Consolidated Balance Sheets

as at December 31, 2007 and 2006
(all numbers in thousands)

		2007		2006
ASSETS				
Current assets:				
Cash and cash equivalents	$	15,626	$	-
Receivables *(Note 3)*		12,563		14,767
Income taxes receivable		-		225
Prepaid expenses		3,509		3,797
		31,698		18,789
Property, plant and equipment *(Note 4)*		24,079		17,270
Goodwill		9,414		9,414
Other assets *(Note 5)*		12,044		11,927
	$	77,235	$	57,400
Current liabilities:				
Bank indebtedness *(Note 6)*	$	-	$	4,919
Accounts payable and accrued liabilities		10,386		8,003
Income taxes payable		1,145		-
Current portion of long-term liabilities *(Note 7)*		2,149		3,767
		13,680		16,689
Future income taxes *(Note 11)*		2,339		87
Long-term liabilities *(Note 7)*		11,610		4,812
		27,629		21,588
Contingencies and Commitments *(Note 15)*				
SHAREHOLDERS' EQUITY		49,606		35,812
	$	77,235	$	57,400

Signed on behalf of the Board

Michael F. Blair [signed]

Director

Henry J. Knowles [signed]

Director

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

Consolidated Statements of Shareholders' Equity and Comprehensive Income

for the years ended December 31, 2007 and 2006
(all numbers in thousands)

	Capital Stock	LTIP	Contributed Surplus	Other Comprehensive Income*	Retained Earnings (Deficit)	Total	Income
December 31, 2006	$ 42,566	$ -	$ 88	$ (6,118)	$ (724)	$ 35,812	$ -
Net earnings	-	-	-	-	7,521	7,521	7,521
Foreign Currency Translation	-	-	-	(527)	-	(527)	(527)
LTIP *(Note 8 (d))*	-	(500)	-	-	-	(500)	-
Shares issued *(Note 8(e))*	7,266	-	-	-	-	7,266	-
Compensation expense	-	31	3	-	-	34	-
December 31, 2007	$ 49,832	$ (469)	$ 91	$ (6,645)	$ 6,797	$ 49,606	
Total Comprehensive income							$ 6,994

*Upon the adoption of CICA Section 1530, "Comprehensive Income", the Corporation recorded a presentational reclassification of the cumulative translation adjustment as "Other Comprehensive Income".

	Capital Stock	Contributed Surplus	Cumulative Translation Adjustment	Retained Earnings (Deficit)	Total
December 31, 2005	$ 42,566	$ 82	$ (5,533)	$ (2,251)	$ 34,864
Net earnings	-	-	-	1,527	1,527
Foreign Currency Translation	-	-	(585)	-	(585)
Compensation expense	-	6	-	-	6
December 31, 2006	$ 42,566	$ 88	$ (6,118)	$ (724)	$ 35,812

Consolidated Statements of Earnings

for the years ended December 31, 2007 and 2006
(all numbers in thousands except share and per share data)

	2007	2006
SALES	$ 99,613	$ 57,885
COST OF SALES AND OTHER EXPENSES	81,069	54,146
EXIT COSTS *(Note 9)*	508	919
EARNINGS FROM OPERATIONS BEFORE THE FOLLOWING:	18,036	2,820
Amortization	6,667	2,119
Interest expense (income), net	428	(119)
Foreign exchange loss (gain)	163	(332)
Other income *(Note 10)*	(50)	(884)
	7,208	784
EARNINGS BEFORE INCOME TAXES	10,828	2,036
INCOME TAXES *(Note 11)*	3,307	509
NET EARNINGS FOR THE YEAR	$ 7,521	$ 1,527
Earnings per share -		
Basic and diluted	$ 0.33	$ 0.07
Weighted average common shares outstanding		
Basic	22,613,174	22,049,233
Diluted	22,613,174	22,049,233

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

Consolidated Statements of Cash Flows

for the years ended December 31, 2007 and 2006
(all numbers in thousands)

