



Management's Responsibility For Financial Information

The accompanying consolidated financial statements and all information contained in this report were prepared by and are the responsibility of management. The statements were prepared in accordance with Canadian generally accepted accounting principles and include management's best judgments and estimates. Where alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial information presented elsewhere in this report is consistent with that in the financial statements.

The company maintains a system of internal controls which provides management with reasonable assurance that financial information is relevant, reliable and accurate and that the company's assets are properly accounted for and adequately safeguarded.

The consolidated financial statements have been audited by the independent external auditors appointed by the shareholders, Smith, Nixon & Co. LLP. In that capacity, they have examined and reported on the consolidated financial statements for the years ended December 31, 2005 and 2004. The Audit Committee of the Board of Directors has reviewed the consolidated financial statements with management and the external auditors and has recommended their approval by the Board of Directors.

(Signed) Michael F. Blair
Chief Executive Officer

(Signed) Christopher S. Nutt
Chief Financial Officer

Toronto, Ontario
March 8, 2006

Auditors' Report

TO THE SHAREHOLDERS OF AUTOMODULAR CORPORATION

We have audited the consolidated balance sheets of Automodular Corporation as at December 31, 2005 and 2004 and the consolidated statements of earnings, deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Smith, Nison & Co. LLP

Chartered Accountants

Toronto, Ontario

March 8, 2006

Consolidated Balance Sheets

as at December 31, 2005 and 2004
(all numbers in thousands)

	2005	2004
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 10,257	\$ 995
Receivables (Note 4)	16,213	10,549
Inventory	117	185
Income taxes receivable	-	1,534
Prepaid expenses	4,440	4,545
	31,027	17,808
Future income taxes (Note 13)	-	18
Property, plant and equipment (Note 5)	7,840	6,982
Goodwill	9,414	9,414
Other assets (Note 6)	3,047	1,817
	\$ 51,328	\$ 36,039
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 9,271	\$ 5,380
Income taxes payable	206	-
Advanced tooling payment (Note 7)	2,026	-
Current portion of long-term liabilities (Note 9)	2,450	8,392
	13,953	13,772
Future income taxes (Note 13)	9	-
Long-term liabilities (Note 9)	2,502	122
	16,464	13,894
Contingencies and Commitments (Note 17)	-	-
SHAREHOLDERS' EQUITY		
Capital stock (Note 10)	42,566	40,386
Contributed surplus	82	58
Cumulative translation adjustment	(5,533)	(5,006)
Deficit	(2,251)	(13,293)
	34,864	22,145
	\$ 51,328	\$ 36,039

Signed on behalf of the Board

"Michael F. Blair"

Director

"Henry J. Knowles"

Director

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Deficit

for the years ended December 31, 2005 and 2004
(all numbers in thousands)

	2005	2004
BALANCE - BEGINNING OF YEAR	\$ (13,293)	\$ (2,848)
Net earnings (loss) for the year	11,042	(10,445)
BALANCE - END OF YEAR	\$ (2,251)	\$ (13,293)

Consolidated Statements of Earnings

for the years ended December 31, 2005 and 2004
(all numbers in thousands except share and per share data)

	2005	2004
SALES	\$ 79,210	\$ 93,537
COST OF SALES AND OTHER EXPENSES	74,196	86,970
EXIT COSTS (Note 12)	2,303	1,004
EARNINGS FROM OPERATIONS BEFORE THE FOLLOWING:	2,711	5,563
Amortization	2,854	4,398
Interest expense	408	688
Stock-based compensation	24	25
Foreign exchange	(278)	(218)
Other income (Note 11)	(12,153)	(422)
	(9,145)	4,471
	11,856	1,092
WRITE-OFF OF GOODWILL AND INTANGIBLE ASSETS	-	11,348
EARNINGS (LOSS) BEFORE INCOME TAXES	11,856	(10,256)
INCOME TAXES	814	189
NET EARNINGS (LOSS) FOR THE YEAR	\$ 11,042	\$ (10,445)
Earnings (loss) per share -		
Basic	\$ 0.54	\$ (0.55)
Diluted	\$ 0.54	\$ (0.55)
Weighted average common shares outstanding	20,610,877	12,049,233
Exchangeable Class X shares (Note 10(d))	-	7,000,000
Basic weighted average common shares outstanding	20,610,877	19,049,233
Basic weighted average common shares outstanding	20,610,877	19,049,233
Incremental shares from stock options and warrants	-	8,970
Diluted weighted average common shares outstanding	20,610,877	19,058,203

