



AUTOMODULAR CORPORATION

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2008

(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 March 31, 2008 and the interim consolidated statements of earnings, cash flows and other comprehensive income for the three 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>MAR. 31, 2008</u>	<u>DEC. 31, 2007</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8,549	\$ 15,626
Receivables	12,585	12,563
Income taxes receivable	1,212	-
Prepaid expenses	3,679	3,509
	<u>26,025</u>	<u>31,698</u>
Property, plant and equipment	26,856	24,079
Goodwill	9,414	9,414
Other assets	<u>13,017</u>	<u>12,044</u>
	<u>\$ 75,312</u>	<u>\$ 77,235</u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 7,521	\$ 10,386
Income taxes payable	-	1,145
Current portion of long-term liabilities	2,313	2,149
	<u>9,834</u>	<u>13,680</u>
Future income taxes	3,928	2,339
Long-term liabilities	<u>11,088</u>	<u>11,610</u>
	24,850	27,629
SHAREHOLDERS' EQUITY		
	<u>50,462</u>	<u>49,606</u>
	<u>\$ 75,312</u>	<u>\$ 77,235</u>

AUTOMODULAR CORPORATION

CONSOLIDATED INTERIM STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

(Unaudited)

(All numbers in thousands)

	Capital Stock	LTIP	Contributed Surplus	Other Comprehensive Income	Retained Earnings	Total	Comprehensive Income
December 31, 2007	\$49,832	\$ (469)	\$ 91	\$ (6,645)	\$6,797	\$49,606	\$ -
Net earnings	-	-	-	-	671	671	671
Foreign Currency Translation	-	-	-	154	-	154	154
Compensation expense	-	31	-	-	-	31	-
March 31, 2008	\$49,832	\$ (438)	\$ 91	\$ (6,491)	\$7,468	\$50,462	
Total Comprehensive income							\$ 825

	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 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

AUTOMODULAR CORPORATION

CONSOLIDATED INTERIM STATEMENTS OF EARNINGS FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

(Unaudited)

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

	<u>MAR. 31, 2008</u>	<u>MAR. 31, 2007</u>
SALES	\$ 20,810	\$ 27,721
COST OF SALES AND OTHER EXPENSES	<u>18,467</u>	<u>23,414</u>
EARNINGS FROM OPERATIONS BEFORE THE FOLLOWING:	<u>2,343</u>	<u>4,307</u>
Amortization	1,458	1,714
Interest expense (net)	101	278
Foreign exchange loss (gain)	(30)	3
Other (income) expense	(19)	2
	<u>1,510</u>	<u>1,997</u>
EARNINGS BEFORE INCOME TAXES	833	2,310
INCOME TAXES	<u>162</u>	<u>833</u>
NET EARNINGS FOR THE PERIOD	\$ <u><u>671</u></u>	\$ <u><u>1,477</u></u>
Earnings per share -		
Basic and diluted	\$ 0.03	\$ 0.07
Weighted average common shares outstanding		
Basic	25,750,729	22,049,233
Diluted	25,750,729	22,049,233

AUTOMODULAR CORPORATION

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

(Unaudited)

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

	MAR. 31, 2008	MAR. 31, 2007
CASH PROVIDED BY (USED IN)		
OPERATIONS		
Net earnings for the period	\$ 671	\$ 1,477
Items not involving current cash flows:		
Amortization	1,458	1,714
Future income taxes	1,589	59
Compensation expense	31	2
Foreign exchange (gain) loss	(30)	3
Gain on sale of property, plant and equipment	(19)	-
	3,700	3,255
Net change in non-cash working capital:		
Receivables	(20)	(3,645)
Income taxes receivable	(2,270)	137
Prepaid expenses	(164)	15
Accounts payable and accrued liabilities	(2,759)	1,406
	(1,513)	1,168
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and other assets	(5,166)	(1,628)
Proceeds on disposal of property, plant and equipment	11	-
	(5,155)	(1,628)
FINANCING ACTIVITIES		
Bank indebtedness	-	1,466
Repayment of long-term liabilities	(409)	(990)
	(409)	476
EFFECT OF EXCHANGE RATE CHANGES ON CASH	-	(16)
CHANGE IN CASH AND CASH EQUIVALENTS	(7,077)	-
Cash and cash equivalents, beginning of period	15,626	-
Cash and cash equivalents, end of period	\$ 8,549	\$ -

AUTOMODULAR CORPORATION

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT MARCH 31, 2008 AND 2007

(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.

New accounting policies

Effective January 1, 2008, the Company adopted the following new CICA Handbook Sections: Section 1535, Capital Disclosures; Section 3862, Financial Instruments – Disclosures; and Section 3863, Financial Instruments – Presentation.

Section 1535, Capital Disclosures, requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the Company's objectives, policies and processes for managing capital.

Sections 3862 and 3863 consist of a comprehensive series of disclosure requirements and presentation rules applicable to financial instruments. Section 3862 revises and enhances the disclosure requirements set out in Section 3861, Financial Instruments – Disclosure and Presentation, and Section 3863 carries forward unchanged the presentation requirements of Section 3861.

Section 3862, Financial Instruments – Disclosures, requires the Company to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments for the Company's financial position and performance, the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date, and how the Company manages those risks.

Financial instruments and risk management

Recognition and Measurement The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and long-term indebtedness. The Company does not enter into financial instruments for trading or speculative purposes. Financial assets are classified as available for sale, held to maturity, trading, or loans and receivables. Financial liabilities are recorded at amortized cost. Initially, all financial assets and financial liabilities must be recorded on the balance sheet at fair value. Subsequent measurement is determined by the classification of each financial asset and financial liability. Unrealized gains and losses on financial assets that are held as available for sale are recorded in other comprehensive income until realized, at which time they will be recorded in the consolidated statement of income. All derivatives, including embedded derivatives that must be separately accounted for, are recorded at fair value in the consolidated balance sheet. Transaction costs related to financial instruments are generally capitalized and then amortized over the expected life of the financial instrument using the effective yield method.