	2007	2006
CASH PROVIDED BY (USED IN)		
OPERATIONS		
Net earnings for the year	$ 7,521	$ 1,527
Items not involving current cash flows *(Note 12)*	9,213	1,160
Net change in non-cash working capital *(Note 12)*	5,530	(1,867)
Purchase of LTIP shares *(Note 8(d))*	(500)	-
	21,764	820
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and other assets	(11,278)	(20,840)
Proceeds on disposal of property, plant and equipment	112	1,952
	(11,166)	(18,888)
FINANCING ACTIVITIES		
Bank indebtedness	(4,919)	4,919
Issue of common shares	7,035	-
Proceeds from long-term liabilities	7,000	6,000
Repayment of long-term liabilities	(3,994)	(3,095)
	5,122	7,824
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(94)	(13)
CHANGE IN CASH AND CASH EQUIVALENTS	15,626	(10,257)
Cash and cash equivalents, beginning of year	-	10,257
Cash and cash equivalents, end of year	$ 15,626	$ -

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

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. Inter-company balances and transactions are eliminated upon consolidation.

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.

Future changes in accounting policy

The CICA issued three new accounting standards: section 1535, Capital Disclosures, section 3862, Financial Instruments-Disclosures, and section 3863, Financial Instruments-Presentation. Section 1535 establishes disclosure requirements about an entity's capital and how it is managed. The purpose will be to enable users of the financial statements to evaluate objectives, policies and processes for managing capital. Sections 3862 and 3863 will replace section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing disclosure requirements while carrying forward its presentation requirements. These new sections will place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The mandatory effective date is for annual and interim periods in fiscal years beginning on or after October 1, 2007. The Company will begin application of these sections effective January 1, 2008.

These standards will impact the Company's disclosures in future financial statements but will not affect the Company's results or financial position.

New accounting policy

As required by the Canadian Institute of Chartered Accountants ("CICA"), on January 1, 2007, the Company adopted CICA Handbook Section 1530, Comprehensive Income; Section 3251, Equity; Section 3855, Financial Instruments – Recognition and Measurement; Section 3861, Financial Instruments – Disclosure and Presentation and Section 3865, Hedges. The prospective adoption of these new standards resulted in changes in the accounting and presentation for financial instruments and hedging relationships as well as the recognition of certain transition adjustments that have been recorded in opening deficit or opening accumulated other comprehensive income as described below. As required by the implementation of these new standards, the comparative Consolidated Financial Statements have not been restated. The principal changes in the accounting for financial instruments and hedging relationships due to the adoption of these accounting standards are described below.

a) Financial assets and financial liabilities

Under the new standards, financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. Except in very limited circumstances, the classification is not changed subsequent to initial recognition. Financial assets purchased and sold, where the contract requires the asset to be delivered within an established time frame, are recognized on a trade-date basis. Transaction costs are recognized immediately in earnings or are capitalized, depending upon the nature of the transaction.

Financial assets and financial liabilities that are purchased and incurred with the intention of generating profits in the near term are classified as trading. These instruments are accounted for at fair value with the change in the fair value recognized in earnings. Financial assets classified as available-for-sale are carried at fair value with the changes in fair value recorded in other comprehensive income. Available-for-sale securities are written down to fair value through earnings whenever it is necessary to reflect other-than-temporary impairment. Securities that have a fixed maturity date, where the Company intends and has the ability to hold to maturity, are classified as held-to-maturity and accounted for at amortized cost using the effective interest rate method. The Company has none of these types of investments at the transition date.

b) Derivatives and hedge accounting

At the inception of a hedging relationship, the Company documents the relationship between the hedging instrument and the hedged item, its risk management objective and its strategy for undertaking the hedge. The Company also requires a documented assessment, both at hedge inception and on an ongoing basis, of whether or not the derivatives that are used in the hedging transactions are highly effective in offsetting the changes attributable to the hedged risks in the fair values or cash flows of the hedged items. All gains and losses from changes in the fair value of derivatives held for trading, or not designated as hedges, are recognized in the statement of earnings. Under the previous standards, derivatives that met the requirements for hedge accounting were generally accounted for on an accrual basis. Under the new standards, all derivatives are recorded at fair value. The method of recognizing fair value gains and losses depends on whether derivatives

are held for trading or are designated as hedging instruments, and, if the latter, the nature of the risks being hedged.

The Company has an outstanding interest rate swap (See Note 15(b)). This derivative is not designated as a hedge of the interest rate cash flows arising from its long-term debt. Any gain or loss in fair value relating to the hedge is recognized immediately in the statement of earnings in other income. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive earnings at that time remains in other comprehensive earnings until the forecasted transaction is eventually recognized in the statement of income. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive earnings is immediately transferred to the statement of earnings.

