

AUTOMODULAR CORPORATION

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2007**

(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, 2007</u>	<u>DEC. 31, 2006</u>
ASSETS		
Current assets:		
Receivables	\$ 18,512	\$ 14,767
Income taxes receivable	92	225
Prepaid expenses	<u>3,782</u>	<u>3,797</u>
	22,386	18,879
Property, plant and equipment	17,187	17,270
Goodwill	9,414	9,414
Other assets	<u>11,879</u>	<u>11,927</u>
	<u>\$ 60,866</u>	<u>\$ 57,400</u>
Current liabilities:		
Bank indebtedness	\$ 6,385	\$ 4,919
Accounts payable and accrued liabilities	9,408	8,003
Current portion of long-term liabilities	<u>3,742</u>	<u>3,767</u>
	19,535	16,689
Future income taxes	146	87
Long-term liabilities	<u>3,942</u>	<u>4,812</u>
	23,623	21,588
SHAREHOLDERS' EQUITY	<u>37,243</u>	<u>35,812</u>
	<u>\$ 60,866</u>	<u>\$ 57,400</u>

AUTOMODULAR CORPORATION

CONSOLIDATED INTERIM STATEMENTS OF SHAREHOLDERS' EQUITY FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006

(Unaudited)

(All numbers in thousands)

	Capital Stock	Contributed Surplus	Other Comprehensive Income*	Retained Earnings (Deficit)	Total	Comprehensive Income
December 31, 2006	\$42,566	\$ 88	\$ (6,118)	\$ (724)	\$ 35,812	\$ -
Net earnings	-	-	-	1,477	1,477	1,477
Foreign Currency Translation	-	-	(48)	-	(48)	(48)
Compensation expense	-	2	-	-	2	-
March 31, 2007	\$42,566	\$ 90	\$ (6,166)	\$ 753	\$ 37,243	
Total Comprehensive income						\$ 1,429

*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	-	-	-	577	577
Foreign Currency Translation	-	-	(130)	-	(130)
Compensation expense	-	1	-	-	1
March 31, 2006	\$42,566	\$ 83	\$ (5,663)	\$ (1,674)	\$35,312

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CONSOLIDATED INTERIM STATEMENTS OF EARNINGS FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006

(Unaudited)

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

	<u>MAR. 31, 2007</u>	<u>MAR. 31, 2006</u>
SALES	\$ 27,721	\$ 17,890
COST OF SALES AND OTHER EXPENSES	<u>23,414</u>	<u>16,579</u>
EARNINGS FROM OPERATIONS BEFORE THE FOLLOWING:	<u>4,307</u>	<u>1,311</u>
Amortization	1,714	506
Interest expense (net)	278	15
Foreign exchange loss (gain)	3	(126)
Other expense (income)	<u>2</u>	<u>(14)</u>
	<u>1,997</u>	<u>381</u>
EARNINGS BEFORE INCOME TAXES	2,310	930
INCOME TAXES	<u>833</u>	<u>353</u>
NET EARNINGS FOR THE PERIOD	\$ <u><u>1,477</u></u>	\$ <u><u>577</u></u>
Earnings per share -		
Basic and diluted	\$ 0.07	\$ 0.03
Weighted average common shares outstanding -		
Basic	22,049,233	22,049,233
Diluted	22,049,233	22,049,233

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CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006

(Unaudited)

(All numbers in thousands)

	MAR. 31, 2007	MAR. 31, 2006
CASH PROVIDED BY (USED IN)		
OPERATIONS		
Net earnings for the period	\$ 1,477	\$ 577
Items not involving current cash flows:		
Amortization	1,714	506
Future income taxes	59	404
Stock option expense	2	2
Foreign exchange gain	3	(126)
Gain on sale of property, plant and equipment	-	(14)
	3,255	1,349
Net change in non-cash working capital:		
Receivables	(3,645)	1,599
Income taxes receivable	137	(203)
Prepaid expenses	15	294
Accounts payable and accrued liabilities	1,406	2,608
Advanced tooling payment	-	(1,069)
	1,168	4,578
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,628)	(12,248)
Proceeds on disposal of property, plant and equipment	-	200
	(1,628)	(12,048)
FINANCING ACTIVITIES		
Bank indebtedness	1,466	-
Repayment of long-term liabilities	(990)	(631)
	476	(631)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(16)	177
CHANGE IN CASH AND CASH EQUIVALENTS	-	(7,721)
Cash and cash equivalents, beginning of period	-	10,257
Cash and cash equivalents, end of period	\$ -	\$ 2,333

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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, except as explained below.

2. ACCOUNTING POLICY

The Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, "Financial Instruments – Recognition and Measurement"; Section 3865, "Hedges"; Section 1530, "Comprehensive Income"; Section 3251, "Equity" and Section 3861, "Financial Instruments – Disclosure and Presentation" on January 1, 2007. The adoption of these new Financial Instruments standards resulted in changes in the accounting for financial instruments as well as the recognition of certain transition adjustments that have been recorded in opening retained earnings or opening accumulated other comprehensive earnings as described below. The comparative interim consolidated financial statements have not been restated for the adoption of these standards. The principal changes in the accounting for financial instruments 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. 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.

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Notes cont.

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 unaudited consolidated interim statements of shareholders' equity.

3. 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.

4. LONG-TERM LIABILITIES

Interest expense on long-term liabilities during the first quarter amounted to \$210 (2006 - \$108).

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		
	2007		2006
	\$		\$
Interest paid		294	108
Income taxes paid		700	-

7. SEGMENTED INFORMATION

Geographic Information	As at and for the three months ended		As at and for the three months ended	
	March 31, 2007		March 31, 2006	
	YTD Sales	PP&E and Goodwill	YTD Sales	PP&E and Goodwill
	\$	\$	\$	\$
Canada		\$		\$
United States	25,385	26,310	11,015	26,469
	2,336	291	6,875	1,306
	27,721	26,601	17,890	27,773

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