



AUTOMODULAR CORPORATION

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2007

(UNAUDITED)

ALL NUMBERS IN THOUSANDS EXCEPT SHARE AND PER SHARE DATA

AUTOMODULAR CORPORATION

NOTICE TO READER OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The interim consolidated financial statements of Automodular Corporation ("Automodular"), which include the interim consolidated balance sheet as at September 30, 2007 and the interim consolidated statements of earnings, cash flows and other comprehensive income for the six month period then ended are the responsibility of management. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and, where appropriate, reflect estimates based on the best judgment of management.

Pursuant to Ontario Securities Act National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim consolidated financial statements, the interim consolidated financial statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

Automodular's independent external auditors, PricewaterhouseCoopers LLP, have not performed an audit or review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

"Michael F. Blair" [signed]

Michael F. Blair
President & Chief Executive Officer

"Christopher S. Nutt" [signed]

Christopher S. Nutt
Vice-President Finance & Chief Financial Officer

AUTOMODULAR CORPORATION

CONSOLIDATED INTERIM BALANCE SHEETS

(Unaudited)

(All numbers in thousands)

	<u>SEPT. 30, 2007</u>	<u>DEC. 31, 2006</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 810	\$ -
Receivables	15,154	14,767
Income taxes receivable	-	225
Prepaid expenses	<u>3,882</u>	<u>3,797</u>
	19,846	18,879
Property, plant and equipment	20,146	17,270
Goodwill	9,414	9,414
Other assets	<u>11,475</u>	<u>11,927</u>
	<u>\$ 60,881</u>	<u>\$ 57,400</u>
Current liabilities:		
Bank indebtedness	\$ -	\$ 4,919
Accounts payable and accrued liabilities	9,870	8,003
Income taxes payable	506	-
Current portion of long-term liabilities	<u>2,305</u>	<u>3,767</u>
	12,681	16,689
Future income taxes	2,834	87
Long-term liabilities	<u>5,448</u>	<u>4,812</u>
	20,963	21,588
SHAREHOLDERS' EQUITY	<u>39,918</u>	<u>35,812</u>
	<u>\$ 60,881</u>	<u>\$ 57,400</u>

AUTOMODULAR CORPORATION

CONSOLIDATED INTERIM STATEMENTS OF SHAREHOLDERS' EQUITY FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

(Unaudited)

(All numbers in thousands)

	Capital Stock	LTIP	Contributed Surplus	Other Comprehensive Income*	Retained Earnings (Deficit)	Total	Comprehensive Income
December 31, 2006	\$ 42,566	\$ -	\$ 88	\$ (6,118)	\$ (724)	\$ 35,812	\$ -
Net income	-	-	-	-	5,245	5,245	5,245
Foreign Currency Translation	-	-	-	(642)	-	(642)	(642)
LTIP (note 6)	-	(500)	-	-	-	(500)	-
Compensation expense	-	-	3	-	-	3	-
September 30, 2007	\$ 42,566	\$ (500)	\$ 91	\$ (6,760)	\$ 4,521	\$ 39,918	
Total Comprehensive income							\$ 4,603

*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	-	-	-	1,369	1,369
Foreign Currency Translation	-	-	(567)	-	(567)
Compensation expense	-	5	-	-	5
September 30, 2006	\$ 42,566	\$ 87	\$ (6,100)	\$ (882)	\$ 35,671

AUTOMODULAR CORPORATION

CONSOLIDATED INTERIM STATEMENTS OF EARNINGS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

(Unaudited)

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

	Three months ended September 30		Nine months ended September 30	
	2007	2006	2007	2006
SALES	\$ 21,941	\$ 10,206	\$ 76,712	\$ 45,229
COST OF SALES AND OTHER EXPENSES	17,859	10,004	62,482	41,903
EXIT COSTS (note 9)	-	39	583	873
	4,082	163	13,647	2,453
Amortization	1,654	517	5,003	1,565
Interest expense (income), net	7	(103)	466	(207)
Foreign exchange loss (gain)	88	(105)	111	(279)
Other income	-	(453)	(2)	(904)
	1,749	(144)	5,578	175
EARNINGS BEFORE INCOME TAXES	2,333	307	8,069	2,278
INCOME TAXES	787	108	2,824	909
NET EARNINGS FOR THE PERIOD	\$ 1,546	\$ 199	\$ 5,245	\$ 1,369
Earnings per share -				
Basic and diluted	\$ 0.07	\$ 0.01	\$ 0.24	\$ 0.06
Weighted average common shares outstanding - (note 6)				
Basic	21,939,242	22,049,233	22,012,972	22,049,233
Diluted	21,939,242	22,049,233	22,012,972	22,049,233

AUTOMODULAR CORPORATION

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

(Unaudited)
(All numbers in thousands)