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NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2008 AND 2007

(All numbers in thousands except share amounts)

Credit Risk: The Company's financial assets that are exposed to credit risk consist primarily of accounts receivable and interest-rate swaps. The Company, in its normal course of business, is exposed to credit risk from its customers. The Company is exposed to credit loss in the event of non-performance by counterparties to the interest-rate swaps. Risks associated with concentrations of credit risk with respect to accounts receivable and interest-rate swaps are limited due to the credit rating of customers and swap counterparties serviced by the Company and the generally short payment terms and frequent settlement of swap differences.

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 collectable, with such adjustments charged to earnings. When a 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 collectability of trade receivable balances, taking into account amounts which are past due, the customer's payment history and any available information indicating that a customer could be experiencing liquidity problems. At March 31, 2008, the allowance for doubtful accounts was \$8.

The aging of accounts receivable balances as of March 31, 2008 was as follows:

Current:	\$11,805
Past due 0-30 days:	154
Past due 31-60 days:	228
Over 60 days past due:	<u>398</u>
Total	<u>\$12,585</u>

Liquidity Risk: Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities, and maintaining credit facilities to ensure it has sufficient funds available to meet current and foreseeable financial requirements.

The following are the undiscounted contractual maturities of financial liabilities as at March 31, 2008:

	Carrying Amount	Less than 1 year	1 to 2 years	After 2 years
Accounts payable and accrued liabilities	\$ 7,521	\$7,521	\$ -	\$ -
Long-term debt	13,401	2,313	2,516	8,572
Total	<u>\$20,922</u>	<u>\$9,834</u>	<u>\$2,516</u>	<u>\$8,572</u>

Market Risk: The Company is subject to interest rate risks as its credit facilities bear interest at rates that depend on certain financial ratios of the Company and vary in accordance with borrowing rates in Canada.

The following table presents a sensitivity analysis to changes in market interest rates and their potential impact on the Company as at March 31, 2008. As the sensitivity is hypothetical, it should be used with caution.

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Effect of interest rate fluctuation for the three months ended March 31, 2008:

	+100 bps	-100 bps
Increase (decrease) in interest expense	11	(11)
(Increase) decrease in interest income	(19)	19
Change to net unrealized (gain) loss on interest-rate swap	<u>18</u>	<u>(18)</u>
Increase (decrease) in earnings before income taxes	<u>(10)</u>	<u>10</u>

The Company manages its interest rate risks through the use of interest-rate swaps for a portion of its outstanding long-term indebtedness. As of March 31, 2008, the Company has entered into an interest-rate swap contract with its lender, such that the borrowing rates on \$7,000, or 51.4%, of its outstanding indebtedness are effectively fixed. An additional \$2,000 of its outstanding long-term debt is capital lease financing, at fixed rates ranging from 6.9% to 13.9%.

2. LONG-TERM LIABILITIES

Interest expense on long-term liabilities for the first quarter is \$293 (2007 - \$210), of which \$71 was capitalized.

3. CAPITAL STOCK

No stock options were exercised or issued in the current period. 20,000 options expired during the three month period.

4. CASH FLOW INFORMATION

Supplemental information

	For the three months ended March 31	
	2008	2007
Interest paid	\$ 293	\$ 294
Income taxes paid	\$ 815	\$ 700

5. CAPITAL

The Company views its capital as the combination of its indebtedness and equity balances. In general, the overall capital of the Company is evaluated and determined in the context of its financial objectives and its strategic plan.

While the Company carries a level of cash on hand, this amount is modest in relation to its overall capital and is generally in an amount determined in reference to its short-term changes in non-cash working capital balances.

With respect to its level of indebtedness, the Company determines the appropriate level in the context of its cash flow and overall business risks. Generally, the Company has maintained a low level of indebtedness relative to cash flow in order to provide increased financial flexibility. The Company would consider increasing its level of indebtedness relative to cash flow to assist in the financing of new contract awards.

The Company's indebtedness is subject to a number of covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests. One such ratio is the

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Total Debt / EBITDA Ratio as defined in the credit agreement with the lender. EBITDA is defined as net earnings for the period plus interest expense (net), income taxes, foreign exchange loss (gain) and amortization. The maximum ratio allowed for a 12-month rolling period is 2.50. For the period ended March 31, 2008, this ratio was calculated at 0.85 (2007 – 2.07). Management also uses this ratio as a key indicator in managing the Company's capital.

With respect to its equity, management considers the current level of capital adequate in the context of current operations and the present strategic plan of the Company. The equity component of capital increases primarily based upon the income of the business. Any major new contract awards may be financed in part with additional equity.

Payment terms relating to our trade payables are generally net 25th, which generally requires payment between a four and seven week timeframe.

6. 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 three months ended March 31, 2008		As at and for the three months ended March 31, 2007	
	Sales	PP&E and Goodwill	Sales	PP&E and Goodwill
Canada	\$19,791	\$36,148	\$ 25,385	\$ 26,310
United States	1,019	122	2,336	291
	<u>\$20,810</u>	<u>\$36,270</u>	<u>\$ 27,721</u>	<u>\$ 26,601</u>

7. OSHAWA-AREA CONTRACTS

During the first quarter of 2008, 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 million in 2007 and employed approximately 275 people.

The Company is currently working through the transition plan for these expiring contracts and at this time, does not expect to be materially impacted by their non-renewal. Automodular expects to be in a position to better quantify these costs, if any, during the second quarter of 2008.