

**Automodular Corporation**

**Consolidated Financial Statements**

**For the six-month periods ended June 30, 2009 and 2008**

**(Unaudited)**

All numbers in thousands, except share and per share data

**AUTOMODULAR CORPORATION**  
**CONSOLIDATED INTERIM BALANCE SHEETS**  
(ALL NUMBERS IN THOUSANDS)

	<u>June 30, 2009</u>	<u>December 31, 2008</u>
	(Unaudited)	
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 3,302	\$ 6,116
Receivables <i>(note 2)</i>	17,281	12,474
Income taxes recoverable	261	953
Prepaid expenses	4,069	3,810
	<u>24,913</u>	<u>23,353</u>
<b>Marketable securities <i>(note 1)</i></b>	472	-
<b>Property, plant and equipment</b>	30,447	31,696
<b>Other assets</b>	821	765
	<u>\$ 56,653</u>	<u>\$ 55,814</u>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 9,438	\$ 9,373
Current portion of long-term liabilities	3,019	2,554
	<u>12,457</u>	<u>11,927</u>
<b>Future income taxes</b>	624	233
<b>Long-term liabilities <i>(note 3)</i></b>	7,671	9,171
	20,752	21,331
<b>SHAREHOLDERS' EQUITY</b>	<u>35,901</u>	<u>34,483</u>
	<u>\$ 56,653</u>	<u>\$ 55,814</u>

AUTOMODULAR CORPORATION  
CONSOLIDATED INTERIM STATEMENTS OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)  
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2009 AND 2008  
(UNAUDITED)  
(ALL NUMBERS IN THOUSANDS)

	Capital stock	LTIP	Contributed surplus	Other comprehensive income (loss)	Deficit	Total	Comprehensive income (loss)
<b>December 31, 2008</b>	\$ 49,832	\$ (843)	\$ 706	\$ (5,739)	\$ (9,473)	\$ 34,483	\$ -
Net earnings	-	-	-	-	1,604	1,604	1,604
Foreign currency translation	-	-	-	(267)	-	(267)	(267)
Unrealized loss on marketable securities <i>(note 1)</i>	-	-	-	(101)	-	(101)	(101)
Unrealized gain on interest rate swap	-	-	-	57	-	57	57
Compensation expense	-	125	-	-	-	125	-
<b>June 30, 2009</b>	<u>\$ 49,832</u>	<u>\$ (718)</u>	<u>\$ 706</u>	<u>\$ (6,050)</u>	<u>\$ (7,869)</u>	<u>\$ 35,901</u>	
<b>Total comprehensive income</b>							<u>\$ 1,293</u>

	Capital stock	LTIP	Contributed surplus	Other comprehensive income (loss)	Retained earnings	Total	Comprehensive income (loss)
<b>December 31, 2007 as previously reported</b>	\$ 49,832	\$ (469)	\$ 91	\$ (6,645)	\$ 6,797	\$ 49,606	\$ -
Change in accounting policy					(7,849)	(7,849)	-
<b>December 31, 2007 as restated</b>	49,832	(469)	91	(6,645)	(1,052)	41,757	-
Net earnings	-	-	-	-	1,461	1,461	1,461
Foreign currency translation	-	-	-	101	-	101	101
Compensation expense	-	62	-	-	-	62	-
<b>Restated June 30, 2008</b>	<u>\$ 49,832</u>	<u>\$ (407)</u>	<u>\$ 91</u>	<u>\$ (6,544)</u>	<u>\$ 409</u>	<u>\$ 43,381</u>	
<b>Total comprehensive income</b>							<u>\$ 1,562</u>

