

AUTOMODULAR CORPORATION

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2010 AND 2009**

(UNAUDITED)

ALL NUMBERS IN THOUSANDS EXCEPT SHARE AND PER SHARE DATA

AUTOMODULAR CORPORATION

CONSOLIDATED INTERIM BALANCE SHEETS

(Unaudited)

(All numbers in thousands)

| | <u>March 31, 2010</u> (Unaudited) | <u>December 31, 2009</u> |
|--|--------------------------------------|--------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 2,753 | \$ 5,072 |
| Receivables (<i>Note 2</i>) | 16,579 | 17,274 |
| Income taxes recoverable | 48 | 184 |
| Prepaid expenses | 3,527 | 3,631 |
| | <u>22,907</u> | <u>26,161</u> |
| Marketable securities | 997 | 1,210 |
| Property, plant and equipment | 24,201 | 27,882 |
| Other assets | 798 | 702 |
| | <u>\$ 48,903</u> | <u>\$ 55,955</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 9,838 | \$ 8,002 |
| Current portion of long-term liabilities (<i>Note 3</i>) | 409 | 6,900 |
| | <u>10,247</u> | <u>14,902</u> |
| Future income taxes | 845 | 1,101 |
| Long-term liabilities (<i>Note 3</i>) | 617 | 2,363 |
| | 11,709 | 18,366 |
| SHAREHOLDERS' EQUITY | <u>37,194</u> | <u>37,589</u> |
| | <u>\$ 48,903</u> | <u>\$ 55,955</u> |

AUTOMODULAR CORPORATION

CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2010 AND 2009

(Unaudited)

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

| | <u>March 31, 2010</u> | <u>March 31, 2009</u> |
|--|-----------------------|-----------------------|
| SALES | \$ 24,801 | \$ 13,242 |
| COST OF SALES AND OTHER EXPENSES | 17,824 | 11,333 |
| PREPRODUCTION COSTS | 527 | 466 |
| EXIT COSTS (Note 6) | <u>1,820</u> | <u>1,361</u> |
| EARNINGS FROM OPERATIONS BEFORE THE FOLLOWING: | <u>4,630</u> | <u>82</u> |
| Amortization | 1,455 | 1,302 |
| Property, plant and equipment impairment charge (Note 6) | 3,250 | - |
| Interest expense, net | 208 | 161 |
| Other expense (income) | <u>6</u> | <u>(8)</u> |
| | <u>4,919</u> | <u>1,455</u> |
| LOSS BEFORE INCOME TAXES | (289) | (1,373) |
| INCOME TAXES | <u>(87)</u> | <u>(401)</u> |
| NET LOSS FOR THE PERIOD | <u>\$ (202)</u> | <u>\$ (972)</u> |
| Loss per share - | | |
| Basic and diluted | <u>\$ (0.01)</u> | <u>\$ (0.04)</u> |
| Weighted average common shares outstanding | | |
| Basic | 25,411,680 | 25,411,680 |
| Diluted | 25,411,680 | 25,411,680 |

AUTOMODULAR CORPORATION

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2010 AND 2009

(Unaudited)

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

| | March 31, 2010 | March 31, 2009 |
|---|-----------------------|-----------------------|
| CASH PROVIDED BY (USED IN) | | |
| OPERATING ACTIVITIES | | |
| Net loss for the period | \$ (202) | \$ (972) |
| Items not involving current cash flows: | | |
| Amortization | 1,455 | 1,302 |
| Property, plant and equipment impairment charge <i>(Note 6)</i> | 3,250 | - |
| Future income taxes | (337) | 149 |
| Compensation expense | 94 | 62 |
| Amortization of financing fees | 72 | 32 |
| Unrealized gain (loss) on interest rate swap | (17) | 19 |
| Foreign exchange (gain) loss | 6 | (5) |
| Pension expense | 47 | 38 |
| Pension contribution | (144) | (131) |
| Gain on sale of property, plant and equipment | - | (3) |
| | 4,224 | 491 |
| Net change in non-cash working capital: | | |
| Receivables | 737 | 2,899 |
| Income taxes receivable | 144 | (603) |
| Prepaid expenses | 110 | (217) |
| Accounts payable and accrued liabilities | 1,948 | (971) |
| | 7,163 | 1,599 |
| INVESTING ACTIVITIES | | |
| Purchase of marketable securities | (139) | - |
| Purchase of property, plant and equipment and other assets | (1,024) | (1,517) |
| Proceeds on disposal of property, plant and equipment | - | 28 |
| | (1,163) | (1,489) |
| FINANCING ACTIVITIES | | |
| Repayment of long-term liabilities | (8,309) | (533) |
| Effect of exchange rate changes on cash | (10) | 8 |
| CHANGE IN CASH AND CASH EQUIVALENTS | (2,319) | (415) |
| Cash and cash equivalents, beginning of period | 5,072 | 6,116 |
| Cash and cash equivalents, end of period | \$ 2,753 | \$ 5,701 |

AUTOMODULAR CORPORATION

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2010 AND 2009

(Unaudited)

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

1. BASIS OF PRESENTATION

The consolidated financial statements of Automodular Corporation and its subsidiaries (“Automodular” or the “Company”) have been prepared following Canadian generally accepted accounting principles (“GAAP”), except that certain disclosures required for annual financial statements have not been included. Accordingly, the unaudited consolidated interim 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.

The consolidated financial statements include the accounts of Automodular Corporation consolidated with those of its wholly-owned subsidiaries, Tec-Mar Distribution Services, Inc. and Automodular Assemblies (Ohio) Inc. All inter-company transactions and balances have been eliminated on consolidation.

