308, respectively). This interest was also capitalized as part of the new production facilities, as further discussed in note 3.

Under the terms of its financing agreements, the Company is required to meet certain financial covenants. At September 30, 2006 the Company was in breach of one of its covenants for a lender. Subsequent to the quarter end, the lender waived the covenant breach. In the fourth quarter, two significant program launches are underway, one in Oakville and the other in Oshawa, if issues arise that result in delays in reaching full production levels, reported earnings may be lower than expected. As such, it is possible that the Company would fail to meet certain of the covenants in the last quarter of the current fiscal year. The Company maintains ongoing dialogue with its lenders with respect to its operations and will seek to modify the financing agreements in the event that the two program launches do not meet the program launch schedules.

During the quarter, the Company financed the purchase of \$572 of capital assets through several capital leasing arrangements. The leases include various interest rates, maturing at various dates through February, 2010.

5. CAPITAL STOCK

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

AUTOMODULAR CORPORATION

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(All numbers in thousands except share amounts)

6. CASH FLOW SUPPLEMENTAL INFORMATION

For the nine months ended September 30	2006	2005
Interest paid	\$ 338	\$ 308
Income taxes paid (recovered)	\$ 1,060	\$ (1,273)
For the three months ended September 30	2006	2005
Interest paid	\$ 145	\$ 72
Income taxes paid (recovered)	\$ 1,060	\$ (455)

7. SEGMENTED INFORMATION

Geographic Information

	September 30, 2006			September 30, 2005		
	YTD Sales	Current Quarter Sales	PP&E and Goodwill	YTD Sales	Current Quarter Sales	PP&E and Goodwill
Canada	\$ 29,103	\$ 8,301	\$ 25,032	\$ 25,079	\$ 9,656	\$ 12,893
United States	16,126	1,905	452	34,471	11,024	1,712
	<u>\$ 45,229</u>	<u>\$ 10,206</u>	<u>\$ 25,484</u>	<u>\$ 59,550</u>	<u>\$ 20,680</u>	<u>14,605</u>

8. EXIT COSTS

During the year ended December 31, 2005, the Company was informed that its major customer would not be renewing the contract related to its Pontiac operations, set to expire June 30, 2006. In conjunction with the expiring contract, the cancellation of the related contracts held with Tier 1 customers occurred during the current year. A charge for exit costs totaling US\$771 (CDN \$873) has been recorded in the current year. These exit costs relate to severance and other closeout costs.