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

for the years ended December 31, 2005 and 2004
(all numbers in thousands)

	2005	2004
CASH* PROVIDED BY (USED IN)		
OPERATIONS		
Net earnings (loss) for the year	\$ 11,042	\$ (10,445)
Items not involving current cash flows <i>(Note 14)</i>	1,640	15,519
Net change in non-cash working capital <i>(Note 14)</i>	1,836	(2,083)
	<u>14,518</u>	<u>2,991</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and other assets	(6,286)	(1,808)
Proceeds on disposal of property, plant and equipment	2,522	-
Funding of pension plan	-	(125)
Proceeds on disposal of long-term investments	-	611
Business acquisition <i>(Note 3)</i>	-	(375)
	<u>(3,764)</u>	<u>(1,697)</u>
FINANCING ACTIVITIES		
Issue of common shares	2,180	-
Repayment of long-term liabilities	(3,442)	(3,938)
	<u>(1,262)</u>	<u>(3,938)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH*	(230)	(290)
CHANGE IN CASH*	9,262	(2,934)
CASH* - beginning of year	995	3,929
CASH* - end of year	\$ 10,257	\$ 995

*Cash includes cash and cash equivalents

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

as at December 31, 2005 and 2004
(all numbers in thousands except share and per share amounts)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Automodular Corporation and its subsidiaries (the "Company") and have been prepared following Canadian generally accepted accounting principles.

Use of estimates

The preparation of 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents consists of highly liquid instruments, such as deposits with major commercial banks, the maturities of which are three months or less from the date of purchase.

Inventory

Inventory consists of raw materials and finished goods and is valued at the lower of cost or replacement cost on a first-in, first-out basis.

Property, plant and equipment

Property, plant and equipment are stated at cost and are amortized over the estimated useful lives of the assets using diminishing balance or straight-line methods at effective annual rates ranging as follows:

Buildings and leasehold improvements	10% to 30%
Manufacturing equipment	30% to 40%
Automotive equipment	25% to 40%
Other equipment and furniture	20% to 30%

Open capital projects are assets not currently available for use and will be reclassified to their appropriate classification upon project completion.

Long-lived assets

Property, plant and equipment and other assets with limited life are reviewed for impairment whenever events or changes in circumstances suggest that the carrying amount of an asset may not be recoverable. An impairment is recognized when the carrying amount of an asset is greater than its fair value, including any proceeds on disposal. The impairment amount is measured as the amount by which the carrying amount of the asset exceeds its fair value.

Revenue recognition

Revenues are recognized upon shipment to, or receipt by, our customers (depending on contractual terms) and acceptance, by our customers, of the products delivered in accordance with contractual specifications and quality standards detailed in the underlying contracts or agreements with them. Revenues are measured in accordance with contractual prices and recognized when collection is reasonably assured.

Deferred contract costs

The Company capitalizes costs incurred in establishing new production lines and facilities which require substantial time to reach commercial production capability. 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.

Goodwill

Goodwill represents the excess of the purchase price of the Company's interest in subsidiary entities over the fair value of the underlying net identifiable tangible and intangible assets identified upon acquisition.

The Company reviews the carrying value of its goodwill and intangible assets on an annual basis to determine whether there has been any impairment in fair value. Any permanent impairment would then be recorded as a separate charge against earnings and a reduction of the carrying value of goodwill and intangible assets.