**AUTOMODULAR CORPORATION**  
**CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS**  
**FOR THE THREE- AND SIX-MONTH PERIODS ENDED JUNE 30, 2009 AND 2008**  
**(UNAUDITED)**  
(ALL NUMBERS IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>SALES (note 6)</b>	\$ 24,103	\$ 25,013	\$ 37,345	\$ 45,823
<b>COST OF SALES AND OTHER EXPENSES</b>	15,580	20,134	26,913	39,052
<b>PREPRODUCTION COSTS</b>	429	127	895	1,369
<b>EXIT COSTS (note 6)</b>	<u>1,648</u>	<u>645</u>	<u>3,009</u>	<u>645</u>
<b>EARNINGS FROM OPERATIONS BEFORE THE FOLLOWING:</b>	<u>6,446</u>	<u>4,107</u>	<u>6,528</u>	<u>4,757</u>
Amortization	2,371	1,516	3,673	2,374
Interest expense, net	267	252	428	353
Foreign currency exchange loss (gain)	(3)	8	(8)	(22)
Other income	<u>-</u>	<u>(25)</u>	<u>(3)</u>	<u>(44)</u>
	<u>2,635</u>	<u>1,751</u>	<u>4,090</u>	<u>2,661</u>
<b>EARNINGS BEFORE INCOME TAXES</b>	3,811	2,356	2,438	2,096
<b>INCOME TAXES</b>	<u>1,235</u>	<u>718</u>	<u>834</u>	<u>635</u>
<b>NET EARNINGS FOR THE PERIOD</b>	<u>\$ 2,576</u>	<u>\$ 1,638</u>	<u>\$ 1,604</u>	<u>\$ 1,461</u>
Earnings per share -				
Basic and diluted	\$ 0.10	\$ 0.06	\$ 0.06	\$ 0.06
Weighted average common shares outstanding				
Basic	25,411,680	25,750,729	25,411,680	25,750,729
Diluted	25,411,680	25,750,729	25,411,680	25,750,729

**AUTOMODULAR CORPORATION**  
**CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
**FOR THE THREE- AND SIX-MONTH PERIODS ENDED JUNE 30, 2009 AND 2008**  
**(UNAUDITED)**  
**(ALL NUMBERS IN THOUSANDS)**

	<b>Three months ended</b>	<b>June</b>	<b>Six months ended</b>	
	<b>30,</b>	<b>30,</b>	<b>June 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>CASH PROVIDED BY (USED IN)</b>				
<b>OPERATING ACTIVITIES</b>				
Net earnings for the period	\$ 2,576	\$ 1,638	\$ 1,604	\$ 1,461
<b>Items not involving current cash flows:</b>				
Amortization	2,371	1,516	3,673	2,374
Future income taxes	299	(1,652)	448	143
Compensation expense	63	31	125	62
Deferred financing fees	33	-	65	-
Unrealized loss on financial instruments	57	-	57	-
Foreign exchange gain	(3)	8	(8)	(22)
Pension expense	37	-	75	-
Pension contribution	-	-	(131)	-
Gain on sale of property, plant and equipment	-	(25)	(3)	(44)
	<u>5,433</u>	<u>1,516</u>	<u>5,905</u>	<u>3,974</u>
<b>Net change in non-cash working capital:</b>				
Receivables	(7,939)	(3,686)	(5,040)	(3,706)
Income taxes receivable	1,261	1,893	658	(377)
Prepaid expenses	(55)	(272)	(272)	(436)
Accounts payable and accrued liabilities	1,014	3,777	62	1,018
	<u>(286)</u>	<u>3,228</u>	<u>1,313</u>	<u>473</u>
<b>INVESTING ACTIVITIES</b>				
Purchase of marketable securities	(630)	-	(630)	-
Purchase of property, plant and equipment and other assets	(881)	(3,052)	(2,398)	(6,977)
Proceeds on disposal of property, plant and equipment	-	71	28	83
	<u>(1,511)</u>	<u>(2,981)</u>	<u>(3,000)</u>	<u>(6,894)</u>
<b>FINANCING ACTIVITIES</b>				
Repayment of long-term liabilities	(567)	(587)	(1,100)	(996)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	<u>(35)</u>	<u>-</u>	<u>(27)</u>	<u>-</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>(2,399)</u>	<u>(340)</u>	<u>(2,814)</u>	<u>(7,417)</u>
<b>Cash and cash equivalents, beginning of period</b>	<u>5,701</u>	<u>8,549</u>	<u>6,116</u>	<u>15,626</u>
<b>Cash and cash equivalents, end of period</b>	<u>\$ 3,302</u>	<u>\$ 8,209</u>	<u>\$ 3,302</u>	<u>\$ 8,209</u>

**AUTOMODULAR CORPORATION**  
**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**AS AT THE THREE-MONTH PERIODS ENDED JUNE 30, 2009 AND 2008**  
(ALL NUMBERS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

**1. BASIS OF PRESENTATION**

The unaudited consolidated interim 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 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.