Hedges of net investments in foreign operations are accounted for similar to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive earnings. The gain or loss relating to the ineffective portion is recognized immediately in the statement of earnings. Gains and losses accumulated in other comprehensive earnings are included in the statement of earnings upon the repatriation or disposal of the investment in the foreign operation. The adoption of the new standards resulted in the reclassification of $6,118 previously recorded in the foreign currency translation adjustment account to opening accumulated other comprehensive earnings.

c) Comprehensive earnings

Comprehensive earnings is composed of the Company's net earnings and other comprehensive earnings. Other comprehensive earnings includes unrealized gains and losses on available-for-sale securities, foreign currency translation gains and losses on the net investment in self-sustaining operations and changes in the fair market value of derivative instruments designated as cash flow hedges, all net of income taxes. The components of comprehensive earnings are disclosed in the consolidated statements of shareholders' equity.

Cash and cash equivalents

Cash and cash equivalents consist 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.

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	20% 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.

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, to a maximum of five years. After commencement of commercial production, ongoing contract costs will be expensed in the period incurred.

Deferred financing costs

Prior to January 1, 2007, deferred financing costs, which were included in other assets, were amortized on a straight-line basis over the term of the related debt. The amortization of these costs is included as part of Interest and other expenses, net. Upon transition to CICA Section 3855, Financial Instruments – Recognition and Measurement on January 1, 2007, the Company nets any transaction costs against the proceeds from long-term debt instruments classified as Other Liabilities ("OL") and amortizes these costs over the expected life of the instrument using the effective interest method. The amortization amounts are included as interest expense of the related long-term debt instrument and recognized in interest expense (income), net.

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.

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 arising on 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 Handbook Section 3062 "Goodwill and Other Intangible Assets", the Company completed its annual goodwill and intangible impairment analysis during the fourth quarter of 2007. Based on the results obtained, the Company determined no write-down was required.

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.

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.

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 US 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. The effect of any changes in tax rates on the future income tax balance is recognized in income in the period of change. To the extent that management does not consider it to be more likely than not that a future income tax asset will be realized, a valuation allowance is provided.

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 and recognizes a compensation expense on options granted to employees and directors after January 1, 2002. 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 approximates 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 3.

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 15 (b).

3. ECONOMIC DEPENDENCE

The Company has long-term contracts with General Motors Corporation, General Motors of Canada Limited, Ford Motor Company of Canada,

Limited (the original equipment manufacturers or "OEMs") and their various suppliers. The Company's sales are entirely dependent on the production volumes of the OEMs for whom it provides services.

As at December 31, 2007, 88% (2006 - 83%) of trade receivables were due from General Motors Corporation, General Motors of Canada Limited and Ford Motor Company of Canada, Limited.

4. PROPERTY, PLANT AND EQUIPMENT

	2007			2006		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Land, buildings and leasehold improvements	$ 4,342	$ 2,882	$ 1,460	$ 3,900	$ 3,013	$ 887
Manufacturing equipment	17,821	7,078	10,743	7,340	5,988	1,352
Automotive equipment	600	276	324	693	449	244
Other equipment and furniture	4,686	2,570	2,116	3,383	2,703	680
Open capital projects	9,436	-	9,436	14,107	-	14,107
	$ 36,885	$ 12,806	$ 24,079	$ 29,423	$ 12,153	$ 17,270

The Company's Oakville facility realized commercial production levels during the first quarter of 2007 at which time approximately $13,800 of the balance included in open capital projects at December 31, 2006 was reclassified to the appropriate asset groupings.

5. OTHER ASSETS

	2007			2006		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Deferred contract costs	$ 14,396	$ 3,297	$ 11,099	$ 11,664	$ 726	$ 10,938
Pension fund asset *(Note 14)*	945	-	945	989	-	989
	$ 15,341	$ 3,297	$ 12,044	$ 12,653	$ 726	$ 11,927

6. CREDIT FACILITIES

The Company has a revolving credit facility with a limit of $10,000, which expires October 5, 2010. At December 31, 2007, the Company had not drawn on this facility (2006 - $3,470, which excluded outstanding cheques). Both the revolving credit facility and the term credit facilities described in Note 7 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, 2007 was 7.8% (2006 - 7.5%).