In accordance with CICA Handbook Section 3062 "Goodwill and Other Intangible Assets", the Company completed its annual goodwill and intangible impairment analysis during the fourth quarter of 2005. Based on the results obtained, the Company determined no write-down was required.

The 2004 impairment test resulted in the Company recording a goodwill write-off of \$9,453 (US\$7,864), and an intangible write-off of \$1,895 (US\$1,577), which related to the Company's Michigan-based operations.

Pension plans

The Company sponsors a defined benefit pension plan for a member of its executive. The cost of the defined benefit plan is actuarially determined and includes management's best estimate of expected plan investment performance, salary escalation and expected retirement age. Adjustments arising from plan amendments or from actuarially determined gains or losses are amortized on a straight-line basis over the remaining service life of the executive.

The Company also sponsors defined contribution pension plans. Company contributions to this plan are expensed as incurred.

Notes to Consolidated Financial Statements

as at December 31, 2005 and 2004
(all numbers in thousands except share and per share amounts)

Hedging relationships

As per CICA Handbook Section 3865, derivative instruments that qualify as hedges are not recorded in the Company's financial statements. Subsequent changes in the derivatives' fair values are disclosed in the notes to the financial statements as unrealized gains or losses. Derivative instruments that do not qualify as hedges, or are not designated as hedges by management, are recorded in the balance sheet at their fair value and are remeasured on a quarterly basis. The unrealized gains or losses are recorded through earnings as non-hedge derivative gains or losses.

The Company's derivative instruments consist of an interest rate swap. Management has designated this swap as a hedge. Accordingly, unrealized gains and losses are not recorded through earnings. Additional information on the swap is recorded in *Note 17(b)*.

Foreign exchange

Monetary assets and liabilities are translated at the rate of exchange in effect at the balance sheet date. Other assets and liabilities and revenue and expense transactions are translated at the actual rates of exchange in effect at the time of the transaction. Exchange gains and losses are included in income.

The Company considers its Michigan and Ohio operations to meet the definition of self-sustaining foreign operations. Assets and liabilities of these operations are translated at the rate of exchange in effect at the balance sheet date. Sales and expenses are translated using the average exchange rate for the period. Exchange gains and losses arising from the translation are deferred and included in the cumulative translation adjustment account in shareholders' equity and will be included in income when there is a reduction in the net investment in the foreign operation.

Income taxes

The Company uses the liability method of tax allocation for accounting for income taxes. Under the liability method of tax allocation, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Earnings per share

Basic earnings per share is calculated by dividing the net earnings available to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated using the treasury stock method, which assumes that all options or warrants are exercised and that the proceeds would be used to purchase common shares at the average market price during the year.

Stock-based compensation

The Company accounts for stock options granted using the fair value method. Under this method, compensation expense for stock options granted is measured at the fair value at the grant date using the Black-Scholes option pricing model and is recognized over the vesting period of the options granted.

2. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The carrying value of cash and cash equivalents, receivables, accounts payable and accrued liabilities are considered to be representative of their respective values due to their short-term nature.

The fair value of long-term liabilities approximate carrying values since actual rates approximate market rates.

Financial instruments potentially exposing the Company to a concentration of credit risk principally consist of cash and cash equivalents and accounts receivable. The Company, in the normal course of business, is exposed to credit risk from its customers all of which are in the automotive industry. These accounts receivable are subject to normal industry credit risks. See *Note 4*.

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Company does not actively hedge its exposure to interest rate risk, other than as disclosed in *Note 17(b)*.