Certain comparative numbers have been reclassified including a reclassification of \$132 within the Statement of Shareholders' Equity and Comprehensive Income (Loss).

On October 1, 2008, the Company adopted the new *Canadian Institute of Chartered Accountants (CICA) Handbook* Section 3064. As a result of adopting this section, the Company has commenced expensing start-up and pre-production costs as incurred. This change in accounting policy has been applied retroactively, and financial statements of prior periods have been restated.

Marketable securities purchased by the Company this quarter have been classified as available for sale in accordance with the *CICA Handbook* section 3855, "Financial Instruments" and recorded at fair value, with unrealized gains and losses recorded in comprehensive income (loss).

**2. ACCOUNTS RECEIVABLE**

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 June 30, 2009, the allowance for doubtful accounts was \$143. The Company has purchased contract frustration insurance in order to mitigate its exposure to potential restructuring through US Chapter 11, Canadian CCAA or otherwise by General Motors of Canada (\$3.5 million) and Ford Motor Company (\$6.7 million). This coverage expires August, 2009.

The aging of accounts receivable balances as at June 30, 2009 was as follows:

Current:	\$15,543
Past due 0-30 days:	(20)
Over 30 days past due:	<u>1,758</u>
Total	<u>\$17,281</u>

**3. LONG-TERM LIABILITIES**

Interest expense on long-term liabilities for the second quarter and year-to-date are \$268 and \$451 (2008 - \$322 and \$615).

**AUTOMODULAR CORPORATION**  
**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**AS AT THE THREE-MONTH PERIODS ENDED JUNE 30, 2009 AND 2008**  
(ALL NUMBERS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

**4. SUPPLEMENTAL CASH FLOW INFORMATION**

	Three months ended		Six months ended	
	June 30,		June 30,	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Interest paid	\$ 267	\$ 322	\$ 433	\$ 615
Income taxes paid (refunded)	\$ (100)	\$ -	\$ (100)	\$ 815

**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 periods			As at and for the periods		
	ended June 30, 2009			ended June 30, 2008		
	YTD sales	Current quarter sales	PP&E	YTD sales	Current quarter sales	PP&E and goodwill
Canada	\$ 36,269	\$ 23,564	\$ 30,391	\$ 43,618	\$ 23,827	\$ 38,097
United States	1,076	539	56	2,205	1,186	124
	<u>\$ 37,345</u>	<u>\$ 24,103</u>	<u>\$ 30,447</u>	<u>\$ 45,823</u>	<u>\$ 25,013</u>	<u>\$ 38,221</u>

**6. OSHAWA-AREA CONTRACTS AND EXIT COSTS**

As a result of the closure of General Motors of Canada Limited's Oshawa Truck Plant in May, 2009, Automodular has shut down its Montecorte facility which supported those operations. The commercial agreement with our customer called for a termination fee to be paid based on the remaining months' outstanding in the purchase order. Accordingly, \$4,360 has been included in sales in the current quarter to reflect this. Costs expensed relating to the closure include \$2,108 in severance costs for impacted hourly and salaried employees of which \$201 was expensed in the second quarter (\$1,562 year-to-date), \$736 relating to the write of capital assets with the charge reflected as amortization in the current quarter and \$1,446 in respect of other expected closure costs (included in accounts payable and accrued liabilities at June 30, 2009) including but not limited to estimated facility repair costs, residual equipment leases and lease inducement costs over the balance of the facility lease. The Company expects to incur and expense future exit costs until the end of the facility lease in 2011. The contract termination fee is expected to approximate all exit costs incurred to date and those yet to be incurred relating to this facility closure. The Company will re-examine its accruals on a quarterly basis and will revise its estimates as circumstances change.

During 2008 and 2009, severance costs were recorded relating to the closure of the facility referred to above and the expiry of certain contracts supporting GM Oshawa's car operations. At June 30, 2009, \$1,386 of severances remain unpaid and are included in accounts payable and accrued liabilities on the balance sheet.