7. LONG-TERM LIABILITIES

	2007	2006
Canadian dollar term credit facility bearing interest at lenders' floating base rate. The effective interest rate for 2007 was approximately 9.4% (2006 – 7.8%). Payments of $83 are due monthly, maturing August 15, 2012.	$ 4,667	$ 5,667
Canadian dollar term credit facility bearing interest at a floating rate, based on LIBOR. The effective interest rate for 2007 was approximately 9.5%. Payments of $175 are due quarterly commencing June 2008 through September 30, 2009, $438 quarterly commencing December 31, 2009 through September 30, 2010, maturing October 5, 2010	6,760	-
Capital leases with interest rates ranging from 6.9% to 13.9%, repayable in monthly installments of $70, with various maturities through 2012, secured by equipment with an original capital cost of $2,942.	2,332	405
US dollar term credit facility bearing interest at a floating rate, based on LIBOR. The effective interest rate for 2007 was approximately 8.7% (2006 – 8.7%). The balance is denominated in US dollars (US $ - ; 2006 US $2,151) and was paid off in October, 2007. Payments of US $500 were due quarterly.	-	2,507
	13,759	8,579
Deduct: Current portion	2,149	3,767
	$ 11,610	$ 4,812

Under the terms of the financing arrangements with its bankers, as described in Notes 6 and 7, the Company is required to meet certain financial and other covenants. The Company is in compliance with its financial covenants at December 31, 2007.

Interest expense on long-term liabilities for the year is $830 (2006 - $529), of which $376 was capitalized.

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

2008	$ 2,149
2009	2,525
2010	6,961
2011	1,389
2012	735
	$ 13,759

8. CAPITAL STOCK

(a) Authorized

Unlimited number of common shares.

(b) Issued - Common Shares

	Number of Shares	Amount
Balance - December 31, 2005 and 2006	22,049,233	$ 42,566
Share offering (Note 8(e))	3,900,000	7,266
Balance - December 31, 2007	25,949,233	$ 49,832
Less: treasury stock purchased in connection with LTIP (Note 8(d))	(198,504)	(500)
Net shares outstanding	25,750,729	$ 49,332

At December 31, 2007, the issued common stock outstanding was reduced by 198,504 shares, representing units purchased in connection with the long-term incentive plan, as described in Note 8(d).

(c) 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 2006 or 2007. During the year, 129,500 options expired and no options were cancelled.

As at December 31, 2007, 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
February 18, 2003	20,000	$4.15	February 18, 2008	16,000
July 24, 2003	100,000	$4.26	July 24, 2008	80,000

(d) Long-term incentive plan ("LTIP")

On May 10, 2007, the Board of Directors approved the adoption of a Performance Share Unit Plan for Designated Participants of Automodular Corporation and its Subsidiaries (the "Plan"). In order to promote further alignment of the interests of its senior executives and its shareholders and encourage retention of key executives, Automodular will contribute funds to a trustee from time to time for the purchase of shares of Automodular in secondary markets. If performance targets specified annually are met, designated senior executives will become entitled to receive Automodular shares held in trust, subject to the vesting requirements under the Plan.

Automodular made an initial contribution of $500 to the Plan, in connection with awards under the Plan that will vest on or about December 31, 2010 (subject to earlier vesting in certain circumstances in accordance with the Plan). The entire allotment of shares was purchased by the plan on the open market during the third quarter of 2007. A total of 198,504 shares were purchased for aggregate consideration of $500 and is shown as a reduction of shareholders' equity.

For accounting purposes, the Plan is a variable interest entity and is consolidated in the accounts of the Company. The related compensation expense will be recorded over the vesting period which commenced during the final quarter of 2007. Compensation expense of $31 was recognized during the year in respect of awards under this plan. For purposes of calculating weighted average common shares outstanding, shares purchased by the Plan have been excluded. The shares currently issuable under the LTIP are not currently considered dilutive for the earnings per share calculation.

(e) New share issue

During the final quarter of 2007, the Company issued, and sold through public offering, 3,900,000 common shares at a price of $2.00 per share for total gross proceeds to the Company of $7,800. Expenses incurred in relation to the offering, net of income taxes, totalled $534, resulting in net proceeds of $7,266.

9. EXIT COSTS

2007

In connection with the cancellation of a contract related to its Lansing operations, a charge for exit costs totaling US $473 (CDN $508) was recorded in the second quarter of 2007. These costs relate primarily to severance. There are no amounts remaining in accounts payable and accrued liabilities relating to these costs.