3. BUSINESS ACQUISITION

On January 10, 2003, a subsidiary of the Company entered into an agreement to acquire 100% of the issued and outstanding shares of Tec-Mar Distribution Services, Inc. ("Tec-Mar") located in Michigan. Tec-Mar is a supplier of sequencing and sub-assembly services to automotive assembly plants. The transaction closed January 31, 2003. Pursuant to the purchase agreement, the Company was required to pay 50% of any Tec-Mar EBITDA (as defined in the agreement) that exceeds US\$4,500 in each of the four years from 2003 through 2006 inclusive. During 2005, the Company signed an agreement with the former shareholders of Tec-Mar which waived the former shareholders' rights to any further purchase price adjustments from 2004 onwards.

4. ECONOMIC DEPENDENCE

The Company has long-term contracts with General Motors Corporation, General Motors of Canada Limited and Ford Motor Company of Canada, Limited (the original equipment manufacturers or "OEMs") and their various suppliers. All of the Company's sales are dependent on the OEMs, either directly or through their various suppliers. The Company's sales are entirely dependent on the production volumes of the OEMs for which it provides services.

As at December 31, 2005, 68% (2004 - 67%) of trade receivables were due from General Motors Corporation, General Motors of Canada Limited and Ford Motor Company of Canada, Limited.

Notes to Consolidated Financial Statements

as at December 31, 2005 and 2004
(all numbers in thousands except share and per share amounts)

5. PROPERTY, PLANT AND EQUIPMENT

	2005			2004		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Land, buildings and leasehold improvements	\$ 3,778	\$ 2,640	\$ 1,138	\$ 4,818	\$ 2,582	\$ 2,236
Manufacturing equipment	8,404	6,451	1,953	8,208	6,014	2,194
Automotive equipment	2,485	1,907	578	2,987	2,216	771
Other equipment and furniture	3,587	2,697	890	4,155	2,866	1,289
Open capital projects	3,281	-	3,281	492	-	492
	<u>\$ 21,535</u>	<u>\$ 13,695</u>	<u>\$ 7,840</u>	<u>\$ 20,660</u>	<u>\$ 13,678</u>	<u>\$ 6,982</u>

Included in automotive equipment are leased assets with a cost of \$566, accumulated amortization of \$419 and a net book value of \$147.

6. OTHER ASSETS

	2005			2004		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Intangible assets - production contracts	\$ -	\$ -	\$ -	\$ 3,638	\$ 3,638	\$ -
Deferred contract costs	2,144	225	1,919	544	-	544
Pension fund asset (Note 15)	1,128	-	1,128	1,273	-	1,273
	<u>\$ 3,272</u>	<u>\$ 225</u>	<u>\$ 3,047</u>	<u>\$ 5,455</u>	<u>\$ 3,638</u>	<u>\$ 1,817</u>

7. ADVANCED TOOLING PAYMENT

A customer advanced funds to the Company to purchase capital assets on their behalf, relating to a new business award. The liability will be reduced as the Company purchases the required assets.

8. CREDIT FACILITIES

The Company has available to it a revolving credit facility with a limit of \$5,000. At December 31, 2005, the Company had drawn \$293 (2004 - \$1,788). Both the revolving credit facility and the term credit facility described in Note 9 are secured by the Company's present and future assets, properties and undertakings. Interest is calculated at the bank's prime rate of interest plus 2.5%. The effective interest rate at December 31, 2005 was 7.5% (2004 - 5%).

9. LONG-TERM LIABILITIES

	2005	2004
Term credit facility, comprised of Canadian and US term loans bearing interest at floating rates, based on bankers acceptance, prime, or LIBOR. The effective interest rate for 2005 was approximately 5.2% (2004 - 4.9%). The balance is denominated in US dollars (US\$4,151; 2004 US\$6,750) and matures December 31, 2007. Payments of US\$500 are due quarterly, in arrears.	\$ 4,828	\$ 8,153
Capital leases with interest rates ranging from 7.5% to 8.5%, repayable in monthly instalments of \$17 (US\$14), with various maturities in 2006, secured by equipment with an original capital cost of \$566 (US\$487).	124	361
Deduct: Current portion	4,952	8,514
	<u>2,450</u>	<u>8,392</u>
	<u>\$ 2,502</u>	<u>\$ 122</u>

Under the terms of the financing arrangements with its bankers, as described in Notes 8 and 9, the Company is required to meet certain financial and other covenants. The Company is in compliance with its financial covenants at December 31, 2005.