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

2. RECEIVABLES

The Company adjusts trade accounts receivable balances, through a provision for doubtful accounts, to expected realizable value as soon as the account is determined not to be fully collectible, with such adjustments charged to earnings. When a trade accounts receivable balance is considered uncollectible, it is written off against the allowance for doubtful accounts. The Company updates its estimate of the allowance for doubtful accounts, based on a customer-by-customer evaluation of the collectibility of trade accounts receivable balances, taking into account amounts that are past due, the customer’s payment history and any available information indicating that a customer could be experiencing liquidity problems. As at March 31, 2010, the allowance for doubtful accounts was \$1 (2009 - \$151).

The aging of accounts receivable balances (net of a reserve for doubtful accounts) as at March 31 was as follows:

| | 2010 | 2009 |
|-----------------------|------------------|--------------|
| Current | \$ 14,448 | \$ 7,648 |
| Past due 0 – 30 days | 538 | 742 |
| Over 30 days past due | 1,593 | 1,213 |
| Total | <u>\$ 16,579</u> | <u>9,603</u> |

3. LONG-TERM LIABILITIES

In March, the Company made payments totaling \$8.0 million on its bank loans, fully repaying both of its outstanding term credit facilities. In conjunction with the repayment of one of the facilities, Automodular unwound its interest rate swap and paid a fee of \$0.1 million. All remaining long-term debt relates to capital leases. The Company continues to maintain an undrawn \$10.0 million dollar line of credit.

Interest expense on long-term liabilities for the quarter is \$210 (2009 - \$183).

AUTOMODULAR CORPORATION

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2010 AND 2009

(Unaudited)

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

4. SUPPLEMENTAL CASH FLOW INFORMATION

| | Three months ended March 31 | |
|-------------------|-----------------------------|--------|
| | 2010 | 2009 |
| Interest paid | \$ 352 | \$ 166 |
| Income taxes paid | \$ - | \$ - |

5. 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.

| | As at and for the quarter ended March 31, 2010 | | As at and for the quarter ended March 31, 2009 | |
|---------------|---|-----------------|---|-----------------|
| | Sales | PP&E | Sales | PP&E |
| Canada | \$24,113 | \$24,201 | \$12,705 | \$31,854 |
| United States | 688 | - | 537 | 90 |
| | <u>\$24,801</u> | <u>\$24,201</u> | <u>\$13,242</u> | <u>\$31,944</u> |

6. OSHAWA-AREA CONTRACTS, EXIT COSTS AND SUBSEQUENT EVENT

2010

Subsequent to March 31, 2010 General Motors of Canada Limited announced the termination of Automodular's Oshawa-area contracts for the Chevrolet Camaro effective September, 2010. As a result of this termination, Automodular expects to be exposed to the following costs:

Severance for hourly and salaried workers – Automodular has recorded a charge of \$1.5 million in the current quarter to reflect the Company's statutory obligation for severance. Automodular may record additional severance costs relating to the closure of its final Oshawa-area facility when it formalizes its communication plan to its affected employees. Automodular expects that the additional amount could be anywhere between zero and \$0.8 million.

Facility and other related costs – Automodular expects to record these costs at either the time they are incurred or at the time the facility is closed depending on their nature. It is expected that most of these costs will be recorded in the third quarter. Automodular currently estimates these costs to be approximately \$2.0-3.0 million.

Property, plant and equipment impairment charges – Automodular reviewed the carrying value of its Oshawa-area property, plant and equipment taking into account expected future cash flows and expected proceeds on sale or alternate use upon contract termination. At March 31, 2010, the net book value of

AUTOMODULAR CORPORATION

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2010 AND 2009

(Unaudited)

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

property, plant and equipment before the impairment charge was \$6.4 million. As a result of the review, Automodular recorded an impairment charge of \$3.3 million in the current quarter. In 2009, there was no impairment booked on property, plane and equipment; however, amortization on certain assets was accelerated leading to a \$736 charge to amortization.

The Company will continue to re-examine its cost estimates on a quarterly basis and revise these estimates as circumstances change or as additional information becomes available.

2009

In the first quarter of 2009, it was confirmed that the Oshawa Truck plant would close in mid-May 2009. Accordingly, the Company announced the layoff of approximately 113 employees and recorded a severance accrual of \$1.4 million.

Included in accounts payable and accrued liabilities at March 31, 2010 is approximately \$1.8 million in severance and other closure costs related to the May 2009 closure of Automodular's Montecorte facility.

Additional information relating to exit costs recorded for the closure of the Company's Montecorte facility in 2009 and the expected closure of the Company's Thornton facility in 2010 is provided below.

| | Accrued Liabilities | | | Total exit costs |
|--|---------------------|------------------------|-----------------|------------------|
| | Severance costs | Facility related costs | Total | |
| 2009 | | | | |
| <i>Opening balance - January 1, 2009</i> | \$ 727 | \$ - | \$ 727 | \$ - |
| Plus: exit costs/adjustments | 1,781 | 2,759 | 4,540 | 4,540 |
| Less: amounts paid/expensed | (1,676) | (1,547) | (3,223) | (191) |
| <i>Closing balance: December 31, 2009</i> | \$ 832 | \$ 1,212 | \$ 2,044 | \$ 4,349 |
| 2010 | | | | |
| <i>Opening balance: January 1, 2010</i> | \$ 832 | \$ 1,212 | \$ 2,044 | \$ - |
| Plus: exit costs/adjustments | 1,500 | 452 | 1,952 | 1,952 |
| Less: amounts paid/expensed | (132) | (584) | (716) | (132) |
| <i>Closing balance: March 31, 2010</i> | \$ 2,200 | \$ 1,080 | \$ 3,280 | \$ 1,820 |