2006

As disclosed in the subsequent events note in the 2005 Annual Report, Automodular was informed by its major customer that it was unsuccessful in its bid for an expansion of its Pontiac operations and, in accordance with the terms of the bid, ceased to operate in Pontiac in mid-2006. Exit costs of US $783 (CDN $919) relating to severance and other closeout costs have been recorded as a charge. There are no amounts remaining in accounts payable and accrued liabilities relating to these costs.

10. OTHER INCOME

	2007	2006
Gain on disposal of property, plant and equipment	$ 50	$ 884

11. INCOME TAXES

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

	2007	2006
Property, plant and equipment and other assets	$ 4,833	$ 3,964
Reserves and other temporary differences	(2,494)	(3,877)
	$ 2,339	$ 87

(b) The major factors that cause variations from the Company's combined federal and provincial statutory Canadian income tax rates of 34.1% (2006 - 34.1%) were the following:

	2007	2006
Earnings before income taxes	$ 10,828	$ 2,036
Expected income tax expense at statutory rates	$ 3,692	$ 694
Increase (decrease) resulting from:		
Non-deductible/non-taxable items	37	88
Non-taxable portion of capital gains	-	(85)
Changes in tax rates	(524)	(260)
Other	102	72
	$ 3,307	$ 509

(c) Provision

The details of the income tax provision are as follows:

	2007	2006
Current provision	$ 906	$ 466
Future provision	2,401	43
	$ 3,307	$ 509

12. CASH FLOW INFORMATION

(a) Items not involving current cash flows

	2007	2006
Amortization	$ 6,667	$ 2,119
Gain on disposal of property, plant and equipment	(50)	(884)
Future income taxes	2,252	78
Stock-based compensation	3	6
Foreign exchange loss (gain)	163	(332)
Pension expense	178	173
	$ 9,213	$ 1,160

(b) Net change in non-cash working capital

	2007	2006
Receivables	$ 1,951	$ 1,329
Prepaid expenses	255	699
Accounts payable and accrued liabilities	2,111	(1,371)
Advanced tooling payment	-	(2,026)
Income taxes	1,213	(498)
	$ 5,530	$ (1,867)

(c) Supplemental information

	2007	2006
Interest paid	$ 924	$ 535
Income taxes paid	$ 171	$ 1,546

13. 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 $1,131 (2006 - $751). 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:

	2007	2006
Total defined benefit pension expense is comprised as follows:		
Defined benefit plan		
Service costs (benefits earned during the year)	$ 103	$ 99
Interest costs on accrued benefit obligation	89	81
Expected return on plan assets	(86)	(79)
Amortization of transitional obligations	72	72
Total defined benefit pension expense	$ 178	$ 173
Pension fund asset is comprised as follows:		
Market value of plan assets at beginning of year	$ 2,395	$ 2,217
Employer contributions	139	30
Actual return on plan assets	32	148
Market value of plan assets at end of year	$ 2,566	$ 2,395
Accrued benefit obligations is comprised as follows:		
Obligation at beginning of year	$ 1,777	$ 1,601
Service costs (benefits earned during the year)	103	99
Interest costs on accrued benefit obligation	89	81
Actuarial (gain) loss on accrued benefit obligation	(168)	(4)
Accrued benefit obligation at the end of the year	$ 1,801	1,777
Funded status at end of year:	$ 765	$ 618
Items not recognized in earnings:		
Unrealized transitional obligation	214	286
Unrecognized actuarial gains losses	(34)	85
Pension fund asset	$ 945	$ 989

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

	2007	2006
Discount rate	5.25%	4.75%
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	3 years	4 years

Based on the result of an actuarial valuation completed as of December 31, 2007, funding contributions are expected to be $ - for the year 2008. 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, 2009 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 executive retired during the second quarter of 2005 and is receiving monthly payments of $5. This obligation is unfunded. The accounts payable and accrued liabilities include $0.3 million in respect of this obligation.

Plan assets

As referred to above, 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, 2007 42% (2006 - 41%) of the plan assets at fair value were deposited in the tax account and 58% (2006 - 59%) were invested. The balance invested consists of the following allocations:

	Target	2007 Actual	2006 Actual
Fixed income	40%	43%	37%
Canadian equity	50%	49%	47%
US equity	5%	0%	8%
International equity	5%	8%	8%

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

14. RELATED PARTY TRANSACTIONS

During the year, the Company paid rent to a company controlled by a former member of the Board of Directors totaling $538 (US$501) (2006 - $1,155 (US$1,018)). These transactions were conducted in the normal course of business and were accounted for at the exchange amount.