Interest expense on long-term liabilities for the year is \$306 (2004 - \$526).

The principal repayments of long-term liabilities are as follows:

2006	\$ 2,450
2007	2,502
	<u>\$ 4,952</u>

10. CAPITAL STOCK

(a) Authorized

Unlimited number of common shares.

Notes to Consolidated Financial Statements

as at December 31, 2005 and 2004
(all numbers in thousands except share and per share amounts)

(b) Issued - Common Shares

	Number of Shares	Amount
Balance - December 31, 2003 and 2004	12,049,233	\$ 19,010
Rights offering (Note 10(c))	3,000,000	2,180
Share exchange exercised (Note 10(d))	7,000,000	21,376
Balance - December 31, 2005	<u>22,049,233</u>	<u>\$ 42,566</u>

Class X shares issued by a subsidiary (Note 10(d))

Balance - December 31, 2003 and 2004	1,504,365	\$ 21,376
Share exchange exercised (Note 10(d))	<u>(1,504,365)</u>	<u>(21,376)</u>
Balance - December 31, 2005	<u>-</u>	<u>\$ -</u>

(c) Rights offering

During 2005, the Company completed a rights offering and issued 3,000,000 common shares for gross proceeds of \$2,250. Under the terms of the offering, common shareholders received one right for each common share held. Class X shareholders received one right for each common share that Class X shares were convertible into. For every six rights, an eligible shareholder was entitled to purchase one common share at the subscription price of \$0.75 per common share. Expenses incurred in relation to the offering totalled \$70, resulting in net proceeds of \$2,180.

(d) Class X shares

During 2001, a subsidiary of the Company issued 1,504,365 Class X shares, which were exchangeable into 7,000,000 common shares of the Company. The shares participated in the earnings and dividends of the Company as though they were common shares of the Company and accordingly were included in the calculation of weighted average common shares outstanding. During December 2005, the shares were exchanged for the full 7,000,000 common shares.

(e) Options

Under the Company's stock purchase plan, the board of directors is entitled to grant to designated directors, officers and employees of the Company or any subsidiary thereof, the right to purchase unissued common shares of the Company. The options are granted at a price not less than the fair value of the shares on the date of the grant.

No options were granted during 2004 or 2005. During the year, 100,000 options were cancelled.

As at December 31, 2005, options outstanding to certain directors, officers and employees for the purchase of common shares were as follows:

Date of Grant	Number	Exercise Price	Expiry Date	Options Exercisable
October 25, 2001	242,000	\$3.85	October 25, 2006	242,000
October 24, 2002	168,000	\$4.00	October 24, 2007	100,800
February 18, 2003	70,000	\$4.15	February 18, 2008	28,000
July 24, 2003	<u>100,000</u>	\$4.26	July 24, 2008	40,000
	<u>580,000</u>			

11. OTHER INCOME

Interest, dividends and other	\$ 129	\$ 43
Gain on disposal of long-term investments	-	379
Gain on disposal of property, plant and equipment	1,133	-
Gain on legal settlement (net of expenses)	<u>10,891</u>	<u>-</u>
	<u>\$ 12,153</u>	<u>\$ 422</u>

Gain on legal settlement

The Company settled outstanding litigation with West Street Capital (formerly Consolidated Enfield Corporation). The litigation was commenced in 1995 and concerned alleged oppression in the management of the business of Enfield. In the litigation, the Company was seeking damages from the defendants, including Hees International Bancorp Inc. (a predecessor of Brascan Corporation). Under the settlement, the Company received a payment from Brascan of \$11 million. There has been no admission of liability on the part of any party. The purpose of the settlement is to eliminate the expense and opportunity cost for all parties associated with continued litigation.