	Three months ended September 30		Nine months ended September 30	
	2007	2006	2007	2006
CASH PROVIDED BY (USED IN)				
OPERATIONS				
Net earnings for the period	\$ 1,546	\$ 199	\$ 5,245	\$ 1,369
Items not involving current cash flows:				
Amortization	1,654	517	5,003	1,565
Future income taxes	1,204	467	2,747	1,112
Stock option expense	-	2	3	5
Foreign exchange loss (gain)	88	(106)	111	(279)
Gain on sale of property, plant and equipment	-	(453)	-	(904)
	4,492	626	13,109	2,868
Purchase of LTIP shares	(500)	-	(500)	-
Net change in non-cash working capital:				
Receivables	2,316	6,913	(424)	5,519
Income taxes receivable	573	(1,059)	660	(951)
Prepaid expenses	(209)	414	(93)	1,030
Accounts payable and accrued liabilities	(689)	(6,546)	1,690	(3,528)
Advanced tooling payment	-	(252)	-	(1,929)
	5,983	96	14,442	3,009
INVESTING ACTIVITIES				
Purchase of property, plant and equipment and other assets	(3,059)	(4,648)	(5,899)	(17,784)
Proceeds on disposal of property, plant and equipment	-	64	70	1,863
	(3,059)	(4,584)	(5,829)	(15,921)
FINANCING ACTIVITIES				
Repayment of bank indebtedness	(1,157)	-	(4,919)	-
Proceeds from new financing facility	-	6,000	-	6,000
Repayment of long-term liabilities	(860)	(761)	(2,729)	(1,996)
	(2,017)	5,239	(7,648)	4,004
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(97)	69	(155)	(14)
CHANGE IN CASH AND CASH EQUIVALENTS	810	820	810	(8,922)
Cash and cash equivalents, beginning of period	-	515	-	10,257
Cash and cash equivalents, end of period	\$ 810	1,335	810	1,335

AUTOMODULAR CORPORATION

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(All numbers in thousands except share amounts)

1. BASIS OF PRESENTATION

The unaudited interim consolidated financial statements of Automodular Corporation ("Automodular" or the "Company") have been prepared in accordance with Canadian generally accepted accounting principles, except that certain disclosures required for annual financial statements have not been included. Accordingly, the unaudited interim consolidated financial statements should be read in conjunction with the Company's most recent annual audited consolidated financial statements. The consolidated interim financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements, except as explained below.

2. USE OF ESTIMATES

The preparation of unaudited interim consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the unaudited interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes that the estimates used in preparing its unaudited interim consolidated financial statements are reasonable and prudent; however, actual results could differ from these estimates.

3. 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 deficit 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.

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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.

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 income

Comprehensive income is composed of the Company's net earnings and other comprehensive income. Other comprehensive income 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 income are disclosed in the unaudited consolidated interim statements of shareholders' equity.

4. LONG-TERM LIABILITIES

Interest expense on long-term liabilities during the third quarter amounted to \$149 and year to date was \$494 (2006 - \$145 and \$338, respectively).

During the quarter, the Company entered into capital leases for equipment with a value of \$2.1 million, at rates approximating 9%, repayable in monthly installments of \$43, with various maturities through September 2012.

5. CAPITAL STOCK

No stock options were issued or exercised during the current period. Due to the termination of certain employees, 7,500 stock options expired during the third quarter. None of the outstanding stock options are presently dilutive.

6. LONG-TERM INCENTIVE PLAN

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

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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). A total of 198,504 shares were purchased by the plan on the open market during the current quarter and are 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. Compensation expense will be recorded over the vesting period starting Q4 2007. For purposes of calculating weighted average common shares outstanding, shares purchased by the Plan have been excluded.

7. CASH FLOW SUPPLEMENTAL INFORMATION

	For the three months ended		For the nine months ended	
	September 30		September 30	
	2007	2006	2007	2006
Interest paid	\$ 129	\$ 145	\$ 607	\$ 338
Income taxes paid (recovered)	\$ (733)	\$1,060	\$ 171	\$1,060

8. 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.

	For the period ended			For the period ended		
	September 30, 2007			September 30, 2006		
	YTD Sales	Current Quarter Sales	PP&E and Goodwill	YTD Sales	Current Quarter Sales	PP&E and Goodwill
Canada	\$71,094	\$20,870	\$29,403	\$29,103	\$8,301	\$25,032
United States	<u>5,618</u>	<u>1,071</u>	<u>157</u>	<u>16,126</u>	<u>1,905</u>	<u>452</u>
	<u>\$76,712</u>	<u>\$21,941</u>	<u>\$29,560</u>	<u>\$45,229</u>	<u>\$10,206</u>	<u>\$25,484</u>

9. EXIT COSTS

During the year ended December 31, 2006, the Company was informed that its customer would not be renewing the contracts related to its Lansing, Michigan operations. A charge for exit costs totaling US\$514 (CDN\$583) was recorded in the second quarter of 2007. These exit costs relate to severance and other closeout costs. There are no remaining liabilities in this regard.

10. COMMITMENTS

During the current quarter, the Company entered into a lease agreement for a building to be constructed in Oakville to support new contract awards. The operating lease is for a 5-year term and the base rent obligation is approximately \$1,000 per year.

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(All numbers in thousands except share amounts)

11. SUBSEQUENT EVENTS

(a) New financing

In October 2007, the Company finalized new bank financing comprising a 3-year non-revolving \$7,000 term loan to help fund previously announced contract awards and a \$10,000 revolving term facility for general corporate purposes (increased over current \$7,500 facility).

(b) Treasury and secondary offering

In October 2007, Automodular announced that the Company and Scotia Merchant Capital Corporation (“the Selling Shareholder”) had 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, 3,000,000 common shares from the Company and 3,000,000 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 an option, exercisable for a period of 30 days following the closing date, to purchase up to an additional 900,000 common shares from the Company on the same terms and conditions. The total gross proceeds received were \$7,800.

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.

The common shares sold pursuant to the offering were offered by way of a short form prospectus in all of the provinces of Canada excluding Quebec. The offering closed on November 2, 2007 and the over-allotment option was exercised in full.