In October, 2007, the Company secured new financing with The Bank of Nova Scotia ("BNS") which also owns 100% of Scotia Merchant Capital Corporation ("SMCC"). The existing BNS credit facilities were amended to include a three-year non-revolving $7,000 term loan and a $10,000 revolving term facility. At that time, SMCC directly owned 39.9% of the issued and outstanding common shares of the Company. Andrew Brenton and Garth Davis, directors of the Company, were formerly Managing Partner and Partner, respectively, of SMCC. Each of Mr. Brenton and Mr. Davis declared their interest in the transaction and refrained from voting on the matter. The financing is being used for general corporate purposes, including the expansion related to the second Ford Program and Oshawa-area contract awards. BNS earned customary banking fees.

In November, 2007, the Company and SMCC ("the Selling Shareholder"), entered into an agreement with a syndicate of underwriters led by GMP Securities L.P. and including Canaccord Capital Corporation (the "Underwriters"), pursuant to which the Underwriters agreed to purchase, on a bought deal basis, 3 million common shares from the Company and 3 million common shares from the Selling Shareholder at a price of $2.00 per share for aggregate gross proceeds to the Company of $6,000 and to the Selling Shareholder of $6,000. The Underwriters also had the option, which they exercised, to purchase up to an additional 900,000 common shares from the Company on the same terms and conditions. The net proceeds from the treasury offering will be used by the Company for working capital and general corporate purposes. The Company did not receive any proceeds from the secondary offering by the Selling Shareholder. Each of Mr. Brenton and Mr. Davis declared their interest in the transaction and refrained from voting on the matter.

During 2006, the Corporation completed a secured $6,000 financing with Roynat Inc., a wholly-owned subsidiary of The Bank of Nova Scotia which also owns 100% of Scotia Merchant Capital Corporation ("SMCC"). At that time, SMCC directly owned 39.9% of the issued and outstanding common shares of the Corporation. The financing was used for the purchase of capital assets required for the Company's new program for Ford Motor Company of Canada Limited in Oakville, Ontario. Repayment terms and interest rates are described in Note 7. Roynat Inc. earned customary banking fees in relation to this transaction.

15. 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
2008	$ 640	$ 5,069	$ 5,709
2009	640	4,960	5,600
2010	-	4,832	4,832
2011	-	4,641	4,641
2012	-	3,451	3,451
Thereafter	-	8,362	8,362
	$ 1,280	$ 31,315	$ 33,875

(b) Interest Rate Swap Agreement

The Company is committed to an interest rate swap agreement, which expires October, 2010, on its Canadian dollar denominated term debt of $7,000 (see Note 7). The agreement subjects the Company to a fixed rate of 8.7% and the counterparty to a floating three month LIBOR rate plus 3.5%. As at December 31, 2007, the estimated fair value of this agreement, which was calculated using year-end market rates, was $1. The Company currently has no plans to unwind this position prior to maturity.

(c) 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 adverse effect on the consolidated position of the Company.

16. SEGMENTED INFORMATION

The Company operates in one segment. The following table summarizes the geographic information. Sales for automotive sub-assembly and sequencing services are shown by country of origin.

	2007		2006	
	Sales	PP&E and Goodwill	Sales	PP&E and Goodwill
Canada	$ 93,050	$ 33,317	$ 39,456	$ 26,314
United States	6,563	176	18,429	370
	$ 99,613	$ 33,493	$ 57,885	$ 26,684

17. SUBSEQUENT EVENTS

The Company was informed by General Motors Corporation that certain of Automodular's contracts to sub-assemble and sequence components for the Oshawa Truck and Oshawa Car plants will end in June, 2008 and not be renewed. Accordingly, the Company expects to close one of its Oshawa-area facilities in mid-2008. These operations reported revenues totaling $35,000 in 2007 and employed approximately 275 people. In situations such as these, both the OEM and the new supplier want to facilitate a smooth transition of the contracts addressing items such as facility, equipment and labour issues. Until this and other factors are addressed, it is not possible to determine what if any costs there will be to Automodular as a result of the expiry of the contracts.