12. EXIT COSTS

During the year ended December 31, 2004, the Company was informed that its major customer would not be renewing the contract related to its Lansing operations, set to expire December 31, 2005. In conjunction with the expiring contract, the cancellation of the related contracts held with Tier 1 customers occurred during the current year. The transition of this business is expected to continue until the second quarter of 2006, at which time, assuming no new business awards, the Company will no longer operate out of Lansing, Michigan. A charge for exit costs totaling US\$1.9 million (CDN \$2.3 million) has been recorded in the current year. These exit costs include US\$1.4 million

Notes to Consolidated Financial Statements

as at December 31, 2005 and 2004
(all numbers in thousands except share and per share amounts)

(CDN \$1.7 million) to settle remaining lease obligations on a redundant facility. The remaining US\$0.5 million (CDN \$0.6 million) relates to severance and other closeout costs.

During 2004, the Company was informed that its major customer would be terminating or not renewing certain contracts related to its Delaware, Michigan and Oshawa operations. Exit costs relating to severance, excess facility charges and other closeout costs were \$1,004 for the year ended December 31, 2004.

13. INCOME TAXES

(a) The future income tax asset (liability) is comprised of the following temporary differences:

	2005	2004
Property, plant and equipment and other assets	\$ (671)	\$ (102)
Reserves and other temporary differences	662	120
	<u>\$ (9)</u>	<u>\$ 18</u>

(b) The major factors that cause variations from the Company's combined federal and provincial statutory Canadian income tax rates of 36.12% (2004 - 36.12%) were the following:

	2005	2004
Earnings (loss) before income taxes	\$ 11,856	\$ (10,256)
Expected income tax expense at statutory rates	\$ 4,282	\$ (3,704)
Increase (decrease) resulting from:		
Non-deductible/non-taxable items	12	4,678
Manufacturing and processing deduction	(19)	(37)
Non-taxable portion of capital gains	(2,059)	(238)
Capital losses previously unrecognized	(1,227)	(238)
Non-capital losses previously unrecognized	(125)	(311)
Other	(50)	39
	<u>\$ 814</u>	<u>\$ 189</u>

(c) Provision

The details of the income tax provision are as follows:

	2005	2004
Current provision	\$ (744)	\$ (819)
Future provision	1,558	1,008
	<u>\$ 814</u>	<u>\$ 189</u>

14. CASH FLOW INFORMATION

(a) Items not involving current cash flows

	2005	2004
Amortization	\$ 2,854	\$ 4,398
Loss (gain) on disposal of property, plant and equipment	(1,133)	-
Future income taxes	27	192
Gain on disposal of long-term investments	-	(379)
Write-off of goodwill and intangible assets	-	11,348
Stock-based compensation	24	25
Foreign exchange	(278)	(218)
Pension expense	146	153
	<u>\$ 1,640</u>	<u>\$ 15,519</u>

(b) Net change in non-cash working capital

	2005	2004
Receivables	\$ (5,856)	\$ 743
Inventory	66	72
Prepaid expenses	101	(1,778)
Accounts payable and accrued liabilities	3,759	(644)
Advanced tooling payment	2,026	-
Income taxes	1,740	(476)
	<u>\$ 1,836</u>	<u>\$ (2,083)</u>

(c) Supplemental information

	2005	2004
Interest paid	\$ 394	\$ 688
Income taxes paid (recovered)	\$ (1,051)	\$ 797

Notes to Consolidated Financial Statements

as at December 31, 2005 and 2004
(all numbers in thousands except share and per share amounts)

15. PENSION PLANS

The Company has defined contribution plans in place for the employees of its subsidiaries. Contributions to these plans are based on specified percentages of salaries. The total expense for the defined contribution pension plans was \$710 (2004 - \$700). The Company also has a defined benefit pension plan for a senior executive of the Company. Information about the defined benefit plan is as follows:

	2005	2004
Total defined benefit pension expense is comprised as follows:		
Defined benefit plan		
Service costs (benefits earned during the year)	\$ 83	\$ 79
Interest costs on accrued benefit obligation	64	69
Expected return on plan assets	(73)	(67)
Amortization of transitional obligations	72	72
Total defined benefit pension expense	\$ 146	\$ 153
Pension fund asset is comprised as follows:		
Market value of plan assets at beginning of year	\$ 2,089	\$ 1,847
Employer contributions	-	125
Actual return on plan assets	128	117
Market value of plan assets at end of year	\$ 2,217	\$ 2,089
Accrued benefit obligations is comprised as follows:		
Obligation at beginning of year	\$ 1,216	\$ 1,074
Service costs (benefits earned during the year)	83	79
Interest costs on accrued benefit obligation	64	69
Actuarial loss on accrued benefit obligation	238	(6)
Accrued benefit obligation at the end of the year	\$ 1,601	\$ 1,216
Funded status at end of year:		
Items not recognized in earnings:	\$ 616	\$ 873
Unrealized transitional obligation	358	429
Unrecognized actuarial gains (losses)	154	(29)
Pension fund asset	\$ 1,128	\$ 1,273

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligation are as follows:

	2005	2004
Discount rate	4.75%	5.75%
Expected long-term rate of return on plan assets	3.50%	3.50%
Rate of compensation increase	4.00%	4.00%
Retirement age	65 years	65 years
Expected remaining service life	5 years	6 years

Based on the result of an actuarial valuation, completed as of December 31, 2005, funding contributions are expected to be \$30 for the year 2006 and \$139 for the year 2007. Payments will commence upon retirement of the key executive. The next actuarial valuation of the plan for funding purposes will be required no later than December 31, 2007 or in the event of a plan amendment.

During 2004, the Company committed to providing a second senior executive with certain post-retirement benefits. The total estimated cost of these benefits was expensed over the remaining service life of the executive. The executive retired during the second quarter of 2005 and will receive monthly payments of \$5. This obligation is unfunded.

Plan assets

In 2002, the Company established a retirement compensation arrangement for a senior executive of the company in order to pre-fund the benefits under the plan. Under the terms of the retirement compensation arrangement, 50% of all contributions to the plan are required to be deposited with the Canada Revenue Agency. At December 31, 2005 43% (2004 - 44%) of the plan assets at fair value were deposited in the tax account and 57% (2004 - 56%) were invested. The balance invested consists of the following allocations:

	Target	2005 Actual	2004 Actual
Fixed income	40%	39%	31%
Canadian equity	50%	45%	51%
US equity	5%	8%	9%
International equity	5%	8%	9%

The expected long-term rate of return on plan assets is arrived at based on a review of historical rates of similar investments.

Notes to Consolidated Financial Statements

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16. RELATED PARTY TRANSACTIONS

During the year, the Company paid rent to two companies controlled by a former member of the Board of Directors totalling \$1,937 (US\$1,599) (2004 - \$2,773 (US\$2,132)). These transactions were conducted in the normal course of business and were accounted for at the exchange amount.

17. CONTINGENCIES AND COMMITMENTS

(a) Operating leases

All of the Company's facilities are subject to operating leases. The Company also has operating lease commitments for equipment. Future lease commitments are shown below. Approximately 90% of the operating lease commitments relate to facility rentals. Commitments are denominated in both Canadian and US dollars. US dollar denominated commitments disclosed below have been translated into the Canadian dollar equivalent.

	US Denominated	CDN Denominated	Total
2006	\$ 4,331	\$ 3,377	\$ 7,708
2007	3,218	3,699	6,917
2008	3,254	3,576	6,830
2009	3,254	3,443	6,697
2010	-	3,527	3,527
Thereafter	-	15,557	15,557
	\$ 14,057	\$ 33,179	\$ 47,236

(b) Capital expenditures

At December 31, 2005, the Company had committed to contracts for equipment totaling \$9.1 million to be used in its new Oakville facility.

(c) Interest rate swap agreement

The Company is committed to an interest rate swap agreement, which expires December, 2007, on its US dollar denominated debt of US\$4,151 (see Note 9). The agreement subjects the Company to a fixed rate of 8.7% and the counterparty to a floating three-month US dollar LIBOR rate plus 3.5%. As at December 31, 2005, the unrecognized loss on this agreement, which was calculated using year-end market rates, was \$33. The Company has no plans to unwind this position prior to maturity.

(d) Letter of credit

The Company has issued a letter of credit in the amount of \$293 (US\$252). As at December 31, 2005, no amount has been drawn upon the letter of credit and no amount has been accrued in the consolidated balance sheets relating to this letter of credit.

(e) General

In the ordinary course of business activities, the Company is a party to certain litigation and other claims. Management believes that the resolution of such litigation and claims will not have a material effect on the consolidated position of the Company.

18. SEGMENTED INFORMATION

Geographic Information

	2005		2004	
	Sales	PP&E and Goodwill	Sales	PP&E and Goodwill
Canada	\$ 35,182	\$ 15,800	\$ 38,033	\$ 13,842
United States	44,028	1,454	55,504	2,554
	\$ 79,210	\$ 17,254	\$ 93,537	\$ 16,396

All sales are made to external customers for automotive sub-assembly and sequencing services performed.

19. COMPARATIVE FIGURES

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

20. SUBSEQUENT EVENTS

(a) Subsequent to year-end, the Company signed a \$6 million equipment financing agreement for assets to be purchased in relation to the Ford Motor Company of Canada, Limited business award. The facility is to be repaid over a six year term, at an interest rate of approximately 8%.

(b) The Company was informed by General Motors Corporation that it was unsuccessful in its bid for an expansion of its Pontiac, Michigan operations and, in accordance with the terms of the bid, will cease to operate in Pontiac in mid-2006. The Pontiac operations reported revenues totaling approximately \$15 million (US\$12 million) during 2005 and employed 180 people.

Investor Information

COMPARATIVE DATA

	Dec 31 2005	Dec. 31 2004	Dec. 31 2003	Dec. 31 2002	Dec. 31 2001
Operations (\$000s)					
Sales	79,210	93,537	107,909	55,919	52,934
Net earnings (loss)	11,042	(10,445)	3,745	4,033	3,979
Cash flow from operations	14,518	2,991	6,377	9,778	4,301
Financial (\$000s)					
Total assets	51,328	36,039	53,804	42,806	46,660
Long-term debt	2,502	122	9,216	0	1,991
Shareholders' equity	34,864	22,145	34,590	36,994	37,897
Return on average shareholders' equity (%)	38.7	(36.8)	10.5	10.8	14.2
Per share (\$)					
Net earnings (loss)	0.54	(0.55)	0.20	0.21	0.27
Weighted average number of shares outstanding (000s)	20,611	19,058	18,939	18,829	14,883

QUARTERLY DATA

	2005				2004			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales (\$000s)	19,660	20,680	19,564	19,306	18,622	19,478	26,789	28,648
Amortization	929	772	623	530	831	1,115	1,288	1,164
Net earnings (loss)	9,303	644	572	523	(12,092)	(126)	716	1,057

COMMON SHARE PRICES

Calendar year

	The Toronto Stock Exchange		
	High \$	Low \$	Volume (000s)
2005			
Fourth Quarter	1.35	0.63	896
Third Quarter	1.30	0.80	302
Second Quarter	1.15	0.70	329
First Quarter	1.70	1.02	134
2004			
Fourth Quarter	2.35	1.30	346
Third Quarter	3.25	2.10	63
Second Quarter	3.26	2.60	53
First Quarter	3.76	2.25	207